



OMNICORP LIMITED  
兩儀控股有限公司\*

(Incorporated in Bermuda with limited liability)

**CONTENTS**

	<i>Pages</i>
Corporate Information	2
Management Discussion and Analysis	3
Independent Auditors' Review Report	10
Condensed Consolidated Statement of Comprehensive Income	11
Condensed Consolidated Statement of Financial Position	12
Condensed Consolidated Statement of Changes in Equity	13
Condensed Consolidated Statement of Cash Flows	14
Notes to the Unaudited Condensed Consolidated Interim Financial Statements	15
Other Information	26

## **CORPORATE INFORMATION**

### **BOARD OF DIRECTORS**

Chan Tak Yuen, Allen\* (*Chairman*)  
(*appointed on 3 August 2010*)  
Judson Martin\*  
(*President and Chief Executive Officer*)  
(*appointed on 3 August 2010*)  
Sung Yan Wai, Petrus\*  
Hui Tung Wah, Samuel\*  
Chau Chi Piu, Alex\*  
(*resigned on 11 January 2010*)  
Wong Kin Chi\*\*  
Wong Che Keung, Richard\*\*  
Tong Yee Yung, Joseph\*\*

- \* Executive Director
- \* Non-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**

Baker & McKenzie  
Sit, Fung, Kwong & Shum

### **PRINCIPAL BANKERS**

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

### **REGISTERED OFFICE**

Canon's Court  
22 Victoria Street  
Hamilton HM12  
Bermuda

### **PRINCIPAL PLACE OF BUSINESS**

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

### **PRINCIPAL REGISTRAR & TRANSFER OFFICE**

HSBC Bank Bermuda Limited  
6 Front Street  
Hamilton HM 11  
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](mailto:info@omnicorplimited.com)

### **STOCK CODE**

94

## MANAGEMENT DISCUSSION AND ANALYSIS

### Business Review

During the six months ended 30 June 2010 (the "Current Period"), the Group recorded total revenue of HK\$7,572,000, representing an increase of 170% over the same period last year.

Revenue of the Group surged as the sales orders of our logs and timber products increased significantly during the Current Period. Such increase was mainly due to the increasing of the market acceptance of our products, including those lesser known species, through the strengthened sales and marketing efforts and the increase in our log supply even in slow wet season by improving the operation efficiency and the better utilization of the transport capacity. The steady increase in the sales orders will provide us accelerating momentum to further develop our business and to achieve economic of scales. With the gradual revival of the global economy and the significant improvement of our fundamentals, the management anticipated that higher sales volume and more significant positive contributions from the sales of our products can be achieved in the second half of 2010 when the traditional dry season in Suriname commences around August.

The gross profit of the Group for the Current Period was approximately HK\$3,952,000, representing an increase of approximately HK\$2,528,000 over approximately HK\$1,424,000 for the same period last year. The increase was largely in line with the increase of the revenue. Due to the rise in the average selling price of our logs and timber products, the gross margin increased by 1.5 percentage points from 50.7% for the same period last year to 52.2% for the Current Period.

Other income and gains amounted to HK\$51,000 for the Current Period, a decrease of HK\$1,063,000 compared with HK\$1,114,000 for the same period last year. The decrease was mainly due to the one-off gain of HK\$1,066,000 on disposal of listed investments recorded last period. There is no such transaction occurred in the Current Period.

Selling and distribution costs mainly represented trucking, barging and ocean freight costs incurred for our sales of logs and forestry products, increased to HK\$2,745,000 for the Current Period from HK\$1,302,000 for the same period last year. The decrease in the selling and distribution costs as a percentage of sales in the Current Period was mainly due to the improvement of the overall logistic efficiency and the stringent control of the costs.

## MANAGEMENT DISCUSSION AND ANALYSIS (continued)

### Business Review (continued)

Administrative expenses increased by HK\$2,499,000 to HK\$19,077,000 in the Current Period. The increase was mainly due to the increase in staff costs as new employees were recruited to cater for the planned business expansion.

Other expenses increased to HK\$7,448,000 in the Current Period from HK\$4,024,000 for the same period last year. The increase was mainly due to costs and expenses incurred in optimizing the layout of the log yard, ramping up the existing sawmill and improving the general living facilities at our forest camp and staff quarters at Apura, Suriname.

The share results of associates recorded a loss of HK\$1,199,000 (30 June 2009: HK\$1,050,000) reflecting our share of the operational loss of the associates.

Finance costs of HK\$4,701,000 (30 June 2009: HK\$11,202,000) represented the interest expenses incurred for the convertible bonds with a total principal of HK\$237,000,000 issued in November 2007 (the "Existing Convertible Bonds"). The significant decrease of the finance costs was mainly due to the decrease of the effective interest rate of the Existing Convertible Bonds from 10.01% to 4% pursuant to the new terms of the supplemental agreement entered into between the Company and the holders of the Existing Convertible Bonds on 9 November 2009.

Based on the foregoing reasons, the Group's loss attributable to the equity holders of the Company amounted to HK\$23,488,000 for the Current Period, representing a decrease of loss of HK\$2,365,000 for the same period last year.

### Liquidity And Financial Review

As at 30 June 2010, the Group maintained cash and bank balances of approximately HK\$15,351,000 (31 December 2009: HK\$40,916,000) with no bank borrowings outstanding (31 December 2009: Nil), except for a loan from an associate of HK\$8,000,000 (31 December 2009: Nil) which was not repayable within one year.

## MANAGEMENT DISCUSSION AND ANALYSIS (continued)

### Liquidity And Financial Review (continued)

As written confirmation was obtained from Sino-Forest Corporation (“Sino-Forest”), which is the ultimate beneficial owner of the Existing Convertible Bonds with the total principal amount of HK\$212,328,000, 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 Existing Convertible Bonds a modification to the existing terms of the Existing Convertible Bonds, which may include an extension of the maturity date of the Existing Convertible Bonds from 9 November 2010 to a date not earlier than 9 November 2011. Pursuant to the Existing Convertible Bonds instrument, alternation of terms could be induced upon obtaining consents from bondholders with over 50% of beneficial interest of the Existing Convertible Bonds, as such, the total balance of the Existing Convertible Bonds was classified as non-current liabilities as at 30 June 2010.

After taking into account the above, the Group’s current assets and current liabilities as at 30 June 2010 were HK\$33,654,000 and HK\$32,025,000 (31 December 2009: HK\$52,096,000 and HK\$28,778,000, respectively).

As at 30 June 2010, the Group’s gearing ratio, which was calculated on the basis of bank and other borrowings as a percentage of equity attributable to equity holders of the Company, was 3.75% (31 December 2009: 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 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 United States dollars will not have material impact to the Group. During the Current Period, the Group did not use any financial instruments for hedging purposes and the Group did not have any hedging instruments outstanding as at 30 June 2010.

As at 30 June 2010, there were 315,789,152 shares in issue.

## MANAGEMENT DISCUSSION AND ANALYSIS (continued)

### Liquidity And Financial Review (continued)

Near the end of the Current Period, on 22 June 2010, the Company entered into a share subscription agreement with Sino-Capital Global Inc. ("Sino-Capital"), a wholly owned subsidiary of Sino-Forest Corporation ("Sino-Forest"), whereby the Company agreed to allot and issue 230,000,000 new ordinary shares of the Company ("Subscription Shares") to Sino-Capital at a subscription price of HK\$1.82 per share for a total cash consideration of HK\$418,600,000 ("Share Subscription"), representing approximately 41.99% of the enlarged issued share capital of the Company upon completion. The Share Subscription was completed on 3 August 2010.

On the even date, the Company entered into a convertible notes subscription agreement with Greater Sino Holdings Limited ("Greater Sino"), whereby the Company agreed to issue convertible notes with an aggregate principal amount of approximate HK\$195,000,000 (equivalent to US\$25 million) ("New Convertible Notes") to Greater Sino ("CN Subscription"). The New Convertible Notes can be converted into ordinary shares of the Company at the initial conversion price of HK\$2.002 per conversion share ("Conversion Shares"). Assuming full conversion, the New Convertible Notes can be converted into 97,077,922 ordinary shares of the Company, representing approximately 15.10% of the entire issued of the Company as enlarged by the Subscription Shares and the Conversion Shares. This transaction is expected to be completed around mid of August 2010.

The aggregate net proceeds from the issue of the Subscription Shares and New Convertible Notes, after deduction of all related expenses, will be approximately HK\$609 million. The Company intends to apply approximately HK\$215 million for the acquisition of further logging and transportation equipments, construction of a new sawmill to process logs into lumber and improvement of the existing infrastructure and acquisition of lands to enhance the logistic and storage space and approximately HK\$394 million for investment and general working capital purpose. If the maturity date of the Existing Convertible Bonds cannot be extended as intended, and the Existing Convertible Bonds are not otherwise converted in accordance with their terms, HK\$237 million will be used to repay the Existing Convertible Bonds upon their maturity. Approximately HK\$57 million will be used as investment in forestry and timber business and the remaining HK\$100 million will be used as general working capital of the Group. If, however, the maturity date of the Existing Convertible Bonds can be extended, the principal amount of the Existing Convertible Bonds of HK\$237 million will also be used for investment purposes, i.e. a total of HK\$294 million will be used as investment in forestry and timber business and the remaining HK\$100 million will be used as general working capital of the Group.

## MANAGEMENT DISCUSSION AND ANALYSIS (continued)

### Liquidity And Financial Review (continued)

Further details of the Share Subscription and CN Subscription, including the detailed allocation of the use of proceeds, were set out in the Company's announcement dated 22 June 2010 and the circular dated 13 July 2010.

### Interim Dividend

The Board has resolved not to recommend any dividend for the period ended 30 June 2010.

### Prospects

Following the completion of the Share Subscription, the interests held by Sino-Forest increase from 19.8% to 53.5% of the enlarged issued share capital of the Company, thereby Sino-Forest becoming the controlling shareholder of the Company. Assuming full conversion of the Existing Convertible Bonds, Sino-Forest will further step up its interest in the Company to approximately 59.9% of its enlarged issued share capital.

As a result of the above, Mr. Allen Chan was appointed the Chairman and a non-executive director of the Company and Mr. Judson Martin was appointed the President and Chief Executive Officer and an executive director of the Company. Mr. Chan co-founded Sino-Forest in 1994 and is the Chairman and Chief Executive Officer and a director of Sino-Forest. Mr. Martin is the Vice Chairman of Sino-Forest and has been a director of Sino-Forest since 2006.

Mr. Chan is recognized as a leader in sustainable forestry, who, over the last twenty years, has built Sino-Forest into a leading commercial forestry plantation operator in China. Mr. Martin brings over 25 years of executive management experience in large public companies, extensive corporate development and global capital market experience to the Company.

Subject to completion of the CN Subscription and in accordance with the terms of the CN Subscription agreement, it is expected that Greater Sino will nominate Mr. Simon Murray for appointment to the Board. Mr. Murray is also an independent non-executive director of Sino-Forest.

Their appointments mark the beginning of a new era for the Company. We are confident the joined force between the Company and Sino-Forest will bring more value to our shareholders in the coming years.



## **MANAGEMENT DISCUSSION AND ANALYSIS (continued)**

### **Prospects (continued)**

Looking ahead, the continued improvement and steady growth of macro economy of the Mainland China and the general increase in its household spending will fuel up the demand for input wood fibre and wood products and broaden the fibre supply gap. With support from Sino-Forest, the Group will accelerate our expansion plan in tropical hardwood business through providing further capital investments, including, but not limited to, further investment in logging and transportation equipment, together with the planned new sawmill and better infrastructure of the Group's camp sites and other operating locations.

The Group will continue to drive revenue and profit growth through ongoing efforts to expand its customers base and spectrum of merchantable species, increasing the utilization of our transport capacity, shortening the production lead time and commencing the sale of the sawn timber produced from our existing sawmill. Moreover, with Sino-Forest becoming our controlling shareholder and partner, the Group can now also be able to leverage Sino-Forest's international distribution channels, experienced financial and operating management, research and development knowledge and its two decades of successful and sustainable harvesting expertise to accelerate the Group's development with a vision to transform the Group into a world leading hardwood supplier. The Directors are optimistic about the future growth of our business and will also actively exploring investment opportunities so as to improve the Group's operating results and maximize our shareholders' value.

### **Charges On Group Assets**

As at 30 June 2010, 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, a 60.39% indirectly owned subsidiary of the Company, and all indebtedness owing to the Group as securities in favour of the holders of the Existing Convertible Bonds.

### **Capital Expenditure**

During the six months ended 30 June 2010, the Group spent approximately HK\$7,001,000 (31 December 2009: approximately HK\$2,630,000) on acquisition of property, plant and equipment.

## MANAGEMENT DISCUSSION AND ANALYSIS (continued)

### Contingent Liabilities

As at 30 June 2010, the Group did not have any significant contingent liabilities (31 December 2009: Nil).

### Share Option Scheme

As at 30 June 2010, there were options for 32,680,000 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. 1,190,000 options lapsed during the six months ended 30 June 2010.

### Employment And Remuneration Policy

As at 30 June 2010, the number of employees of the Group was about 167. Employees' cost (including directors' emoluments) amounted to approximately HK\$12,582,000 for the Current Period. Remuneration of the employees includes salary and discretionary bonus which is based on the Group's results and individual performance. Medical and retirement benefits schemes are made available to all levels of personnel.

## INDEPENDENT AUDITORS' REVIEW REPORT

### MOORE STEPHENS

CERTIFIED PUBLIC ACCOUNTANTS

905 Silvercord, Tower 2  
30 Canton Road  
Tsimshatsui  
Kowloon  
Hong Kong

Tel: (852) 2375 3180  
Fax: (852) 2375 3828  
E-mail: [ms@ms.com.hk](mailto:ms@ms.com.hk)  
Website: [www.ms.com.hk](http://www.ms.com.hk)

馬  
施  
雲  
事  
務  
計  
師

### TO THE BOARD OF DIRECTORS OF OMNICORP LIMITED

*(Incorporated in Bermuda with limited liability)*

#### Introduction

We have reviewed the interim financial information set out on pages 11 to 25 which comprise the condensed consolidated statement of financial position of Omnicorp Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") as of 30 June 2010 and the related condensed consolidated statements of comprehensive income, changes in equity and cash flows for the six-month period then ended, and other explanatory notes. The Main Board Listing Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of a report on interim financial information to be in compliance with the relevant provisions thereof and Hong Kong Accounting Standard 34 "Interim Financial Reporting" issued by the Hong Kong Institute of Certified Public Accountants. The directors of the Company are responsible for the preparation and presentation of this interim financial information in accordance with Hong Kong Accounting Standard 34. Our responsibility is to express a conclusion on this interim financial information based on our review and to report our conclusion solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

#### Scope of review

We conducted our review in accordance with the Hong Kong Standard on Review Engagements 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the Hong Kong Institute of Certified Public Accountants. A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

#### Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the interim financial information is not prepared, in all material respects, in accordance with Hong Kong Accounting Standard 34.

#### Moore Stephens

*Certified Public Accountants*  
Hong Kong, 12 August 2010

**CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME**

Six months ended 30 June

	Notes	<b>2010 (unaudited) HK\$'000</b>	2009 (unaudited) HK\$'000 (restated)
<b>REVENUE</b>	4	<b>7,572</b>	2,806
Cost of sales		<b>(3,620)</b>	(1,382)
Gross profit		<b>3,952</b>	1,424
Other income and gains	5	<b>51</b>	1,114
Selling and distribution costs		<b>(2,745)</b>	(1,302)
Administrative expenses		<b>(19,077)</b>	(16,578)
Other expenses		<b>(7,448)</b>	(4,024)
<b>LOSS FROM OPERATING ACTIVITIES</b>	6	<b>(25,267)</b>	(19,366)
Finance costs	7	<b>(4,701)</b>	(11,202)
Share of results of associates		<b>(1,199)</b>	(1,050)
<b>LOSS BEFORE TAX</b>		<b>(31,167)</b>	(31,618)
Tax credit	8	<b>156</b>	50
<b>LOSS AND TOTAL COMPREHENSIVE LOSS FOR THE PERIOD</b>		<b>(31,011)</b>	(31,568)
<b>ATTRIBUTABLE TO:</b>			
Equity holders of the Company		<b>(23,488)</b>	(25,853)
Non-controlling interests		<b>(7,523)</b>	(5,715)
		<b>(31,011)</b>	(31,568)
<b>LOSS PER SHARE ATTRIBUTABLE TO EQUITY HOLDERS OF THE COMPANY</b>	9		
Basic		<b>(7.46) cents</b>	(8.23) cents
Diluted		<b>N/A</b>	N/A

**CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION**

	<i>Notes</i>	<b>30 June 2010 (unaudited) HK\$'000</b>	31 December 2009 (audited) HK\$'000
<b>NON-CURRENT ASSETS</b>			
Property, plant and equipment		<b>22,769</b>	17,205
Prepaid land lease payment		<b>1,448</b>	1,448
Prepayments and deposits		<b>462</b>	3,128
Timber concessions and cutting rights	10	<b>745,801</b>	747,384
Goodwill		<b>7,624</b>	7,624
Interests in associates		<b>11,763</b>	20,962
<b>Total non-current assets</b>		<b>789,867</b>	797,751
<b>CURRENT ASSETS</b>			
Inventories		<b>9,177</b>	6,920
Trade and other receivables	11	<b>2,677</b>	2,948
Prepayments and deposits		<b>6,449</b>	1,312
Cash and cash equivalents		<b>15,351</b>	40,916
<b>Total current assets</b>		<b>33,654</b>	52,096
<b>CURRENT LIABILITIES</b>			
Trade and other payables	12	<b>8,675</b>	5,924
Deposits received		<b>23,350</b>	22,854
<b>Total current liabilities</b>		<b>32,025</b>	28,778
<b>NET CURRENT ASSETS</b>		<b>1,629</b>	23,318
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>		<b>791,496</b>	821,069
<b>NON-CURRENT LIABILITIES</b>			
Convertible bonds	13	<b>237,000</b>	237,000
Deferred tax liabilities		<b>73,651</b>	73,807
<b>Total non-current liabilities</b>		<b>310,651</b>	310,807
<b>NET ASSETS</b>		<b>480,845</b>	510,262
<b>EQUITY</b>			
<b>Equity attributable to equity holders of the Company</b>			
Issued capital		<b>3,158</b>	3,145
Equity component of convertible bonds	13	<b>45,234</b>	45,234
Reserves		<b>164,703</b>	186,610
<b>Non-controlling interests</b>		<b>213,095</b>	234,989
		<b>267,750</b>	275,273
<b>TOTAL EQUITY</b>		<b>480,845</b>	510,262

**CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY**

Six months ended 30 June

## Attributable to equity holders of the Company

	Issued capital	Share premium	Contributed surplus	Exchange fluctuation reserve	Equity			Non- controlling interests	Total Equity	
					Share option reserve	convertible bonds	Accumulated losses			
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	
<b>As at 1 January 2010 (audited)</b>	<b>3,145</b>	<b>454,372*</b>	<b>83,274*</b>	<b>12,148*</b>	<b>29,050*</b>	<b>45,234</b>	<b>(392,234) *</b>	<b>234,989</b>	<b>275,273</b>	<b>510,262</b>
<b>Total comprehensive loss for the period</b>	-	-	-	-	-	-	<b>(23,488)</b>	<b>(23,488)</b>	<b>(7,523)</b>	<b>(31,011)</b>
<b>Issue of new shares</b>	<b>13</b>	<b>2,394</b>	-	-	<b>(813)</b>	-	-	<b>1,594</b>	-	<b>1,594</b>
<b>Share options lapsed</b>	-	-	-	-	<b>(413)</b>	-	<b>413</b>	-	-	-
<b>As at 30 June 2010 (unaudited)</b>	<b>3,158</b>	<b>456,766*</b>	<b>83,274*</b>	<b>12,148*</b>	<b>27,824*</b>	<b>45,234</b>	<b>(415,309)*</b>	<b>213,095</b>	<b>267,750</b>	<b>480,845</b>
As at 1 January 2009 (audited)	3,141	453,708	83,274	9,731	5,353	45,234	(306,458)	293,983	285,406	579,389
Total comprehensive loss for the period (restated) (note 16)	-	-	-	-	-	-	(25,853)	(25,853)	(5,715)	(31,568)
Share options lapsed	-	-	-	-	(471)	-	471	-	-	-
As at 30 June 2009 (restated)	3,141	453,708	83,274	9,731	4,882	45,234	(331,840)	268,130	279,691	547,821

\* These reserve accounts comprise the consolidated reserves of HK\$164,703,000 (31 December 2009: HK\$186,610,000) in the condensed consolidated statement of financial position.

**CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS***Six months ended 30 June*

	<b>2010</b> <b>(unaudited)</b> <b>HK\$'000</b>	2009 (unaudited) HK\$'000
Net cash used in operating activities	<b>(23,468)</b>	(21,248)
Net cash used in investing activities	<b>(6,991)</b>	(8,243)
Net cash generated from/(used in) financing activities	<b>4,894</b>	(6,538)
Decrease in cash and cash equivalents	<b>(25,565)</b>	(36,029)
Cash and cash equivalents at beginning of the period	<b>40,916</b>	111,589
Cash and cash equivalents at end of the period	<b>15,351</b>	75,560

## NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

For the six months ended 30 June 2010

### 1. Basis of Preparation

These condensed consolidated interim financial statements have been prepared in compliance with Hong Kong Accounting Standard (“HKAS”) 34 “Interim Financial Reporting” issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”) and the disclosure requirements of Appendix 16 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (“Listing Rules”). These financial statements 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.

The accounting policies and basis of preparation adopted in the preparation of these condensed consolidated interim financial statements are consistent with those adopted in the annual financial statements for the year ended 31 December 2009, except for the adoption of certain new or revised Hong Kong Financial Reporting Standards (“HKFRSs”) as disclosed in note 2 below.

### 2. Impact of New and Revised HKFRSs

The Group has adopted the following new and revised HKFRSs for the first time for the Current Period’s financial statements.

HKFRS 1 (Revised)	First-time Adoption of Hong Kong Financial Reporting Standards
HKFRS 1 Amendments	Amendments to HKFRS 1 First-time Adoption of Hong Kong Financial Reporting Standards – Additional Exemptions for First-time Adopters
HKFRS 2 Amendments	Amendments to HKFRS 2 Share-based payment – Group Cash-settled Share-based Payment Transactions
HKFRS 3 (Revised)	Business Combinations
HKAS 27 (Revised)	Consolidated and Separate Financial Statements
HKAS 39 Amendment	Amendment to HKAS 39 Financial Instruments: Recognition and Measurement – Eligible Hedged Items
HK(IFRIC)-Int 17	Distributions of Non-cash Assets to Owners
Amendments to HKFRS 5 included in Improvements to HKFRSs issued in October 2008	Amendments to HKFRS 5 Non-current Assets Held for Sale and Discontinued Operations – Plan to Sell the Controlling Interest in a Subsidiary
HK Interpretation 4	Leases – Determination of the Length of Lease Term in respect of Hong Kong Land Leases



## NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (continued)

### 2. Impact of New and Revised HKFRSs (continued)

Apart from the above, the HKICPA has issued Improvements to HKFRSs 2009 which sets out amendments to a number of HKFRSs primarily with a view to remove inconsistencies and clarifying wording.

The adoption of these new and revised HKFRSs has had no significant financial effect on these condensed consolidated interim financial statements.

### 3. Impact of Issued but not yet Effective HKFRSs

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

HKFRS 9	Financial Instruments
HKAS 24 (Revised)	Related Party Disclosures
HKAS 32 Amendment	Amendment to HKAS 32 Financial Instruments: Presentation – Classification of Rights Issues
HK(IFRIC)-Int 14 Amendments	Amendments to HK(IFRIC)-Int 14 Prepayments of a Minimum Funding Requirement
HK(IFRIC)-Int 19	Extinguishing Financial Liabilities with Equity Instruments

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 or revised HKFRSs are unlikely to have a significant impact on the Group's results of operations and financial position.

### 4. Segment Information

The Group has adopted HKFRS 8 "Operating Segments" which 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 maker in order to allocate resources to segments and to assess their performance.

The Group is currently engaged in the forestry and timber business and the chief operating decision maker (i.e. the Company's directors) also review the segment information by this category to allocate resources to segments and to assess their performance.

For the period ended 30 June 2009, the Group was organized into two operating segments: (i) forestry and timber; and (ii) property investments. The segment of property investments was discontinued during the year ended 31 December 2009. For the period ended 30 June 2010, the Group solely operates in forestry and timber business. Therefore, no segment information is presented.

## NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (continued)

### 4. Segment Information (Continued)

Six months ended 30 June 2009 (unaudited)

	Forestry and Timber HK\$'000 (restated)	Property Investments HK\$'000	Consolidated HK\$'000 (restated)
SEGMENT REVENUE	2,336	470	2,806
SEGMENT RESULTS	(13,702)	(14)	(13,716)
Other income and gains			1,114
Corporate and other unallocated expenses			(6,764)
Finance costs			(11,202)
Share of results of associates			(1,050)
LOSS BEFORE TAX			(31,618)

### 5. Other Income and Gains

	Six months ended 30 June	
	2010 (unaudited) HK\$'000	2009 (unaudited) HK\$'000
Bank interest income	10	26
Gain on disposal of listed investments	-	1,066
Others	41	22
	51	1,114

## NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (continued)

### 6. Loss from Operating Activities

The Group's loss from operating activities is arrived at after charging:

	<b>Six months ended 30 June</b>	
	<b>2010</b>	2009
	<b>(unaudited)</b>	(unaudited)
	<b>HK\$'000</b>	HK\$'000
		(restated)
Impairment of trade receivables	–	330
Depreciation of property, plant and equipment	<b>1,437</b>	1,335
Amortization of timber concessions and cutting rights*	<b>1,151</b>	445

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

### 7. Finance Costs

	<b>Six months ended 30 June</b>	
	<b>2010</b>	2009
	<b>(unaudited)</b>	(unaudited)
	<b>HK\$'000</b>	HK\$'000
Interest on convertible bonds	<b>4,701</b>	11,202

### 8. Tax

No provision for Hong Kong profits tax has been made as the Group did not generate any assessable profits arising in Hong Kong during the six months ended 30 June 2010 and 2009. Taxes on profits assessable elsewhere have been calculated at the rates of tax prevailing in the country in which the Group operates.

	<b>Six months ended 30 June</b>	
	<b>2010</b>	2009
	<b>(unaudited)</b>	(unaudited)
	<b>HK\$'000</b>	HK\$'000
		(restated)
Tax credit for the period:		
– Deferred	<b>156</b>	50

## NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (continued)

### 9. Loss per Share Attributable to Equity Holders of the Company

The calculations of basic loss per share are based on:

	<b>Six months ended 30 June</b>	
	<b>2010</b>	2009
	<b>(unaudited)</b>	(unaudited)
	<b>HK\$'000</b>	HK\$'000
		(restated)
<b>Loss</b>		
Loss attributable to equity holders of the Company	<b>(23,488)</b>	(25,853)
<b>Shares</b>		
Weighted average number of ordinary shares in issue during the period	<b>314,860,257</b>	314,089,152

Diluted loss per share amounts for the six months ended 30 June 2010 and 2009 have not been disclosed, as the options and the convertible bonds outstanding during these periods had an anti-dilutive effect on the basic loss per share for these periods.

### 10. Timber Concessions and Cutting Rights

	<b>HK\$'000</b>
<b>Cost</b>	
At 1 January 2010 and 30 June 2010	751,012
<b>Accumulated amortization</b>	
At 1 January 2010	3,628
Charge for the period	1,583
At 30 June 2010	5,211
<b>Net carrying amount</b>	
<b>At 30 June 2010 (unaudited)</b>	<b>745,801</b>
At 31 December 2009 (audited)	747,384

## NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (continued)

### 11. Trade and Other Receivables

	<b>30 June 2010 (unaudited) HK\$'000</b>	31 December 2009 (audited) HK\$'000
Trade receivables	<b>1,477</b>	2,639
Less: Impairment	<b>-</b>	(330)
	<b>1,477</b>	2,309
Other receivables	<b>1,200</b>	639
	<b>2,677</b>	2,948

The Group allows an average credit period of 30 to 45 days to its trade customers. The aging analysis of trade receivables, based on the invoice date and net of allowance, is as follows:

	<b>30 June 2010 (unaudited) HK\$'000</b>	31 December 2009 (audited) HK\$'000
Current	<b>1,225</b>	929
One to three months	<b>-</b>	1,078
More than three months	<b>252</b>	302
	<b>1,477</b>	2,309

None of the other receivables is either past due or impaired and there is no recent history of default.

## NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (continued)

### 12. Trade and Other Payables

	<b>30 June 2010 (unaudited) HK\$'000</b>	31 December 2009 (audited) HK\$'000
Trade payables	<b>833</b>	104
Other payables	<b>7,842</b>	5,820
	<b>8,675</b>	5,924

The aging analysis of trade and other payables is as follows:

	<b>30 June 2010 (unaudited) HK\$'000</b>	31 December 2009 (audited) HK\$'000
Current	<b>5,045</b>	2,583
One to three months	<b>-</b>	-
More than three months	<b>3,630</b>	3,341
	<b>8,675</b>	5,924

## NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (continued)

### 13. Convertible Bonds

The movement of the liability component of the convertible bonds for the Current Period is set out below:

	<b>30 June 2010 (unaudited) HK\$'000</b>	31 December 2009 (audited) HK\$'000
Fair value of the convertible bonds upon issue	<b>256,849</b>	256,849
Equity component	<b>(45,234)</b>	(45,234)
Liability component	<b>211,615</b>	211,615
Interest charge	<b>50,449</b>	45,748
Interest paid	<b>(25,064)</b>	(20,363)
	<b>237,000</b>	237,000
Analysed into Non-current	<b>237,000</b>	237,000

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 satisfied partially by (i) cash of HK\$18,000,000; (ii) the issue of 60,000,000 new ordinary shares of the Company of HK\$0.01 each; and (iii) the issue of convertible bonds with principal amount of HK\$237,000,000 ("Existing 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.

The Existing 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 Existing 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 flow 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 Existing Convertible Bonds based on the carrying amount of the original balance and the revised cash flows. The adjusted effective interest rate on the Existing Convertible Bonds is the same as the coupon rate of the bond at 4% per annum.

## NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (continued)

### 13. Convertible Bonds (Continued)

As written confirmation was obtained from Sino-Forest Corporation ("Sino-Forest"), the ultimate beneficial owner of the Existing Convertible Bonds with a total principal amount of HK\$212,328,000, 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 Existing Convertible Bonds a modification to the existing terms of the Existing Convertible Bonds, which may include a further extension of the maturity date of the Existing Convertible Bonds from 9 November 2010 to a date not earlier than 9 November 2011. Pursuant to the Existing Convertible Bond instrument, alteration of terms could be induced upon obtaining consents from bondholders with over 50% of beneficial interest of the Existing Convertible bond, as such, the total balance of the Existing Convertible Bonds was classified as non-current liabilities as at 30 June 2010.

No conversion of Existing Convertible Bonds has occurred since inception up to 30 June 2010.

### 14. Commitments

The Group leases its office premises under non-cancellable operating lease arrangements with terms ranging from one to three years.

At 30 June 2010, the Group had total future minimum lease payments under non-cancellable operating leases falling due as follows:

	<b>30 June 2010 (unaudited) HK\$'000</b>	31 December 2009 (audited) HK\$'000
Within one year	<b>1,343</b>	2,065
In the second to fifth years, inclusive	–	71
	<b>1,343</b>	2,136

### 15. Related Party Transactions

Remuneration of key management personnel, including amounts paid to the Company's Directors and highest paid employees is as follows:

	<b>Six months ended 30 June</b>	
	<b>2010 (unaudited) HK\$'000</b>	2009 (unaudited) HK\$'000
Short-term employee benefits	<b>3,092</b>	2,330



## NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (continued)

### 16. Comparative Amounts

As disclosed in note 30 to the Group's annual financial statements for the year ended 31 December 2009, as a result of the finalization of the Acquisition, the Directors have concluded that the fair value of the timber concession and cutting rights should have been calculated based on an discounted cash flow analysis. Accordingly, certain retrospective adjustments were proposed during the year ended 31 December 2009 to restate the timber concessions and cutting rights, goodwill, deferred tax, non-controlling interests and inventories in the consolidated statements of financial position as at 31 December 2007 and 2008, and the cost of sales and the respective deferred tax arising from the said fair value adjustment in the consolidated statements of comprehensive income as previously reported for the years ended 31 December 2007 and 2008.

The following table summarised the adjustments made to restate the comparative amounts of the consolidated statement of comprehensive income of the Group as previously reported for the six months ended 30 June 2009.

#### Effect on the consolidated statement of comprehensive income for the period ended 30 June 2009:

	<b>Equity shareholders of the Company</b>	<b>Non- controlling interests</b>	<b>Total</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Loss and total comprehensive loss for the period			
(as previously reported)	(25,639)	(5,543)	(31,182)
Adjustments on cost of sales	(264)	(172)	(436)
Adjustments on tax credit	50	-	50
Loss and total comprehensive loss for the period (as restated)	(25,853)	(5,715)	(31,568)
Effect on loss per share attributable to equity holders of the Company	HK\$0.0007		

During the year ended 31 December 2009, the Group has adopted the valuation derived from discounted cash flows method and recognised the identifiable intangible assets of the timber concession and cutting rights at the date of Acquisition at their fair values. Accordingly, certain comparable amounts have been reclassified and retrospective adjustments have been made to account for the respective deferred tax arising from the said fair value adjustment and to record the amortization of timber concessions and cutting rights for the period ended 30 June 2009.

## NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (continued)

### 17. Events after the Reporting Period

On 22 June 2010, the Company entered into a share subscription agreement with Sino-Capital Global Inc. ("Sino-Capital"), a wholly owned subsidiary of Sino-Forest Corporation ("Sino-Forest"), whereby the Company agreed to allot and issue 230,000,000 new ordinary shares of the Company ("Subscription Shares") to Sino-Capital at a subscription price of HK\$1.82 per share for a total cash consideration of HK\$418,600,000, representing approximately 41.99% of the enlarged issued share capital of the Company upon completion. The transaction was completed on 3 August 2010.

On the even date, the Company entered into a convertible notes subscription agreement with Greater Sino Holdings Limited ("Greater Sino"), whereby the Company agreed to issue convertible notes with an aggregate principal amount of approximate HK\$195,000,000 (equivalent to US\$25 million) (the "New Convertible Notes") to Greater Sino. The New Convertible Notes can be converted into ordinary shares of the Company at the initial conversion price of HK\$2.002 per conversion share ("Conversion Shares"). Assuming full conversion, the New Convertible Notes can be converted into 97,077,922 ordinary shares of the Company, representing approximately 15.10% of the entire issued of the Company as enlarged by the Subscription Shares and the Conversion Shares. This transaction is expected to be completed around mid of August 2010.

Further details of the above two transactions were set out in the Company's announcement dated 22 June 2010 and the circular dated 13 July 2010.

### 18. Approval of Financial Information

This unaudited condensed consolidated interim financial information was approved by the Board of Directors on 12 August 2010.

## OTHER INFORMATION

### DIRECTORS' INTEREST AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES

As at 30 June 2010, 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 under Section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange of Hong Kong Limited ("Stock Exchange") pursuant to the Model Code for the Securities Transactions by Directors of Listed Issuers, were as follows:

#### Long Positions in shares and underlying shares of the Company

	Number of Shares					Total	Approximate percentage of issued share capital
	Personal Interests	Corporate Interests	Family Interests	Equity Derivatives (share options)			
Wong Kin Chi	150,000	-	-	180,000	330,000	0.105%	
Sung Yan Wai, Petrus	-	-	-	2,100,000	2,100,000	0.665%	
Hui Tung Wah, Samuel	1,080,000	-	75,000 (Note)	1,050,000	2,205,000	0.698%	
Tong Yee Yung, Joseph	-	-	-	210,000	210,000	0.067%	
Wong Che Keung, Richard	-	-	-	210,000	210,000	0.067%	

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

Save as disclosed above, as at 30 June 2010, none of the Directors and chief executives had registered any interests or short positions in the shares, underlying shares and 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.

**OTHER INFORMATION (continued)****DIRECTORS' RIGHTS TO ACQUIRE SHARES**

Apart from the foregoing and those disclosed in "Share Option Scheme" below, at no time during the Current Period was the Company or any of its subsidiaries a party to any arrangements to enable the Directors or any of their spouses or children under 18 years of age to acquire benefits by means of the acquisition of shares in or debentures of the Company or any other body corporate, and no Directors or chief executive of the company or their respective spouses or children under 18 years of age had been granted any right to subscribe for equity or debt securities of the Company nor exercised any such right.

**SHARE OPTION SCHEME**

The share option scheme (the "Scheme") of the Company was adopted by the Company at the special general meeting held on 22 March 2002 in compliance with Chapter 17 of the Listing Rules. The Scheme is valid and effective for a period of 10 years after the date of adoption of the Scheme, i.e. 21 March 2012.

Movements of the share options of the Company during the Current Period are as follows:—

Name or category of participant	No. of Share Options				As at 30 Jun 2010	Exercise period	Exercise price HK\$
	As at 1 Jan 2010	Granted during the period	Exercised during the period	Lapsed during the period			
<b>Directors</b>							
Wong Kin Chi	30,000	-	-	-	30,000	25/10/2007 – 21/03/2012	1.744
	150,000	-	-	-	150,000	05/08/2009 – 04/08/2014	1.650

**OTHER INFORMATION (continued)****SHARE OPTION SCHEME (continued)**

Name or category of participant	No. of Share Options				As at 30 Jun 2010	Exercise period	Exercise price HK\$
	As at 1 Jan 2010	Granted during the period	Exercised during the period	Lapsed during the period			
<b>Directors (continued)</b>							
Sung Yan Wai, Petrus	250,000	-	-	250,000	-	15/06/2005 - 14/06/2010	0.800
	300,000	-	-	-	300,000	17/04/2007 - 21/03/2012	0.460
	1,200,000	-	-	-	1,200,000	15/06/2007 - 21/03/2012	1.360
	100,000	-	-	-	100,000	25/10/2007 - 21/03/2012	1.744
	500,000	-	-	-	500,000	05/08/2009 - 04/08/2014	1.650
Hui Tung Wah, Samuel	550,000	-	550,000	-	-	15/06/2005 - 14/06/2010	0.800
	50,000	-	-	-	50,000	17/04/2007 - 21/03/2012	0.460
	300,000	-	-	-	300,000	15/06/2007 - 21/03/2012	1.360
	200,000	-	-	-	200,000	25/10/2007 - 21/03/2012	1.744
	500,000	-	-	-	500,000	05/08/2009 - 04/08/2014	1.650

**OTHER INFORMATION (continued)****SHARE OPTION SCHEME (continued)**

Name or category of participant	No. of Share Options				As at 30 Jun 2010	Exercise period	Exercise price HK\$
	As at 1 Jan 2010	Granted during the period	Exercised during the period	Lapsed during the period			
<b>Directors (continued)</b>							
Tong Yee Yung, Joseph	70,000	-	-	70,000	-	15/06/2005 - 14/06/2010	0.800
	30,000	-	-	-	30,000	17/04/2007 - 21/03/2012	0.460
	50,000	-	-	-	50,000	15/06/2007 - 21/03/2012	1.360
	30,000	-	-	-	30,000	25/10/2007 - 21/03/2012	1.744
	100,000	-	-	-	100,000	05/08/2009 - 04/08/2014	1.650
Wong Che Keung, Richard	70,000	-	-	70,000	-	15/06/2005 - 14/06/2010	0.800
	30,000	-	-	-	30,000	17/04/2007 - 21/03/2012	0.460
	50,000	-	-	-	50,000	15/06/2007 - 21/03/2012	1.360
	30,000	-	-	-	30,000	25/10/2007 - 21/03/2012	1.744
	100,000	-	-	-	100,000	05/08/2009 - 04/08/2014	1.650
<b>Sub-Total</b>	<b>4,690,000</b>	<b>-</b>	<b>550,000</b>	<b>390,000</b>	<b>3,750,000</b>		

**OTHER INFORMATION (continued)****SHARE OPTION SCHEME (continued)**

Name or category of participant	No. of Share Options				As at 30 Jun 2010	Exercise period	Exercise price HK\$
	As at 1 Jan 2010	Granted during the period	Exercised during the period	Lapsed during the period			
<b>Employees (other than Directors)</b>							
In aggregate	100,000	-	-	100,000	-	15/06/2005 -14/06/2010	0.800
	20,000	-	-	-	20,000	25/10/2007 -21/03/2012	1.744
	10,050,000	-	700,000	-	9,350,000	05/08/2009 - 04/08/2014	1.650
<b>Other Participants</b>							
In aggregate	4,100,000	-	-	-	4,100,000	15/06/2007 -21/03/2012	1.360
	4,800,000	-	-	700,000	4,100,000	25/10/2007 -21/03/2012	1.744
	11,360,000	-	-	-	11,360,000	05/08/2009 - 04/08/2014	1.650
<b>Total</b>	<b>35,120,000</b>	<b>-</b>	<b>1,250,000</b>	<b>1,190,000</b>	<b>32,680,000</b>		

**OTHER INFORMATION (continued)****SUBSTANTIAL SHAREHOLDERS' INTERESTS AND SHORT POSITIONS IN SHARES**

As at 30 June 2010, so far as was known to any Director or chief executive of the Company, the following persons (other than any Director or the chief executive of the Company) had an interest or short position in the Shares and underlying Shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or, who were, directly or indirectly, interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any other member of the Group:

**Long Positions in Shares and underlying Shares:**

<b>Name of shareholder</b>	<b>Capacity</b>	<b>Number of shares</b>	<b>Number of underlying shares</b>	<b>Approximate percentage of the total issued share capital</b>
Sino-Forest Corporation	Beneficial owner & interest of controlled corporation (Note 1)	62,860,000	336,164,150	126.36%
Sino-Capital Global Inc.	Beneficial owner	7,860,000	252,348,500	82.40%
General Enterprise Management Services Limited	Interest of controlled corporation (Note 2)	7,000,000	97,077,922	32.96%
Development Bank of Japan Inc.	Interest of controlled corporation (Note 3)	0	97,077,922	30.74%
Asia Resources Fund Limited	Interest of Controlled corporation (Note 4)	0	97,077,922	30.74%
Greater Sino Holdings Limited	Beneficial owner	0	97,077,922	30.74%



## **OTHER INFORMATION (continued)**

### **SUBSTANTIAL SHAREHOLDERS' INTERESTS AND SHORT POSITIONS IN SHARES (continued)**

#### **Long Positions in Shares and underlying Shares: (Continued)**

Notes:

1. As at 30 June 2010, Sino-Forest Corporation ("Sino-Forest") held (i) 55,000,000 Shares, representing approximately 17.42% of the issued share capital of the Company; and (ii) Existing Convertible bonds in the principal amount of HK\$167,631,300 convertible into conversion shares at an initial conversion price of HK\$2.00 per conversion share (subject to adjustment).

In addition, since Sino-Capital Global Inc ("Sino-Capital") is a wholly-owned subsidiary of Sino-Forest, Sino-Forest is also deemed to be interested in the Shares and the Existing Convertible Bonds in which Sino-Capital is interested by virtue of the SFO. As at 30 June 2010, Sino-Capital (a) held (i) 7,860,000 Shares, representing approximately 2.49% of the issued share capital of the Company; and (ii) Existing Convertible Bonds in the principal amount of HK\$44,697,000 convertible into conversion shares at an initial conversion price of HK\$2.00 per conversion share (subject to adjustment); and (b) had entered into the Share Subscription Agreement for the acquisition of 230,000,000 Subscription Shares to be issued by the Company pursuant to the Share Subscription Agreement.

2. As at 30 June 2010, General Enterprise Management Services (International) Limited ("GEMS") owned 23.26% of Asia Resources Fund Limited and was a person in accordance with whose directions Asia Resources Fund Limited was accustomed to act. GEMS is a wholly-owned subsidiary of General Enterprise Management Services Limited and therefore General Enterprise Management Services Limited is deemed to be interested in the Shares in which GEMS and Greater Sino Holdings Limited are interested by virtue of the SFO.
3. As at 30 June 2010, Development of Bank of Japan Inc. owned 46.5% of Asia Resources Fund Limited. As such, it is deemed to be interested in the Shares in which Asia Resources Fund Limited is interested by virtue of SFO.
4. As at 30 June 2010, Greater Sino Holdings Limited had entered into the CN Subscription Agreement for the acquisition of the New Convertible Notes in the principal amount of HK\$195 million convertible into Conversion Shares at an initial conversion price of HK\$2.002 per Conversion Share (subject to adjustment). Greater Sino Holdings Limited is a wholly-owned subsidiary of Asia Resources Fund Limited. Asia Resources Fund Limited is also deemed to be interested in the Shares in which Greater Sino Holdings Limited is interested by virtue of SFO.

**OTHER INFORMATION (continued)****SUBSTANTIAL SHAREHOLDERS' INTERESTS AND SHORT POSITIONS IN SHARES (continued)**

Save as disclosed above, the Company has not been notified by any person who had interests or short positions in the shares or underlying shares of the Company as at 30 June 2010 which were required to be notified to the Company pursuant to Part XV of the SFO or which are recorded in the register required to be kept by the Company under the SFO.

**AUDIT COMMITTEE**

The Audit Committee of the Company currently comprises three independent non-executive directors, namely Mr Wong Che Keung Richard (Chairman of the Committee), Mr Tong Yee Yung Joseph, and Mr Wong Kin Chi. The members of the Audit Committee have reviewed with management the accounting principles and practices adopted by the Group and discussed auditing, internal control and financial reporting matters. The Audit Committee has reviewed and discussed with management and external auditors the unaudited condensed consolidated interim financial statements for the Current Period.

**COMPLIANCE WITH THE CODE ON CORPORATE GOVERNANCE PRACTICES**

The Company is committed to maintaining a high standard of corporate governance. The Company has complied with all the code provisions set out in the Code of Corporate Governance Practices contained in Appendix 14 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited ("Listing Rules") throughout the six months ended 30 June 2010. The Board continues to review its practices from time to time with an aim to improve the Group's corporate governance practices so as to meet international best practice.

**COMPLIANCE WITH THE MODEL CODE SET OUT IN APPENDIX 10 TO THE LISTING RULES**

The Company has adopted a code of conduct regarding securities transactions by directors ("Code of Conduct") on terms no less exacting than the required standard set out in the Model Code set out in Appendix 10 to the Listing Rules (the "Code") and the Company has made specific enquiry of all directors that they have complied with the required standard set out in the Code and the Code of Conduct.

## **OTHER INFORMATION (continued)**

### **PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES**

During the Current Period, neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities.

### **APPRECIATION**

Our Group's success depended on all our staff's commitment, dedication and professionalism. On behalf of the Board, I would like to thank every staff for their diligence and dedication. I would also take this opportunity to express my sincere appreciation to our shareholders, clients and suppliers for their continuous and valuable support.

By order of the board

**Judson Martin**

*President, CEO & Executive Director*

Hong Kong, 12 August 2010