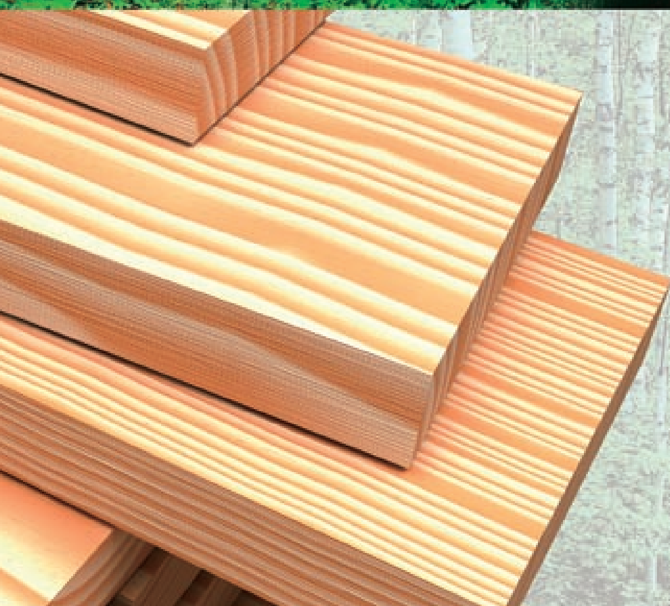
China Asean Resources Limited

神州東盟資源有限公司

(Incorporated in Bermuda with limited liability)

(Stock Code: 8186)



Interim Report 2009

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This report, for which the directors (the "Directors") of China Asean Resources Limited collectively and individually accept full responsibility, includes particulars given in compliance with the GEM Listing Rules for the purpose of giving information with regard to the Group. The Directors, having made all reasonable enquiries, confirm that, to the best of their knowledge and belief: (1) the information contained in this report is accurate and complete in all material respects and not misleading; (2) there are no other matters the omission of which would make any statement in this report misleading; and (3) all opinions expressed in this report have been arrived at after due and careful consideration and are founded on bases and assumptions that are fair and reasonable.

INTERIM RESULTS (UNAUDITED)

The board of directors (the "Board") of China Asean Resources Limited (the "Company") is pleased to announce the unaudited consolidated results of the Company and its subsidiaries (collectively referred to as the "Group") for each of the three months and six months ended 30 June 2009, together with the comparative unaudited figures for the corresponding periods in 2008, as follows:

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

		For the three months ended 30 June		For the six months ended 30 June	
		2009	2008	**2009**	2008
	Notes	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
		(Unaudited)	(Unaudited)	**(Unaudited)**	(Unaudited)
Revenue	*2*	**984**	10,301	**994**	17,848
Cost of sales		**(169)**	(6,171)	**(293)**	(10,258)
Gross profit		**815**	4,130	**701**	7,590
Other income	*4*	**14**	530	**37**	906
Net effect of deconsolidation of a subsidiary	*5*	**–**	–	**1,044**	–
Selling and distribution expenses		**(31)**	(2,504)	**(71)**	(4,705)
Administrative expenses		**(6,996)**	(10,638)	**(14,428)**	(17,936)
Other operating expenses		**–**	(754)	**–**	(1,259)
Finance costs	6	**(349)**	(73)	**(694)**	(135)
Gain on disposal of forest exploitation rights	*14*	**–**	52,080	**–**	52,080
Profit/(loss) before tax	*7*	**(6,547)**	42,771	**(13,411)**	36,541
Taxation	*8*	**–**	–	**–**	–
Profit/(loss) for the period		**(6,547)**	42,771	**(13,411)**	36,541

	Notes	For the three months ended 30 June		For the six months ended 30 June	
		2009	2008	**2009**	2008
		HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
		(Unaudited)	(Unaudited)	**(Unaudited)**	(Unaudited)
Other comprehensive income					
Exchange differences arising on translation of foreign operations		**(3,276)**	1,520	**(3,282)**	4,936
Other comprehensive income for the period		**(3,276)**	1,520	**(3,282)**	4,936
Total comprehensive income for the period		**(9,823)**	44,291	**(16,693)**	41,477
Profit/(loss) attributable to:					
Owners of the Company		**(6,547)**	42,368	**(13,411)**	36,067
Minority interests		**–**	403	**–**	474
		(6,547)	42,771	**(13,411)**	36,541
Total comprehensive income attributable to:					
Owners of the Company		**(9,823)**	44,007	**(16,693)**	40,858
Minority interests		**–**	284	**–**	619
		(9,823)	44,291	**(16,693)**	41,477
Basic and diluted earnings/(loss) per share (in Hong Kong cents)	9	**(0.34)**	2.48	**(0.70)**	2.12

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Notes	At 30 June 2009 HK$'000 (Unaudited)	At 31 December 2008 HK$'000 (Audited)
Non-current assets			
Property, plant and equipment	11	**21,105**	30,385
Construction in progress	12	**33,277**	31,950
Prepaid lease payments	13	**1,409**	2,585
Intangible assets	14		
Forest exploitation rights		**494,453**	498,063
Medical research project		**17,393**	17,393
Others		**–**	763
		567,637	581,139
Current assets			
Inventories	15	**1,259**	13,575
Trade and other receivables	16	**103,163**	112,517
Cash at bank and on hand	17	**12,413**	48,414
		116,835	174,506
Current liabilities			
Trade and other payables	18	**33,642**	50,427
Provision for a potential loss of control of a subsidiary	5	**–**	15,655
Bank borrowings	19	**–**	13,040
Taxation		**299**	1,966
		33,941	81,088
Net current assets		**82,894**	93,418
Total assets less current liabilities		**650,531**	674,557

	Notes	At 30 June 2009 HK$'000 (Unaudited)	At 31 December 2008 HK$'000 (Audited)
Capital and reserves			
Share capital	*20*	**19,050**	19,050
Reserves		**561,481**	575,856
Total equity attributable to:			
Owners of the Company		**580,531**	594,906
Minority interests		**–**	9,651
Total equity		**580,531**	604,557
Non-current liabilities			
Bonds	*21*	**70,000**	70,000
		650,531	674,557

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

	For the six months ended 30 June	
	2009	2008
	HK$'000	*HK$'000*
	(Unaudited)	(Unaudited)
NET CASH USED IN OPERATING ACTIVITIES	**(26,615)**	(28,445)
NET CASH FROM/(USED IN) INVESTING ACTIVITIES	**(8,682)**	12,361
NET CASH FROM/(USED IN) FINANCING ACTIVITIES	**(694)**	4,983
NET DECREASE IN CASH AND CASH EQUIVALENTS	**(35,991)**	(11,101)
Cash and cash equivalents at beginning of the period	**48,414**	99,400
Effect of foreign exchange rate changes	**(10)**	2,049
CASH AND CASH EQUIVALENTS AT END OF THE PERIOD	**12,413**	90,348
Analysis of cash and cash equivalents		
Cash at bank and on hand	**12,413**	90,348

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Attributable to equity holders of the Company								
	Share capital	Share premium	Contributed surplus	Share options reserve	Exchange reserve	Retained profits/ (Accumulated losses)	Total	Minority interests	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
At 1 January 2008 (audited)	17,050	379,783	5,265	1,875	12,277	(17,985)	398,265	6,875	405,140
Profit for the period	–	–	–	–	–	36,067	36,067	474	36,541
Exchange differences arising on translation of foreign operations	–	–	–	–	4,791	–	4,791	145	4,936
Total comprehensive income for the period	–	–	–	–	4,791	36,067	40,858	619	41,477
Recognition of equity-settled share based payments	–	–	–	2,033	–	–	2,033	–	2,033
At 30 June 2008 (unaudited)	17,050	379,783	5,265	3,908	17,068	18,082	441,156	7,494	448,650
At 1 January 2009 (audited)	**19,050**	**497,783**	**5,265**	**6,135**	**15,805**	**50,868**	**594,906**	**9,651**	**604,557**
Loss for the period	**–**	**–**	**–**	**–**	**–**	**(13,411)**	**(13,411)**	**–**	**(13,411)**
Exchange differences arising on translation of foreign operations	**–**	**–**	**–**	**–**	**(3,282)**	**–**	**(3,282)**	**–**	**(3,282)**
Total comprehensive income for the period	**–**	**–**	**–**	**–**	**(3,282)**	**(13,411)**	**(16,693)**	**–**	**(16,693)**
Recognition of equity-settled share based payments	**–**	**–**	**–**	**2,318**	**–**	**–**	**2,318**	**–**	**2,318**
Deconsolidation of medical equipment subsidiary	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**(9,651)**	**(9,651)**
At 30 June 2009 (unaudited)	**19,050**	**497,783**	**5,265**	**8,453**	**12,523**	**37,457**	**580,531**	**–**	**580,531**

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE SIX MONTHS ENDED 30 JUNE 2009

1. BASIS OF PREPARATION

The condensed consolidated financial statements have been prepared in accordance with the applicable disclosure requirements of Chapter 18 of the Rules Governing the Listing of Securities on the Growth Enterprise Market of The Stock Exchange of Hong Kong Limited (the GEM Rules) and with Hong Kong Accounting Standard 34 (HKAS 34), *Interim Financial Reporting*.

The condensed consolidated financial statements have been prepared on the historical cost basis.

The accounting policies used in the condensed consolidated financial statements are consistent with those followed in the preparation of the Group's annual financial statements for the year ended 31 December 2008.

In the current interim period, the Group has applied, for the first time, a number of new and revised standards, amendments and interpretation ("new or revised HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"), which are effective for the Group's financial year beginning on 1 January 2009.

HKAS 1 (Revised 2007) has introduced a number of terminology changes, including revised titles for the condensed consolidated financial statements, and has resulted in a number of changes in presentation and disclosure. HKFRS 8 is a disclosure Standard that requires the identification of operating segments to be performed on the same basis as financial information that is reported internally for the purpose of allocation resources between segments and assessing their performance. The predecessor Standard, HKAS 14 *Segment Reporting*, required the identification of two sets of segments (business and geographical) using a risks and returns approach. In the past, the Group's primary reporting format was business segments. 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 (see note 3). The adoption of the new and revised HKFRSs has had no material effect on the reported results and financial position of the Group for the current or prior accounting periods. Accordingly, no prior period adjustment has been recognised.

2. REVENUE

Revenue recognised during the period is analysed as follows:

	For the three months ended 30 June		For the six months ended 30 June	
	2009	2008	**2009**	2008
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Research and development services fees	**964**	78	**964**	78
Sales of agriculture products	**20**	46	**30**	46
Medical equipment service fees and sales of related accessories	**–**	10	**–**	50
Sales of medical equipment	**–**	10,167	**–**	17,674
	984	10,301	**994**	17,848

3. SEGMENT INFORMATION

Business segments

The Group has adopted HKFRS 8 Operating Segments with effective from 1 January 2009. HKFRS 8 requires operating segments to be identified on the basis of internal reports about component 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.

For management purposes, the Group is currently organized into four operating divisions as follows:

– Medical services: provision of medical equipment for the treatment of cancer.

– Sales of medical equipment: manufacture and sale of medical equipment.

– Research and development: development of drugs.

– Natural resources: forestry exploitation business.

	Medical services		Research and development		Natural resources business		Sales of medical equipment		Consolidated	
	For the six months ended 30 June		For the six months ended 30 June		For the six months ended 30 June		For the six months ended 30 June		For the six months ended 30 June	
	2009	2008	**2009**	2008	**2009**	2008	**2009**	2008	**2009**	2008
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
Revenue from external customers	**–**	50	**964**	78	**30**	46	**–**	17,674	**994**	17,848
Segment result	**(447)**	(339)	**429**	(506)	**(6,190)**	(6,435)	**–**	1,488	**(6,208)**	(5,792)
Unallocated operating income and expenses									**(7,553)**	(9,612)
Net effect of deconsolidation of a subsidiary									**1,044**	–
Finance costs									**(694)**	(135)
Profit on disposal of forest exploitation rights									**–**	52,080
Profit/(loss) for the period									**(13,411)**	36,541

4. OTHER INCOME

	For the three months ended 30 June		For the six months ended 30 June	
	2009	2008	**2009**	2008
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Interest income	**13**	142	**36**	345
Miscellaneous	**1**	388	**1**	561
	14	530	**37**	906

5. DECONSOLIDATION OF MEDICAL EQUIPMENT SUBSIDIARY

As detailed in the Company's announcement on 26 March 2009 and 9 June 2009 in relation to a potential dispute over the Company's ownership in the Medical Equipment Subsidiary, the Company has been unable to obtain the management financial statements of the Medical Equipment Subsidiary since 31 December 2008.

Due to the above reason, the directors considered that the Group was unable to exercise its rights as major shareholder either to control the assets and operations or to exercise control over the financial and operating policy decisions of the Medical Equipment Subsidiary. As such, the directors considered that it is inappropriate to consolidate the financial results of the Medical Equipment Subsidiary into the Group and therefore, the Medical Equipment Subsidiary has been deconsolidated during the six months ended 30 June 2009.

	HK$'000
Aggregate assets deconsolidated	
Property, plant and equipment	16,339
Prepaid lease payments	1,132
Intangible assets	763
Inventories	12,452
Trade and other receivables	14,716
Cash at bank and on hand	9,775
Amount due from Chinese partner (Note 23)	5,840
	61,017
Aggregate liabilities, minority interests and reserves deconsolidated	
Trade and other payables	18,738
Bank borrowings	13,040
Taxation	1,665
Minority interests	9,651
Exchange reserve	3,312
	46,406
Net amount deconsolidated	(14,611)
Write-back of provision for a potential loss of control of Medical Equipment Subsidiary at 31 December 2008	15,655
Net effect of deconsolidation of the Medical Equipment Subsidiary	1,044

6. FINANCE COSTS

	For the three months ended 30 June		For the six months ended 30 June	
	2009	2008	**2009**	2008
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Interest on bank borrowings	**–**	73	**–**	135
Interest on bonds	**349**	–	**694**	–
	349	73	**694**	135

7. PROFIT/(LOSS) BEFORE TAX

Profit/(loss) before tax is arrived at after charging:

	For the three months ended 30 June		For the six months ended 30 June	
	2009	2008	**2009**	2008
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Cost of inventories	**42**	5,142	**99**	8,851
Depreciation	**175**	271	**266**	440
Auditors' remuneration	**257**	458	**514**	708
Operating lease charges in respect of office premises	**99**	171	**197**	356
Research and development costs	**–**	566	**–**	1,063
Staff costs (including directors' remuneration):				
Salaries and wages	**1,664**	1,869	**3,176**	4,222
Share based payments	**1,159**	1,608	**2,318**	2,033
Staff retirement benefits	**13**	–	**26**	–
Amortisation of prepaid lease payments	**23**	33	**45**	67
Amortisation of intangible assets:				
Forest exploitation rights	**1,810**	751	**3,619**	1,690
Other	**–**	50	**–**	202

8. TAXATION

(a) Hong Kong Profits Tax

No provision for Hong Kong Profits Tax has been made for the three months and six months ended 30 June 2009 (2008: HK$Nil) as the Group did not have any assessable profits in Hong Kong during the periods.

(b) PRC Income Tax

The Company's subsidiary, Tat Lung Medical Treatment (Shenzhen) Ltd. ("Tat Lung Treatment"), located in the Shenzhen Special Economic Zone in the PRC ("SSEZ"), is subject to PRC income tax at the reduced rate of 15% (2008: 15%). According to the relevant income tax rules and regulations in the PRC, Tat Lung Treatment obtained approval from the state tax bureau that is entitled to a 100% relief from PRC Income Tax in the first and second years and 50% relief for the third to fifth years, commencing from the first profitable year after the offset of deductible losses incurred in prior years, if any.

No provision for PRC income tax has been made as the Group did not have any assessable profits for the three months and six months ended 30 June 2009 detemined in accordance with the relevant income tax rules and regulations in the PRC.

(c) Cambodia Tax on Profit

No provision for Cambodia Tax on Profits has been made for the Company's subsidiaries as they did not have any assessable profits for the three months and six months ended 30 June 2009 determined in accordance with the relevant tax rules and regulations in Cambodia.

(d) Deferred Taxation

No provision for deferred taxation is deemed necessary as the Group does not have any material deductible or taxable temporary differences for the three months and six months ended 30 June 2009 (2008: HK$Nil).

9. EARNINGS/(LOSS) PER SHARE

The calculation of the basic and diluted loss per share for the three months and six months ended 30 June 2009 is based on the loss attributable to the owners of the Company of HK$6,547,000 (2008: earnings of HK$42,368,000) and HK$13,411,000 (2008: earnings of HK$36,067,000), respectively, divided by the weighted average number of 1,905,000,000 (2008: 1,705,000,000) ordinary shares in issue during the relevant periods.

No dilutive loss per share has been presented for the three months and six months ended 30 June 2009 because the exercise of any share options would result in an anti-dilutive effect.

The dilutive earnings per share for the three months and six months ended 30 June 2008 are the same as basic earnings per share because the exercise price of the Company's share options was higher than the average market price of the shares.

10. DIVIDENDS

The directors do not recommend the payment of an interim dividend for the six months ended 30 June 2009 (2008: HK$Nil).

11. PROPERTY, PLANT AND EQUIPMENT

	Buildings	Constructed roads	Medical equipment	Motor vehicles	Plant, machinery and equipment	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Cost						
At 1 January 2008	6,802	–	418	2,596	2,830	12,646
Additions	4,678	6,786	–	842	4,597	16,903
Transfer from CIP *(Note 12)*	7,118	–	–	–	–	7,118
Disposals	–	–	–	(41)	(442)	(483)
Exchange adjustments	422	–	6	102	166	696
At 31 December 2008	19,020	6,786	424	3,499	7,151	36,880
Additions	489	671	–	283	5,880	7,323
Deconsolidation of Medical Equipment Subsidiary *(Note 5)*	(16,429)	–	–	(616)	(2,441)	(19,486)
Exchange adjustment	2	–	–	–	–	2
At 30 June 2009	**3,082**	**7,457**	**424**	**3,166**	**10,590**	**24,719**
Aggregate depreciation						
At 1 January 2008	893	–	371	2,044	1,959	5,267
Charge for the year	444	151	7	365	465	1,432
Write-back on disposal	–	–	–	(31)	(433)	(464)
Exchange adjustments	59	–	4	79	118	260
At 31 December 2008	1,396	151	382	2,457	2,109	6,495
Charge for the period	2	–	–	197	67	266
Deconsolidation of Medical Equipment Subsidiary *(Note 5)*	(1,388)	–	–	(616)	(1,143)	(3,147)
At 30 June 2009	**10**	**151**	**382**	**2,038**	**1,033**	**3,614**
Net book value						
At 30 June 2009	**3,072**	**7,306**	**42**	**1,128**	**9,557**	**21,105**
At 31 December 2008	17,624	6,635	42	1,042	5,042	30,385

12. CONSTRUCTION IN PROGRESS

	HK$'000
At 1 January 2008	18,189
Additions	19,755
Transfer to property, plant and equipment *(Note 11)*	(7,118)
Exchange adjustments	1,124
At 31 December 2008	31,950
Additions	1,313
Exchange adjustments	14
At 30 June 2009	**33,277**

Additions to construction in progress during the period are related to supporting infrastructure such as forest access roads and bridges in Cambodia and the development of the new medicine manufacturing plant in Nanjing, the PRC.

13. PREPAID LEASE PAYMENTS

	HK$'000
Cost	
At 1 January 2008	2,826
Exchange adjustments	175
At 31 December 2008	3,001
Deconsolidation of Medical Equipment Subsidiary *(Note 5)*	(1,367)
Exchange adjustments	2
At 30 June 2009	**1,636**
Accumulated amortisation	
At 1 January 2008	263
Charge for the year	135
Exchange adjustments	18
At 31 December 2008	416
Deconsolidation of Medical Equipment Subsidiary *(Note 5)*	(235)
Charge for the period	45
Exchange adjustments	1
At 30 June 2009	**227**
Carrying value	
At 30 June 2009	**1,409**
At 31 December 2008	2,585

The leasehold land assets held by the Group are under medium-term leases and are situated in the PRC.

14. INTANGIBLE ASSETS

	Forest exploitation rights HK$'000	Medical research projects HK$'000	Others HK$'000	Total HK$'000
Cost				
At 1 January 2008	262,960	84,152	2,648	349,760
Additions	272,207	–	–	272,207
Disposals	(26,391)	–	–	(26,391)
Exchange adjustments	–	133	162	295
At 31 December 2008	508,776	84,285	2,810	595,871
Additions	9	–	–	9
Deconsolidation of Medical Equipment Subsidiary *(Note 5)*	–	–	(2,810)	(2,810)
At 30 June 2009	**508,785**	**84,285**	**–**	**593,070**
Accumulated amortisation				
At 1 January 2008	3,757	57,292	1,550	62,599
Impairment loss recognised	–	9,600	–	9,600
Charge for the year	7,332	–	398	7,730
Write-back on disposal	(376)	–	–	(376)
Exchange adjustments	–	–	99	99
At 31 December 2008	10,713	66,892	2,047	79,652
Charge for the period	3,619	–	–	3,619
Deconsolidation of Medical Equipment Subsidiary *(Note 5)*	–	–	(2,047)	(2,047)
At 30 June 2009	**14,332**	**66,892**	**–**	**81,224**
Carrying value				
At 30 June 2009	**494,453**	**17,393**	**–**	**511,846**
At 31 December 2008	498,063	17,393	763	516,219

Forest exploitation rights

The sub-concession of 10% of the First Forest was completed on 30 June 2008 and the Group recorded a gain on disposal of HK$52,080,000 which is calculated based on (i) the consideration of US$10 million (equivalent to approximately HK$78,000,000) and (ii) the adjusted carrying amount of the sub-concession of the First Forest of approximately HK$26,000,000 (representing the cost of the sub-concession of the First Forest less accumulated amortisation.

15. INVENTORIES

	At 30 June 2009	At 31 December 2008
	HK$'000	*HK$'000*
Raw materials	**105**	3,646
Work in progress	**21**	2,468
Finished goods	**1,133**	7,461
	1,259	13,575

16. TRADE AND OTHER RECEIVABLES

	At 30 June 2009	At 31 December 2008
	HK$'000	*HK$'000*
Trade debtors	**687**	8,940
Less: Allowance for doubtful debts	**(42)**	(4,228)
	645	4,712
Other receivables, deposits and prepayments	**101,854**	101,884
Deposits paid	**664**	81
Amount due from Chinese Partner *(Note 23)*	**–**	5,840
Loans and receivables	**103,163**	112,517

All of the trade and other receivables are expected to be recovered or recognised as an expense within one year.

Included in trade and other receivables are trade debtors (net of impairment losses for bad and doubtful debts) with the following ageing analysis:

	At 30 June 2009 *HK$'000*	At 31 December 2008 *HK$'000*
Within 3 months from the date of billing	**540**	4,031
3 to 6 months from the date of billing	**–**	13
6 to 12 months from the date of billing	**105**	668
	645	4,712

The average credit period on sales of goods is 30 to 90 days.

Other receivables mainly represented the balance of the receivables for the service agreement and sub-concession of the 10% forest exploitation rights in respect of the First Forest during the year ended 31 December 2008.

17. CASH AT BANK AND ON HAND

Bank balances carry interest at market rates which range form 0.1% to 1% (2008: 0.1% to 1.15% per annum).

18. TRADE AND OTHER PAYABLES

	At 30 June 2009 *HK$'000*	At 31 December 2008 *HK$'000*
Trade payables	**4**	8,120
Other payables and accrued liabilities	**10,396**	19,065
Amount due to Chinese partner *(Note 23)*	**2,267**	2,267
Amount due to other minority interest *(Note 23)*	**20,975**	20,975
	33,642	50,427

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

Included in trade and other payables are trade creditors with the following ageing analysis:

	At 30 June 2009 *HK$'000*	At 31 December 2008 *HK$'000*
Due within 3 months or on demand	**4**	6,590
Due after 3 months but within 6 months	**–**	118
Due after 6 months but within 1 year	**–**	1,412
	4	8,120

19. BANK BORROWINGS

	At 30 June 2009 *HK$'000*	At 31 December 2008 *HK$'000*
Within one year or on demand	**–**	13,040

The bank borrowings for the year ended 31 December 2008 were secured by buildings and leasehold land assets of the Group with an aggregate carrying value of HK$16,174,000. There are no outstanding bank borrowings as at 30 June 2009.

20. SHARE CAPITAL

	At 30 June 2009 and 31 December 2008	
	No. of shares *'000*	**Amount** *HK$'000*
Authorised		
Ordinary shares of $0.01 each	5,000,000	50,000
Issued and fully paid		
Ordinary shares of $0.01 each	1,905,000	19,050

21. BONDS

On 8 July 2008, the Company issued HK$70,000,000 bonds as part of the consideration for the acquisition of the Second Forest with details in a circular dated 9 May 2008. The bonds are unsecured, interest-bearing at 2% per annum and repayable on 8 July 2010.

22. COMMITMENTS

(a) Capital commitments

Capital commitments contracted but not provided for were as follows:

	At 30 June 2009	At 31 December 2008
	HK$'000	*HK$'000*
Property, plant and equipment	**7,388**	5,568

(b) Operating lease commitments

The total future minimum lease payments under non-cancellable operating leases in respect of land and buildings are payable as follows:

	At 30 June 2009	At 31 December 2008
	HK$'000	*HK$'000*
Within 1 year	**279**	206
After 1 year but within 5 years	**49**	48
After 5 years	**255**	255
	583	509

The Group leases a number of properties under operating leases which typically run for an initial period of one or two years, with options to renew, at which time all key terms are renegotiated. The leases do not include contingent rentals.

23. MATERIAL RELATED PARTY TRANSACTIONS

Transactions and balances

The Group had the following significant business transactions and outstanding amounts due from/to connected parties and related companies which are subject to common control during the year:

	At 30 June 2009 *HK$'000*	At 31 December 2008 *HK$'000*
Amount due from Chinese Partner	**–**	5,840
Amount due to Chinese Partner	**(2,267)**	(2,267)
Amount due to other minority interest	**(20,975)**	(20,975)
Management fee to Chinese Partner	**–**	1,709

As referred to the deconsolidation of a subsidiary detailed in Note 5 to the condensed consolidated financial statements, the Group has received an amount of approximately HK$2,267,000 from the Chinese Partner. The Chinese Partner is a minority shareholder of Medical Equipment Subsidiary. The advance is interest free, unsecured and repayable on demand.

The Group had a payable to other minority interest, namely, Ms. Guo Ping, of approximately HK$20,975,000. Ms. Guo Ping is a minority shareholder of Medical China Technology Ltd.

Apart from the above, there were no other material related party transactions entered into by the Group during the relevant periods or outstanding balances due from/to related parties at the balance sheet date.

MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL REVIEW

The unaudited consolidated financial result of the Group for the six months ended 30 June 2009 deconsolidated the financial results of the Medical Equipment Subsidiary.

The Group's revenue for the six months ended 30 June 2009 amounted to approximately HK$994,000, representing a decrease of 94.4% as compared with the corresponding period in 2008 as a result of deconsolidation. For the six months ended 30 June 2009, the Group recorded a loss attributable to the owners of the Company of approximately HK$13,411,000 (2008: profit of HK$36,067,000).

Other income for the six months ended 30 June 2009 amounted to approximately HK$1,081,000, including the net effect of deconsolidation of the Medical Equipment Subsidiary, of approximately HK$1,044,000, and representing a decrease of 98% as compared with the corresponding period in 2008, due primarily to the absence of income generated from the sub-concession of its forest in Cambodia, as compared with a gain of HK$52,080,000 generated from forest Sub-concession for the corresponding period in 2008 at HK$54,067,000.

Selling, distribution and administrative expenses for the six months ended 30 June 2009 decreased by 36% from HK$22,641,000 to HK$14,499,000 as compared with that of the corresponding period. The significant decrease was primarily due to deconsolidation of the Medical Equipment Subsidiary.

The basic and diluted loss per share for the six months ended 30 June 2009 was 0.70 Hong Kong cents (2008: earnings per share of 2.12 Hong Kong cents).

At 30 June 2009, the Group had no bank borrowings outstanding (2008: HK$13,040,000).

CAPITAL MANAGEMENT

The Group's primary objectives when managing capital are to safeguard the Group's ability to continue as a going concern, in order to provide returns for shareholders and benefits for other stakeholders, and to maintain an optimal capital structure to reduce the cost of capital.

Consistent with industry practice, the Group monitors its capital structure on the basis of gearing ratio. For this purpose the Group defines gearing ratio as total indebtedness by equity attributable to equity holders of the Group. Total indebtedness includes bank overdrafts, bank loans, finance lease liabilities, bonds and other interest bearing securities. Equity attributable to equity holders comprising issued share capital, reserves and accumulated profits as disclosed in consolidated statement of changes in equity.

The Group's strategy is to maintain the gearing ratio within 100% which was consistent to that of prior six months. In order to maintain the ratio, the Group will balance its overall capital structure through the payment of dividends, issue new shares, repurchase of shares, raise new debt financing or repayment of existing debts.

Our gearing ratio was 12.1% and 13.6% as at 30 June 2009 and 31 December 2008, respectively. The decrease in gearing ratio in the past six months under review was due to deconsolidation of a Medical Equipment Subsidiary in Nanjing. The Bonds issued by the Group had a principal value of HK$70,000,000, 2% coupon per annum, payable on a semi-annual basis. The maturity date of the bonds is 8 July 2010. The Group has no outstanding bank loan or facilities as at 30 June 2009.

The Board finds the existing capital structure at 12.1% is on the low side and would consider new banking facilities and diversify the cost of funding.

FINANCIAL RESOURCES, BORROWINGS, BANKING FACILITIES AND LIQUIDITY

As at 30 June 2009, the Group had total assets of approximately HK$684,472,000 (2008: HK$755,645,000) which were financed by current liabilities of approximately HK$33,941,000 (2008: HK$81,088,000) and equity attributable to the owners of the Company of approximately HK$580,531,000 (2008: HK$594,906,000).

The current assets of the Group amounted to approximately HK$116,835,000 (2008: HK$174,506,000) of which approximately HK$12,413,000 (2008: HK$48,414,000) were cash and bank deposits. The current liabilities of the Group amounted to approximately HK$33,941,000 (2008: HK$81,088,000) of which approximately HK$33,642,000 (2008: HK$50,427,000) were trade and other payables and HK$299,000 (2008: HK$1,966,000) was provision for income tax. There were no outstanding bank borrowings at 30 June 2009 (2008: HK$13,040,000).

The Group generally finances its operations with internally generated resources. The Group's policy is to place surplus fund with banks on short-term deposits.

The net assets value per share as at 30 June 2009 was HK$0.30 (2008: HK$0.32).

CAPITAL COMMITMENT, SIGNIFICANT INVESTMENTS AND MATERIAL ACQUSITIONS AND DISPOSALS

The Group expects to receive the economic benefit derived from the initial clearing up of the forest area and the subsequent cultivation of rubber tree and jatropha curcas plantations during the 70 year concession period.

There was no disposals of subsidiaries and affiliated companies during the six months but the Group deconsolidated a Medical Equipment Subsidiary as detailed in note 5 to the condensed consolidated financial statement.

As at 30 June 2009, the Group had outstanding capital commitment of approximately HK$7,372,000 (2008: HK$5,568,000).

CHARGE ON ASSETS OF THE GROUP

During the period under review, there has been no charge on assets of the Group.

RISK MANAGEMENT

Risk management is an integral part of the operation management. The Group has put in place an effective risk management framework to ensure risks undertaken are properly managed. Operating in sales and development of medical drugs and medical equipment as well as forest exploitation business, the Group faces a wide spectrum of risks, the most important types are being credit, liquidity, market and operational risks. The Group's risk management framework includes the establishment of policies and procedures to identify and analyse risks and to set appropriate risk control limits. The risk management policies and major control limits are approved by the board of directors. Risk limits are monitored and controlled continually by internal control department by means of reliable and up-to-date management information systems. The management of various types of risks is well coordinated at the Board level.

Credit risk

Credit risk is the risk that financial loss arises from the failure of a customer or counterparty to meet its obligations under a contract. It arises principally from merger and acquisition as well as trading. The Group has dedicated policies and procedures in place to control and monitor the risk from all such activities.

The internal control department function is mandated to provide centralized management of credit risk through:

– formulating credit policies on approval process, post-disbursement monitoring and collection process;

– issuing guidelines on setting of credit payment terms to customers and acceptability of warranty, undertaking or deposit from customers;

– reviewing the repayment of account receivable by aging analysis;

– monitoring the largest exposures by customers;

– providing advice and guidance to business units on various credit-related issues.

The Group undertakes ongoing credit analysis and monitoring at several levels. Special attention is paid to long-outstanding trade receivable. Provision on impairment loss is made semi-annually. Collection and recovery units are established by the Group to provide customers with intensive support in order to maximize recoveries of long-outstanding trade receivable. Management regularly performs an assessment of the adequacy of the established impairment provisions by conducting a detailed review of the aging analysis, comparing performance and past due statistics against historical trends.

Liquidity risk

Liquidity management is essential to ensure the Group has the ability to meet its obligations as they fall due. It is the Group's policy to maintain a strong liquidity position by properly managing the liquidity structure of its assets, liabilities and commitments so that cash flows are appropriately balanced and all funding obligations are comfortably met.

The Group has established policies and procedures to monitor and control its liquidity position on a monthly basis by adopting a cash flow management approach. The approach seeks to forecast committed cash inflows and outflows of the business and results in a monthly net funding requirement which indicates the financing needs for any period within the scope of the forecast conditions.

Market risk

Market risk is the risk that foreign exchange rates, interest rates and equity, and indices will move and result in profits or losses for the Group. The objective of the Group's market risk management is to manage and control market risk exposures in order to optimize return on risk.

Foreign exchange risk

The Group exposures to market risk primarily arise from the effective foreign currency risk management. The Group operates mainly in Hong Kong, Cambodia and the PRC and is exposed to foreign exchange risk arising from various currency exposures, primarily with respect to the RMB and the US dollar. Foreign exchange risk arises from future commercial transactions, recognized assets and liabilities and net investments in foreign operations.

The Group does not hedge its foreign currency risks with RMB. However, management monitors the foreign exchange exposure and will consider hedging significant foreign currency exposure should the need arise.

The Group does not hedge its foreign currency risks with US dollar as the rate of exchange between Hong Kong dollar and the US dollar is pegged and fixed within a range. Permanent changes in foreign exchange rates would have an impact on consolidated financial statements.

As at 30 June 2009, the Group had no outstanding hedging instruments (2008: HK$Nil).

Interest rate risk

The Group's interest rate risk arises primarily from bank loans chargeable at variable rates that expose the company to uncertainty on interest expenses and bond chargeable at fixed rate that provide a comfortable zone in controlling the overall interest expenses. The Group's policy is to minimize the borrowings at variable interest rates in the interest rate profile.

Equity risk

The Group's equities exposure was mainly in long-term equity investments which are reported as investment in subsidiaries set out in note 19 to the financial statements. All equities held are more than 50% with controlling interest and are for long term investment. They are not subject to volatility arises from short term fluctuation.

Operational risk

Operational risk is the risk of loss arising through fraud, unauthorized activities, error, omission, inefficiency, systems failure or from external events. It is inherent to every business organization and covers a wide spectrum of issues. The terms 'error', 'omission' and 'inefficiency' include process failures, systems/machine failures and human error.

The objective of the Group's operational risk management is to manage and control operational risk in a cost effective manner within targeted levels of operational risk consistent with the Group's risk tolerance level as discussed and determined by the Board from time to time.

A formal governance structure provides oversight over the management of operational risks. In each of the Group's subsidiaries, business managers are responsible for maintaining an acceptable level of internal control, commensurate with the scale and nature of operations. They are responsible for identifying and assessing risks, designing controls and monitoring the effectiveness of these controls.

CONTINGENT LIABILITIES

As at 30 June 2009, the Group and the Company did not have any material outstanding contingent liabilities.

BUSINESS REVIEW

Forestry, wood product manufacturing and plantation

The two forests in Cambodia have a total site area of approximately 19,500 hectares with estimated timber reserves in excess of 5 million cubic metres. During the six months, the Group completed the access roads measuring in excess of 150 kilometres, irrigation dams, culverts and bridges of the two forests. The Group also completed the construction of a self owned and operated sawn timber factory with an annual capacity of 10,000 cubic metres. A sawn timber and wood flooring material factory, owned by subcontractors, with a capacity of 15,000 cubic metres is under construction.

Forest clearing continued and a total of approximately 450 hectares were cleared by the end of June 2009. Trial production of sawn timber from our self owned and operated factory was complete during the period, and we began to produce to orders.

Plantation on cleared land gathered pace and we have planted some 160 hectares of rubber trees, acacia trees and jatropha curcas.

Manufacturing and sales of medical equipment

There is a potential dispute over the Company's ownership in the Medical Equipment Subsidiary, which should be a 65% subsidiary of the Company. The Company has been consulting PRC lawyers as to the appropriate actions to take so as to protect its interest in the Medical Equipment Subsidiary and to implement the necessary steps to formally re-register the Company as a 65% shareholder of the Medical Equipment Subsidiary.

Moreover, with regard to the seriousness of the matter, the Board has resolved on 26 March 2009 to establish the Special Investigation Committee for the purpose of, inter alia, investigating the matters related to the potential dispute as to the Company's ownership in the Medical Equipment Subsidiary and reviewing the internal control procedures and corporate governance policies of the Group.

The Company lodged an Administrative Review request with the Jiangsu Provincial government to review the governmental approval of the Unauthorised Disposal and registration of the Unauthorised Sale and Purchase Agreements. The application was accepted and the Administrative Review is ongoing.

Research, development and sales of drugs

The Group is awaiting approval for its application to commence Phase I clinical trials for its anti-cancer drug candidate.

Manufacturing and sales of drugs and medicines

The Group is analysing the market potential of a number of generic drugs, prior to submitting production applications.

OUTLOOK

The Group plans to increase the pace of development of its forestry, wood manufacturing and plantation businesses in Cambodia. We plan to begin production of sawn timber and wood flooring materials in significant volume in the second half of 2009 through manufacturing subcontractors. The first sawn timber and flooring material factory owned by subcontractors is expected to be ready for production soon. To facilitate the expected increase in sale of wood products, the Group has set up a sales office in Shanghai, the PRC.

The Group expects to generate significant wood product revenue from the second half of 2009.

As additional forest land is cleared, the Group will expand its rubber tree, acacia tree and jatropha curcas plantations, which are expected to generate sustainable income for the Group upon maturity.

The global financial turmoil and economic recession have restricted the fund raising options available to the Group. In light of this, the Board has reviewed the Group's portfolio of businesses and has made a decision that it wishes to focus the Group's financial and management resources on developing its businesses in Cambodia. Consistent with this strategy, the Group is looking to dispose of its existing medical equipment and pharmaceutical businesses in the PRC if an appropriate opportunity arises.

EMPLOYEES' INFORMATION AND BENEFIT SCHEME FOR THE EMPLOYEES

As at 30 June 2009, the Group had 159 (2008: 355) employees. Number of employees is based on headcount at period end. The total employee remuneration, including that of directors, for the six months ended 30 June 2009 amounted to HK$5,520,000 (2008: HK$6,255,000).

In addition to Share Option Scheme adopted by the Company on 14 September 2001, the Group also provides a mandatory provident fund scheme for its staff in Hong Kong in compliance with the requirements under the Mandatory Provident Fund Scheme Ordinance and pays retirement fund to its employees in the PRC according to the relevant regulations of PRC.

Pursuant to the relevant labor rules and regulations in the PRC, the PRC subsidiaries of the Group participates in a defined contribution retirement benefit scheme (the "Scheme") organized by the municipal government whereby the subsidiaries are required to contribute to the Scheme to fund the retirement benefits of the eligible employees. The government of the PRC is responsible for the entire pension obligations payable to retired employees. The Group is not liable to any retirement benefits payment beyond the contributions to the Scheme.

OTHER INFORMATION

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

As at 30 June 2009, the interests and short positions of the directors and the chief executive of the Company in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance ("SFO")) as recorded in the register required to be kept under Section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the minimum standards of dealings by directors as referred to in Rules 5.46 to 5.67 of the GEM Listing Rules were as follows:

(a) Long positions in the shares of the Company

Name	Number of ordinary shares of HK$0.01 each in the share capital of the Company held	Nature of interests	Percentage of interest
Mr. Leung Sze Yuan Alan	39,000,000 17,000,000	Personal Share option granted but not yet exercised	2.94%
Mr. Zhang Zhenzhong	17,000,000	Share option granted but not yet exercised	0.89%
Dr. Li Nga Kuk, James	32,800,000	Personal	1.72%
Mr. Li Tai To, Titus	16,400,000	Personal	0.86%

(b) Short positions in the shares and underlying shares of equity derivatives of the Company

Save as disclosed herein, as at 30 June 2009, none of Directors or chief executives of the Company has short positions in the shares, underlying shares of equity derivatives of the Company or any of its associated corporations.

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBT SECURITIES

On 14 December 2001, the Company had conditionally approved and adopted a share option scheme pursuant to which any employees and directors of the Company and its subsidiaries may be granted options to subscribe for shares of the Company.

The Company has granted Share Option of 40,000,000 shares and 36,000,000 shares to employees of the Group on 12 October 2007 and 31 March 2008 at exercise prices of HK$0.45 and HK$0.21 per share respectively for exercise during the 3rd and the 4th year from the date of grant pursuant to the Share Option Scheme of the Company, which was adopted on 14 December 2001. And 4,000,000 shares granted to the former director has been subsequently cancelled after his resignation.

As at 30 June 2009, details of the outstanding options were as follows:

		Number of share options				
Date of grant	Exercise period	Outstanding as at 1 January 2009	Granted during the period	Exercised during the period	Cancelled/ lapsed during the period	Outstanding as at 30 June 2009
		'000	*'000*	*'000*	*'000*	*'000*
12/10/2007	12/10/2009 to 12/10/2011	36,000	–	–	–	36,000
31/3/2008	31/03/2010 to 31/03/2012	36,000	–	–	–	36,000
		72,000	–	–	–	72,000

Save as disclosed above, as at 30 June 2009, none of the directors or the chief executive or their associates had any interests or rights to subscribe for any securities of the Company or any of its associated corporations as defined in the SFO.

At no time during the period was the Company or any of its subsidiaries a party to any arrangement to enable the directors or the chief executive of the Company or any of their respective associates, including spouses or children under eighteen years of age, to acquire benefits by means of the acquisition of shares in or debentures of the Company or any other body corporate.

INTERESTS DISCLOSEABLE UNDER THE SFO AND SUBSTANTIAL SHAREHOLDERS

As at 30 June 2009, so far as is known to the directors or the chief executive of the Company, the following persons (other than a director or the chief executive of the Company) had any interests or short positions in the shares or underlying shares of the Company as recorded in the register required to be kept under Section 336 of the SFO:

(a) Long positions in the shares of the Company

Name of substantial shareholder	Number of shares held	Capacity	Percentage of interest
Li Wo Hing	28,970,000	Personal	1.52%
	193,360,000	Corporate *(Note)*	10.15%
	222,330,000		11.67%
PMM *(Note)*	193,360,000	Beneficial owner	10.15%
Greatest Luck International Limited	128,000,000	Beneficial owner	6.72%
Zhang Jie	101,600,000	Personal	5.33%

Note: As at 30 June 2009, PMM owned 193,360,000 shares, representing approximately 10.15% of the issued share capital of the Company. The issued share capital of PMM is owned as to 70.58% by Mr. Li Wo Hing, as to 19.61% by Dr. Li Nga Kuk, James, as to 9.81% by Mr. Li Tai To, Titus. Accordingly, Mr. Li Wo Hing holds indirect interest in the 193,360,000 shares through PMM.

(b) Short positions in the shares and underlying shares of equity derivatives of the Company

So far as the Directors are aware, save as disclosed herein, no persons have short position in the shares or underlying shares of equity derivatives of the Company.

DIRECTORS' INTEREST IN CONTRACTS

No contract, commitment or agreement of significance in relation to the Company's business, to which the Company or any of its subsidiaries was a party and in which any of the directors of the Company had a material interest, either directly or indirectly, subsisted during the six months ended 30 June 2009.

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S LISTED SECURITIES

During the six months ended 30 June 2009, neither the Company nor any of its subsidiaries purchased, redeemed or sold any of the Company's listed securities.

COMPETING INTERESTS

None of the directors, the management shareholders or substantial shareholders of the Company or any of their respective associates (as defined in the GEM Listing Rules) has engaged in any businesses that compete or may compete with the business of the Group or have any other conflicts of interests with the Group.

CODE OF CONDUCT REGARDING SECURITIES TRANSACTIONS BY DIRECTORS

The Company adopted the required standards on dealings as set out in Rules 5.48 to 5.67 of the GEM Listing Rules as its code of conduct regarding directors' transactions in securities throughout the six months ended 30 June 2009. The Company's directors confirmed that they complied with such code of conduct and required standards for dealings throughout the six months ended 30 June 2009.

CORPORATE GOVERNANCE AND AUDIT COMMITTEE

During the six months ended 30 June 2009, save as to the disclosure in note 5 to the Condensed Consolidation Financial Statements regarding the deconsolidation of the Medical Equipment Subsidiary on 26 March 2009, the Company has complied with the Code on Corporate Governance Practices (the "Code") as set out in Appendix 15 of the GEM Listing Rules.

As required by Rules 5.28 to 5.33 of the GEM Listing Rules, the Company has established an audit committee (the "Committee") with written terms of reference which deal with its authority and duties. The Committee's primary duties are to review and to supervise the financial reporting process and internal control systems of the Group and to provide advice and comments to the directors.

As at 30 June 2009, the Committee was composed of the three independent nonexecutive directors, namely, Messrs. Fan Wan Tai, Tam Wai Leung, Joseph and Chan Kim Chung, Daniel. During the six months ended 30 June 2009, the Committee held three meetings for the purpose of reviewing the Company's reports and financial statements, and providing advice and recommendations to the board of directors.

The Committee members have reviewed the Company's unaudited interim financial report for the six months ended 30 June 2009 and are of the opinion that the preparation of such results complied with applicable accounting standards.

By order of the Board
Leung Sze Yuan Alan
Chairman

Hong Kong, 11 August 2009