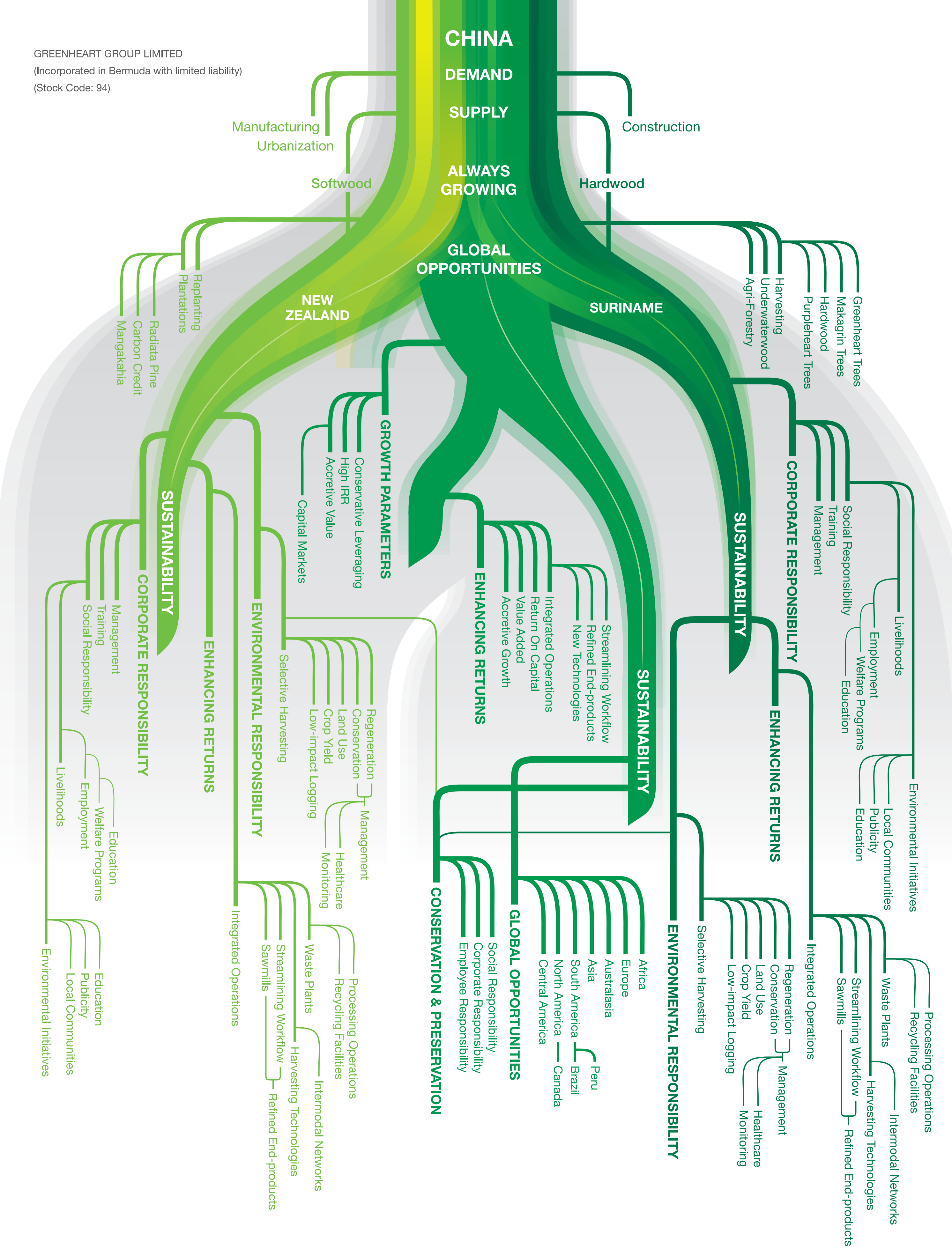
GREENHEART GROUP LIMITED
(Incorporated in Bermuda with limited liability)
(Stock Code: 94)



Greenheart Group
綠森集團
always growing
A member of the Sino-Forest Corporation group of companies

Annual Report 2010
Taking Root

Contents

Corporate Information

BOARD OF DIRECTORS

Chan Tak Yuen, Allen# *(Chairman)*
(appointed on 3 August 2010)
William Judson Martin*
(Chief Executive Officer and President)
(appointed on 3 August 2010)
Hui Tung Wah, Samuel*
Chau Chi Piu, Alex*
(resigned on 11 January 2010)
Sung Yan Wai, Petrus*
(resigned on 17 September 2010)
Simon Murray#
(appointed on 17 August 2010)
Wong Che Keung, Richard**
Tong Yee Yung, Joseph**
Wong Kin Chi**

* *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

Tse Nga Ying

AUTHORIZED REPRESENTATIVES

William Judson Martin
Tse Nga Ying

REGISTERED OFFICE

Canon's Court
22 Victoria Street
Hamilton HM12
Bermuda

STOCK CODE

94

PRINCIPAL PLACE OF BUSINESS IN HONG KONG

16/F, Dah Sing Financial Centre
108 Gloucester Road, Wanchai
Hong Kong
Tel: (852) 2877 2989
Fax: (852) 2511 8998

INDEPENDENT AUDITORS

Ernst & Young

SOLICITORS

Baker & McKenzie
Sit, Fung, Kwong & Shum
Michael Li & Co.

PRINCIPAL BANKERS

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

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.greenheartgroup.com

INVESTOR RELATIONS

info@greenheartgroup.com

Chairman's Statement

2010 was a year of significant change for Greenheart Group Limited ("Greenheart" or the "Company") (formerly Omnicorp Limited). As China continued to climb the global economic ranking, the timber market experienced a major turnaround, fueled primarily by China's urbanization and increasing demand for timber related products. China's 12th Five Year Plan calls for a key focus on sustainable modernization and balanced growth. Demand for wood for construction, furniture and other wood products have risen to an all-time high. Greenheart's creation this year is pivotal and we want it to be well placed to capitalize on demand in China, to grow sustainably and responsibly, and to become a leading global forestry player.

Greenheart aims to be "Always Growing", responsibly, sustainably, globally and profitably.

We changed our company name to Greenheart Group Limited to reflect our core focus on sustainable forestry management and investment. At Greenheart, we believe that practicing sustainable forestry management is the only way to conduct business. This is crucial to the preservation of forests for future generations. After building Sino-Forest Corporation ("Sino-Forest") into a leading sustainable forestry company in China, we will apply the same sensible guidelines and responsible philosophy to every element of Greenheart, from our global operations to our administration in Hong Kong. Greenheart believes that sustainable and responsible management of our forests and people will serve as our fundamental platform for profitability.

For example, we continue to be a leading example of low-impact logging in Suriname. Through the scientific method developed by Suriname's Centre for Agricultural Research (CELOS) with a core focus on sustainable management and utilization of renewable natural resources, Greenheart is the largest caretaker of Suriname's forests. In short, our aim through the CELOS program is to operate the forest in a sustainable manner that it will regenerate and always grow. On every hectare, we will only harvest about 25 m^3 – a fibre volume equivalent to about a half dozen trees. Each tree that fulfills certain requirements for harvesting is carefully inspected, and must then be approved for harvesting by the Suriname Forestry Department. We apply this screening process once every 20 years for any given hectare. This is our sustainable harvesting in Suriname.

Chairman's Statement

At Greenheart, being responsible and sustainable also means providing our employees with the best equipment and training, and being completely transparent and open with our customers and shareholders. Most importantly, Greenheart's operating philosophy is to play a part in the protection and preservation of our planet and its natural resources. We have made several strategic changes in order to enhance the company's ability to operate in this manner. Firstly, we hired experienced international forestry veterans who have solid track record in operating in natural and plantation forests. Secondly, we appointed experienced management and Directors who use international best practices in corporate governance and communications transparency. Thirdly, we stepped up our corporate social responsibility and sustainability programs, including supporting local communities near our forests, and educating and training students in Hong Kong about the need for preservation and sustainability.

Greenheart's slogan "Always Growing" captures the core essence of what we are all about. 2010 was a year of changes, new chapter of growth, which will bring greater value to our customers, shareholders and employees. By being sustainable and responsible in all our operations, I believe that Greenheart has an exciting future, and I thank all our stakeholders for being a part of it right from the very start.

Chan Tak Yuen, Allen
Chairman

Hong Kong, 14 March 2011

CEO Letter to Shareholders

Dear Shareholders,

I am honored to report to you in this the first annual report for Greenheart Group Limited ("Greenheart" or the "Company") along with my first review as your Chief Executive Officer. My commentary will address what happened, what's happening and most importantly, what we expect will happen in the coming year and beyond.

For Greenheart, 2010 was a year of taking root for a bright new future. The year was one of foundational changes that included fundamental decisions that will, in a good way, forever impact our company. Our 2010 financial results were not formidable nor were they expected to be. Our recent changes, decisions and new strategies are keenly focused on righting this situation. Subsequent to the transaction in August 2010 that resulted in Sino-Forest Corporation ("Sino-Forest") becoming our ultimate major shareholder, the first stage of our new profit-focused high growth operating strategy was implemented.

We are expecting to improve our operating and financial results as we ramp up our existing operations and add new assets. Once the results of our profit-focused high growth operating strategy are realized, we expect Greenheart to be a rapidly growing forestry company with an extensive asset base located outside China serving the growing wood deficit within China and generating increasingly higher earnings and cash flow.

Greenheart's substantive transaction during the year was our structural change in ownership that occurred on August 3, 2010. This and follow on investment transactions during the year has resulted in Sino-Forest, China's leading commercial forestry company and one of the leading forestry companies in the world, becoming our ultimate controlling shareholder and holding indirectly approximately 64% of our total issued shares. This change in ownership was overwhelmingly approved by our shareholders and was the catalyst to changes in our board and senior management, our strategic direction and finally our company name.

Mr. Allen Chan, Founder, Chairman and Chief Executive Officer of Sino-Forest was appointed Non-executive Chairman of Greenheart. In my capacity as Vice Chairman of Sino-Forest I was appointed an Executive Director and also as Chief Executive Officer. Alongside Sino-Forest, Mr. Simon Murray's Asia Resources Fund Limited joined our Greenheart family through a convertible bond investment and we welcomed Mr. Murray as a valued senior advisor as well as a key member of our Board of Directors. We will continue to strengthen our Board of Directors with members who will further ensure that Greenheart's corporate governance reflects and complies with Hong Kong jurisdictional standards and recommendations as well as the highest standards of international best practices.

CEO Letter to Shareholders

Our senior management was strengthened with the continuing appointment of Ms. Daphne Tse as our Chief Financial Officer and in January 2011, we appointed Mr. Andrew James Fyfe as our Chief Operating Officer. Daphne, an experienced CPA formerly with Ernst & Young in Hong Kong, has been with our company for 10 years and provides us important continuity as well as strong, experienced financial leadership, control and oversight. Andrew brings us 30 years of truly global forestry experience including his role as President of Pöyry Forestry Consultants, with whom he was employed for over 20 years. In addition to Andrew's exceptional forest knowledge, he has an extensive network of industry contacts and access to a pool of talented and very experienced human resources located around the world, which will prove invaluable to us in the future. The three of us form the Company's Executive Management Committee from which substantive management policies and decisions are made. As a precursor to any investment we must have strong local management engaged on day one. In each of Suriname and New Zealand we are pleased to have world class operating managers and professional foresters in place who are responsible for day-to-day operations and who will be compensated on achievement.

Simultaneous with our name change to Greenheart Group Limited that was approved by our shareholders on December 17, 2010, we undertook a major rebranding exercise becoming a fully transparent company in the process. Our tri-lingual website and other public material leave no doubt as to who we are, what we do and how we do it. Our people are proud of what they do and how they do it and it is important that our customers, shareholders and other interested parties know as well. Our intent is to always, at a minimum comply fully with local laws and practice the highest standards of resource preservation and sustainability. In Suriname we are focused on low impact harvesting and silvicuture methods as prescribed by Suriname's Centre for Agricultural Research ("CELOS") and as we construct our processing facilities we will be working towards Forest Stewardship Council (FSC) certification in all our operations. The responsible care of people and the environment is our corporate policy as well as our state of mind.

We consolidated our headquarters in Hong Kong into a larger space to accommodate all our people in one location and to provide for our future growth. To prepare for this expansion, we have hired experienced personnel at all levels not only in Hong Kong but also in all our major markets, including accounting, legal, IT and experienced forestry professionals. We will continue to search for highly principled, qualified and intelligent men and women at all levels of our company and in all jurisdictions in which we operate who share our values pertaining to natural resource preservation and sustainability and corporate responsibility.

Greenheart is now well positioned to become the profitable high growth company defined by our operating strategy. The principal element of this strategy is to be Sino-Forest's international growth vehicle for sustainable and profitable forestry assets located outside China to serve the wood deficit within China while at the same time maintaining the ability to manage and operate in other markets around the world as demand and pricing parameters dictate.

CEO Letter to Shareholders

As at the end of 2010, we had three primary assets; a 60.39% interest in a 184,000 hectares hardwood concession located in western Suriname (Sino-Forest currently owns the 39.61% minority interest); a commitment to acquire 13,000 hectares of freehold land including 11,000 hectares of softwood radiata pine plantations in the northland of New Zealand (which closed subsequent to year end); and US$78 million in cash. With that foundation, an experienced management team and support from Sino-Forest we are pursuing a high growth strategy focused on acquiring attractive and sustainable forestry assets in Suriname, New Zealand and other countries this year and beyond.

As announced on March 1, 2011, we acquired 60% of Vista Marine Services N.V. ("Vista"). Vista holds certain sustainable harvesting rights to a 128,000 hectares concession in eastern Suriname bordering on Lake Brokopondo. This investment expands Greenheart's sustainable harvesting rights and concessions under management in Suriname to approximately 312,000 hectares. Our strategy in Suriname is to continue to expand our concession footprint and be the leader in the sustainable timber industry. Our plan is to build large scale wood processing facilities in both concessions which are capable of processing all logs into lumber and other value added products such as flooring, decking and special millwork. This not only enhances margins, but also provides greater employment opportunities and skills development benefitting both the Surinamese people and the local and national economies. The construction of these processing facilities is underway and we expect their completion in the fourth quarter of 2011.

We are evaluating a substantial pipeline of forestry related assets around the world. We are currently expanding our search for assets in North, South and Central America and currently reviewing potential acquisition opportunities in Brazil, Peru and Africa. Our investments will strengthen and complement our strategy of being a global forestry player, acting as Sino-Forest's international growth vehicle and serving the growing wood deficit in China and when appropriate other markets around the world.

2010 was the year of taking root and positive change. In my first shareholder's report as Chief Executive Officer of Greenheart, I am pleased with what we have achieved in a short period of time and I am even more excited about our prospects. We will provide updates within our newly adopted quarterly financial reporting regime or otherwise as matters of importance warrant. On behalf of Greenheart, I would like to thank our employees, customers and shareholders for your support in this year of change. We are working hard to better serve each of you.

W. Judson Martin
Chief Executive Officer

Hong Kong, 14 March 2011

Management Discussion and Analysis

BUSINESS REVIEW

2010 was a year of change for the Company. Firstly, the Company strengthened its shareholder base with Sino-Forest taking a majority shareholding and the subsequent senior appointments to the Company's board and management. The Company then formulated a new global strategy to be a leading, responsible and sustainable forestry company. This was supported through a major rebranding exercise including a change of the Company's name to Greenheart Group Limited, the launch of a new tri-lingual website, the move into a larger corporate head office in Hong Kong and the hiring of key senior forestry experts. In order to align with Sino-Forest's reporting functions, the Company also appointed Ernst & Young as its auditors. In addition, the Company grew and diversified its international asset base through the acquisition of a softwood plantation in New Zealand (completion of such acquisition took place on 31 March 2011) as well as increasing its harvesting rights in Suriname by a further 128,000 hectares. These are all key developments which are critical to the Company's new global focus of becoming a leading and responsible forestry company with sustainable forests and forestry related assets around the world.

Following the renewed support from Sino-Forest, the board ("Board") of directors ("Directors") of the Company was strengthened with the appointment of Mr. Chan Tak Yuen, Allen as Chairman, Mr. William Judson Martin as Chief Executive Officer, President and Executive Director and Mr. Simon Murray as Non-Executive Director. Subsequent to the year ended 31 December 2010, the Company also appointed Mr. Andrew James Fyfe, an experienced forestry professional with over 30 years' experience as Chief Operating Officer. These appointments have been essential in ensuring alignment of international best-practice in corporate governance, capital market expertise and international forestry experience.

This year's financial statements will be the last reminiscent of the past before the Company's new chapter begins. During the year ended 31 December 2010 (the "Year"), the Group recorded a total revenue of HK$16,714,000, representing an increase of 48.9% from 2009 and a decrease in the loss attributable to the equity holders of the Company to HK$78,784,000 compared with HK$86,247,000 in 2009.

The growth in revenue was mainly contributed by the significant increase of log and timber product sales during the Year. The Group's gross profit for the Year was approximately HK$8,808,000, representing an increase of approximately HK$2,994,000 from approximately HK$5,814,000 in 2009. The increase was largely in line with the increase in revenue.

Other income and gains amounted to HK$2,288,000 for the Year, an increase of HK$1,151,000 compared with HK$1,137,000 in 2009. The increase was mainly attributable to the increase in bank interest income as a result of the increase in average cash and bank balances and the recognition of rental income for the lease of plant and machinery of HK$828,000 during the Year.

BUSINESS REVIEW *(continued)*

Selling and distribution costs, mainly the trucking, barging and ocean freight costs which rose as a result of higher sales of logs and forestry products, increased to HK$6,519,000 for the Year from HK$4,731,000 in 2009. There was no significant fluctuation in the selling and distribution costs as a percentage of revenue for the Year.

Administrative expenses increased by HK$8,222,000 to HK$50,043,000 for the Year. The increase reflected the Company's expansion in its hiring of experienced staff in order to facilitate the Company's growth plans. The increase in professional fees was primarily attributable to services rendered to support the Company's global expansion, compliance services for certain corporate activities and the increase in rental and other expenses resulting from the relocation of the Company's corporate head office in Hong Kong during the Year.

Other operating expenses mainly represented share option expenses of HK$13,868,000 (2009: HK$24,334,000), provision for slow moving and obsolete inventories of HK$5,564,000 (2009: Nil) and impairment of property, plant and equipment of HK$2,328,000 (2009: Nil). The remaining expenses recorded in the Year mainly represented costs and expenses incurred in optimizing the layout of the log yard, ramping up the existing sawmill and improving the general living facilities at the Company's forest camp and staff quarters in Apura, Suriname.

Finance costs of HK$14,778,000 (2009: HK$20,883,000) mainly represented the interest expenses incurred for the convertible bonds with a total principal amount of HK$237,000,000 issued in November 2007 (the "Old Convertible Bonds") and the convertible notes with a total principal amount of approximately HK$195,000,000 (equivalent to US$25,000,000) issued in August 2010 (the "New Convertible Notes"). The significant decrease in finance costs was mainly attributable to the net effect of a decrease in the effective interest rate of the Old Convertible Bonds from 10.01% to 4% per annum pursuant to the new terms of the supplemental agreement entered into between the Company and the holders of the Old Convertible Bonds on 8 November 2009, whereas the effective interest rate of the New Convertible Notes was approximately 11.2% per annum.

The share of results of an associate recorded a loss of HK$1,667,000 (2009: HK$1,725,000) reflecting our share of the operational loss of the associate. The associate was fully disposed of in September 2010.

2010 was a year of fundamental, corporate and strategic change and we expect this to create a financial impact in the years to come. The Company has already started to make considerable improvements, as evidenced by the decrease in the loss attributable to the equity holders of the Company for the Year to HK$78,784,000 compared with HK$86,247,000 for 2009.

Management Discussion and Analysis

LIQUIDITY AND FINANCIAL REVIEW

The Group's liquidity position is strong. As at 31 December 2010, the Group's current assets and current liabilities were HK$627,735,000 and HK$33,292,000, respectively (2009: HK$52,096,000 and HK$28,778,000, respectively), of which the Group maintained cash and bank balances of approximately HK$612,784,000 (2009: HK$40,916,000) with no outstanding bank borrowings (2009: Nil). Accordingly, the Group had no gearing, which was calculated on the basis of bank and other borrowings as a percentage of equity attributable to equity holders of the Company (2009: Nil).

In August 2010, two subscription agreements were completed. Firstly, the Company entered into a share subscription agreement with Sino-Capital Global Inc. ("Sino-Capital"), a wholly owned subsidiary of Sino-Forest, pursuant to which Sino-Capital agreed to subscribe for 230,000,000 new ordinary shares of the Company at a subscription price of HK$1.82 per share for a total cash consideration of HK$418,600,000 ("Share Subscription"). The Company also entered into a convertible notes subscription agreement which Greater Sino Holdings Limited ("Greater Sino") agreed to subscribed for New Convertible Notes at an aggregate principal amount of US$25 million. 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. Assuming full conversion, the New Convertible Notes can be converted into 97,077,922 ordinary shares of the Company.

In September 2010, conversion notices were received from the holders of the Old Convertible Bonds to convert the entire HK$237,000,000 Old Convertible Bonds at the conversion price of HK$2 per conversion share. Upon conversion of the entire Old Convertible Bonds, 118,500,000 new ordinary shares were issued, of which 106,154,150 ordinary shares were ultimately held by Sino-Forest.

As at 31 December 2010, there were 681,149,152 ordinary shares of the Company in issue.

The Group adopts conservative treasury policies in cash and financial management. Cash is generally placed in short-term deposits mostly denominated in U.S. dollars and Hong Kong dollars. The Group's liquidity and financing requirements are reviewed regularly. The Group will continue to maintain a strong capital structure when financing new investments.

The Group has limited exposure to foreign exchange fluctuation risks as most of its sales are denominated in US dollars, to which the Hong Kong dollar is pegged and being the same currency in which the Group's majority costs and expenses incurred overseas are denominated. The Board considered that the recent depreciation of the US dollars will not have material impact to the Group. During the Year, the Group did not use any financial instruments for hedging purposes and the Group did not have any hedging instruments outstanding as at 31 December 2010. However, we will continue to monitor closely all possible exchange rate risk arising from the Group's existing operation and new investments in future and will implement the necessary hedging arrangement to mitigate any significant foreign exchange risk.

PROSPECTS

China's resilience through the financial crisis as well as its 10% GDP growth on 2010 and expected 8% growth in 2011 are representative of China's recent decade-long urbanization and consumer boom placing greater demand on construction and infrastructure growth. In China's recently announced 12th Five-Year Plan (2011-2015), one of China's central government objectives is to make China less dependent on exports and more focused on domestic consumer spending, with the aim to bridge the gap between rural and urban societies. It is expected by the Ministry of Housing and Urban Development that over 300 million Chinese now living in rural areas will move to the cities between 2010 to 2025. This has spurred the new target to build 15.4 million social housing units by 2012 and over 200 new rural cities by 2025.

Driven by an increasing demand in new housing and wooden end products, China's demand for wood fiber in construction and products such as furniture and paneling has seen large increases. Despite the rising demand, China's domestic supply of forests and wood fiber is limited leading to China's recent import of almost 25 million cubic meters of softwood logs in 2010, which was equivalent to one third of the world's global imports. China's wood deficit has progressively increased and according to RISI, Inc. reached 117 million m^3 in 2010. This is expected to reach 174 million cubic meters by 2015 and creates a substantial opportunity for the Company. The Directors believe that China's strong demand for its products will continue to be driven by the country's increasing wood deficit, the Company's ability to access Sino-Forest's distribution and sales and marketing network in China and the Company's supply of high quality sustainable hard and softwood.

As Sino-Forest's international acquisition vehicle for sustainable and profitable forestry assets, the Company will continue to grow and expand both its existing operations as well as in other regions around the world. On 7 January 2011, the Company announced that it had entered into a sale and purchase agreement with Sino-Forest and Sino-Capital, pursuant to which Sino-Capital has conditionally agreed to sell and the Company has conditionally agreed to purchase all the issued share capital of Mega Harvest International Limited ("Mega Harvest") that through its subsidiaries owns a radiate pine plantation in New Zealand with approximately 13,000 hectares of freehold land with a net harvestable area of approximately 11,000 hectares in New Zealand's Mangakahia Forest ("Mangakahia"). Mangakahia has a total standing stock of approximately 8 million cubic meters of mature and fast-growing radiata pine. The acquisition was completed on 31 March 2011. Upon completion of the transaction, the Company can diversify its portfolio of tropical hardwood in South America with sustainable plantations in New Zealand which will strengthen the Company's ability to service the growing timber deficit in China. It is expected that Mangakahia will immediately bring positive contributions to the Company's cashflow.

PROSPECTS *(continued)*

On 1 March 2011, the Company also announced it had acquired a controlling 60% equity interest in Vista Marine Services N.V. ("Vista"), a private company based in Suriname that controls certain harvesting and logging rights to 128,000 hectares of hardwood concession. The concession is located in the Sipalawini district of Suriname, South America, bordering Lake Brokopondo with an estimated annual allowable cut of approximately 100,000 cubic meters. This transaction increases the Company's concessions under management in Suriname to approximately 312,000 hectares. While the cost of this acquisition is not material to the Company as a whole, the Company is optimistic about the prospects of Vista and the positive impact that it will bring. Vista will be rebranded as part of the Group and its headquarters will be combined with the current Greenheart Resources Holdings Limited headquarters to serve as the new Greenheart headquarters for Suriname. This acquisition further advances the Group's positioning as the leading and largest forestry concession owner in Suriname as well as its goal of becoming a global agri-forestry company.

The Company is committed to become a responsible growth company that actively seeks sustainable and profitable global assets. With the backing of Sino-Forest, an experienced board and management and a strong financial position, the Company is well-poised to expand its global footprint and enjoys a strong pipeline of focused assets which are both sustainable and profitable. The Company will make further announcements in relation to the progress of any potential investment opportunities as and when deemed necessary and appropriate by the Directors, to ensure it is in compliance with The Rules Governing the Listing of Securities (the "Listing Rules") on The Stock Exchange of Hong Kong Limited (the "Stock Exchange").

The Directors believe that the core foundation of the Company has now been set and 2011 will be the year of profitable investment and sustainable preservation. With the support of our parent company, Sino-Forest, and our shareholders, and through the implementation of our planned business development, we are confident that we can achieve our global vision of becoming a leading, responsible and sustainable forestry company.

DIVIDENDS

The Directors do not recommend the payment of any dividends in respect of the year ended 31 December 2010.

CAPITAL EXPENDITURE

During the year ended 31 December 2010, the Group spent approximately HK$13,727,000 (2009: approximately HK$2,630,000) on acquisition of property, plant and equipment.

CONTINGENT LIABILITIES

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

SHARE OPTION SCHEME

As at 31 December 2010, there were share options for 38,343,560 ordinary shares of HK$0.01 each in the share capital of the Company granted by the Company pursuant to the share option scheme, as adopted by the shareholders of the Company on 22 March 2002, which were valid and outstanding. 1,250,000 Share options lapsed during the year ended 31 December 2010.

EMPLOYMENT AND REMUNERATION POLICY

As at 31 December 2010, the number of employees of the Group was about 163. Employees' cost (including Directors' emolument) amounted to approximately HK$41,310,000 for the year ended 31 December 2010. 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.

Biographical Details of Directors and Senior Management

DIRECTORS

Mr. Chan Tak Yuen, Allen, aged 59, is the Chairman and a non-executive director of the Company. He joined the Board in August 2010. Mr. Chan co-founded Sino-Forest in 1992 and has been the chairman, chief executive officer and a director of Sino-Forest, with responsibility for Sino-Forest's overall strategic planning and management. Before cofounding Sino-Forest, Mr. Chan worked for 12 years as a management consultant and project manager in China. He has also worked for the Hong Kong government in new town development and management programs. In December 2010, Mr. Chan was appointed as a vice president of the China National Forestry Industry Federation.

Mr. William Judson Martin, aged 55, is the president, chief executive officer and an executive director of the Company. He joined the Board in August 2010. Mr. Martin is the vice-chairman and an executive director of Sino-Forest since June 2010 and had been an independent non-executive director of Sino-Forest since 2006 and its lead director since 2007. Before joining Sino-Forest Corporation, Mr. Martin was executive vice president and chief financial officer of Alliance Atlantis Communications Inc. from 1999 to 2002 and senior executive vice president and chief financial officer from 2003 to 2005. Mr. Martin is also the chairman of SWEF Terrawinds Resources Corporation and chair of its audit committee and until November 2009 was a director of Somerset Entertainment Income Fund, chair of its compensation and nominating committee and member of its audit committee.

Mr. Hui Tung Wah, Samuel, aged 56, is an executive director of the Company. Mr. Hui joined the Board in June 2005. He was an executive director of the Company from 9 July 2001 to 28 May 2003. After serving 2 years as senior vice president for Sino-Forest, Mr. Hui rejoined the Company as Deputy Chief Executive Officer from 1 May 2005. Mr. Hui comes from a strong financial and general management background with over 30 years working experience in senior management of major international and local banks, and companies in Hong Kong, Australia and Canada. He is a seasoned executive and has extensive management experience. He is currently a non-executive director of Cafe de Coral Holdings Limited whose shares are listed on the main board of The Stock Exchange of Hong Kong Limited, and a non-executive director of WLS Holdings Limited whose shares are listed on the GEM. Mr. Hui holds a Bachelor Degree in Social Sciences from the University of Hong Kong and a Master Degree in Business Administration from the Brunel University in the United Kingdom.

Mr. Simon Murray, aged 71, is a non-executive director of the Company. He joined the Board in August 2010. Mr. Murray is the chairman of General Enterprise Management Services (International) Limited (GEMS Ltd.) and is an independent director of Sino-Forest. Before establishing GEMS Ltd. in 1998, Mr. Murray was the group managing director of Hutchison Whampoa Ltd. from 1984 to 1993 and the executive chairman in Asia Pacific for the Deutsche Bank group from 1994 to 1997. Mr. Murray is also a member of the board of directors of Cheung Kong (Holdings) Limited, Orient Overseas (International) Limited and Wing Tai Properties Limited (formerly known as USI Holdings Limited), and IRC Limited, all of which are listed in Hong Kong. He is also a director of Compagnie Financière Richemont SA, a company listed in Switzerland, and Essar Energy plc, a company listed in the United Kingdom. Mr. Murray was also a member of the board of directors of Vodafone Group plc, a company listed in the United Kingdom, between July 2007 and July 2010, Hutchison Whampoa Ltd., a Hong Kong listed company, between August 1984 and May 2007, and Arnhold Holdings Ltd., a Hong Kong listed company, between October 1993 and March 2011. He is a member of the Former Directors Committee of The Community Chest and is involved in a number of other charitable organizations, including The China Coast Community Association.

Biographical Details of Directors and Senior Management

Mr. Wong Kin Chi, aged 59, is an independent non-executive director of the Company. He joined the Board in September 2004 with an MBA degree from the University of Durham of United Kingdom. He is a fellow member of the Hong Kong Institute of Certified Public Accountants, and an associate member of the Chartered Institute of Management Accountants of the United Kingdom. Mr. Wong is currently running a company rendering financial and educational management services for clients. He had over 20 years of experience serving as financial controller and senior executive in a number of multi-national corporations and as an auditor in an international accounting firm. Mr. Wong is a non-executive director of Omnitech Holdings Limited, whose shares are listed on the Australian Stock Exchange.

Mr. Wong Che Keung, Richard, aged 65, is an independent non-executive director of the Company. Mr. Wong joined the Board in June 2000. Mr. Wong is the Honorary Consul of The Republic of Tunisia in Hong Kong and a fellow member of the Canadian Institute of Bankers. He is also the Chief Executive of Regency Investments & Management Co., Ltd. which engages in direct business investments both locally and overseas.

Mr. Tong Yee Yung, Joseph, aged 56, is an independent non-executive director of the Company. Mr. Tong joined the Board in May 2001. He graduated from Southern Illinois University in the USA with a Bachelor of Science degree and obtained an MBA from the University of East Asia. Mr. Tong has over 20 years of experience in corporate finance and management for different listed companies in Hong Kong. Currently, Mr. Tong is an executive director and partner of Kelston Holdings (Hong Kong) Limited.

SENIOR MANAGEMENT

Mr. Andrew James Fyfe, aged 53, is the Chief Operating Officer and a member of the Executive Management Committee of the Company. Mr. Fyfe brings over 30 years of relevant forestry experience to the Company. Most recently, Mr. Fyfe served as Chief Operating Officer for a private forestry company based in Hong Kong with assets in China. Prior to this, he served as Asia-Pacific President for Pöyry Forestry Industry Ltd, part of Pöyry PLC, a global consulting and engineering firm focusing on the forestry, energy, infrastructure & environment sectors. Mr. Fyfe worked with the Pöyry group for 20 years, overseeing the successful growth of the Asia-Pacific consulting business, sales and marketing and personnel management. Mr. Fyfe has worked closely with various governments and agencies on sustainable forestry initiatives and other projects in over 20 countries around the world.

Mr. Fyfe is a New Zealand national and graduated from the University of Canterbury in New Zealand with a Bachelor of Forestry Science.

Ms. Tse Nga Ying, aged 38, is the Chief Financial Officer and the Company Secretary of the Company. She has worked for the Company and its affiliated companies for almost 10 years. Ms. Tse has over 16 years of experience in audit, accounting, financing and a strong background in manufacturing and trading companies. She graduated from the Chinese University of Hong Kong with a Bachelor degree in professional accountancy. She is also a fellow of the Association of Chartered Certified Accountants and a member of the Hong Kong Institute of Certified Public Accountants.

Corporate Governance Report

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

THE BOARD

The Board comprises seven Directors, including two executive Directors, namely Mr. William Judson Martin and Mr. Hui Tung Wah, Samuel; two non-executive Directors, namely Mr. Chan Tak Yuen, Allen (Chairman of the Board) and Mr. Simon Murray and three Independent Non-Executive Directors ("INED"), namely Mr. Wong Kin Chi, Mr. Wong Che Keung, Richard, and Mr. Tong Yee Yung, Joseph. There is no relationship (including financial, business, family or other material/relevant relationships) among the Board members. All INEDs have complied with the requirements of the Listing Rules and have presented annual confirmations of independence issued pursuant to Rule 3.13 of the Listing Rules to the Company. The Directors consider that all the three INEDs are independent under these independence criteria and are capable to effectively exercise independent judgement. The Company considers that the Board has the necessary skills and experience appropriate for discharging their duties as Directors in the best interest of the Company and that the current board size as adequate for its present operations.

Detailed biographies outlining each Director's range of specialist experience and suitability for the successful long-term management of the Group can be found in the Section of Biographical Details of Directors and Senior Management. The principal functions of the Board are to make decision on the objectives, strategic plans, budgets and management structure of the Company; to oversee the management of the business and affairs of the Group with the objective of enhancing the Company and shareholders' value with the proper delegation of the power to the management for its day to day operation of the Group, implementation of the budgets and strategic plans and development of the organization of the Company for implementing the Board's decision. During the year under review, the Board has reviewed, inter alia, the performance and formulated business strategy of the Group; reviewed and approved the annual and interim results of the Group for the year ended 31 December 2009 and 30 June 2010, respectively, and the quarterly results for the nine months ended 30 September 2010; granted of share options; approved the issuance of new shares and convertible bonds of the Company, approved the connected transactions and continuing connected transactions; reviewed internal controls taken by the Group; and other significant operational, financial and compliance matters.

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

Name of Director	**Number of Board meetings held whilst in office**	**Number of Board meetings attended**
Mr. Chan Tak Yuen, Allen *(note 1)*	3	3
Mr. William Judson Martin *(note 2)*	3	3
Mr. Hui Tung Wah, Samuel	7	7
Mr. Simon Murray *(note 3)*	0	0
Mr. Sung Yan Wai, Petrus *(note 4)*	7	7
Mr. Chau Chi Piu, Alex *(note 5)*	1	1
Mr. Wong Kin Chi	7	7
Mr. Wong Che Keung, Richard	7	7
Mr. Tong Yee Yung, Joseph	7	7

Notes:

1. Mr. Chan was appointed on 3 August 2010.

2. Mr. Martin was appointed on 3 August 2010.

3. Mr. Murray was appointed on 17 August 2010.

4. Mr. Sung was resigned on 17 September 2010.

5. Mr. Chau was resigned on 11 January 2010.

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

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

CHAIRMAN AND CHIEF EXECUTIVE OFFICER

There is a clear division of responsibility between the Chairman of the Board and the Chief Executive Officer to ensure a balance of power and authority. The Chairman of the Board is Mr. Chan Tak Yuen, Allen and the Chief Executive Officer is Mr. William Judson Martin. The Chairman provides leadership and is responsible for the effective functioning of the Board in accordance with good corporate governance practice. The Chief Executive Officer focuses on implementing objectives, policies and strategies approved and delegated by the Board, and is in charge of the Company's day-to-day management and operations.

NON-EXECUTIVE DIRECTORS

Each of the INED has been appointed for a term of 3 years. The Non-executive Directors, together with the other Directors are subject to retirement by rotation and re-election in accordance with the Company's bye-laws and Listing Rules at each annual general meeting. They are expected to scrutinize the Company's performance in achieving agreed corporate goals and objectives; and ensuring that the exercise of the board authority is within the powers conferred to the Board under the Compnay's bye-laws and applicable laws, rules and regulations. All fees paid to Non-executive Directors for their services to the Group are subject to annual review and approval by the remuneration committee of the Company ("Remuneration Committee").

NOMINATION OF DIRECTORS

For nomination of the Director(s), the Board will take into consideration of the candidate's integrity, qualifications, capabilities and experience to make contribution to the Company. The Board considers that the existing human resource policy in recruitment of new senior staff is also applicable to nomination of a new Director. Furthermore, as the Board is responsible for selection and approval of candidates for appointment as Directors to the Board, the Company has not established a nomination committee for the time being.

DIRECTORS' SECURITIES TRANSACTIONS

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

ACCOUNTABILITY AND AUDIT

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

The financial statements of the Group for the year ended 31 December 2010 have been reviewed by the audit committee of the Company ("Audit Committee") and audited by the external auditors, Ernst & Young. For the year ended 31 December 2010, the audit fee was HK$1,400,000 and the non-audit service fee paid to Moore Stephens (the preceding auditors) was HK$230,000. The responsibilities of the external auditors with respect to financial reporting are set out in the section of "Report of the Auditors".

REMUNERATION COMMITTEE

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

During the year ended 31 December 2010, one meeting of the Remuneration Committee regarding the remuneration policy review was held, and details of the attendance of the meeting are as follows:

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

AUDIT COMMITTEE

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

The Audit Committee has reviewed and discussed with the management the accounting principles and practices adopted by the Group and auditing, internal controls and financial reporting matters. The audited financial statements of the Group for the financial year ended 31 December 2010 have been reviewed by the Audit Committee. The Audit Committee held three meetings during the year, which were attended by the external auditors. Details of the attendance of the Audit Committee meetings are as follows:

Members of Audit Committee	**Number of Attendance**
Mr. Wong Che Keung, Richard *(Chairman)*	3/3
Mr. Wong Kin Chi	3/3
Mr. Tong Yee Yung, Joseph	3/3

The Board has not taken any different view from that of the Audit Committee regarding the selection, appointment, resignation or dismissal of external auditors.

INTERNAL CONTROL

The Board has overall responsibilities for maintaining sound and effective internal control system of the Group. The Board has delegated to the management the implementation of such systems of internal controls as well as the review of relevant financial, operational and compliance controls and risk management procedures. The management of the Group has reviewed the Group's internal control and risk management system for the year ended 31 December 2010 and has submitted the results of the review and its recommendations and opinions for consideration by the Audit Committee and the Board. Based on its assessment which covers all material controls including financial, operational and compliance controls and risk management functions, management believes that for the year ended 31 December 2010, the Company's internal control is effective. The Board is satisfied that there are adequate resources of staff with appropriate qualifications and experience in its accounting and financial reporting team and that sufficient training and budget have been provided.

INVESTOR RELATIONS

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

COMMUNICATION WITH SHAREHOLDERS

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

There are communication channels to ensure the shareholders are kept well informed. These include general meetings, financial reports, notices, announcements and circulars.

The Company encourages the shareholders to attend the general meetings of the Company to raise comments and exchange views with the Board. The Directors and, where appropriate, independent external auditors and financial adviser, are available to answer questions at the meeting.

DIRECTORS' RESPONSIBILITY IN PREPARING THE FINANCIAL STATEMENTS

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

The Directors acknowledge their responsibility to prepare the financial statements that give a true and fair view of the state of affairs of the Group. Meanwhile, the Directors are responsible for ensuring that appropriate accounting policies are selected and applied consistently; and that judgements and estimates made are prudent and reasonable. In preparing the financial statements for the year ended 31 December 2010, the accounting principles generally accepted in Hong Kong have been adopted and the requirements of the Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants and the applicable laws were complied with.

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

The responsibilities of the independent external auditors with respect to financial reporting are set out in the Independent Auditor's Report on pages 36 and 37.

The Board is pleased to present its report and the audited financial statements of the Company and the Group for the year ended 31 December 2010.

CHANGE OF COMPANY NAME

Pursuant to a special resolution passed at the special general meeting of the Company held on 17 December 2010 and approved by the Registrar of Companies of Bermuda, the English name of the Company was changed from "Omnicorp Limited" to "Greenheart Group Limited" and the Chinese name of the Company, for identification purposes only, was changed from "兩儀控股有限公司" to "綠森集團有限公司".

PRINCIPAL ACTIVITIES

The principal activity of the Company is investment holding. The principal activities of the subsidiaries of the Company comprise log harvesting, timber processing, marketing and sales of logs and timber products. There were no significant changes in the nature of the Group's principal activities during the year.

RESULTS AND DIVIDEND

The Group's loss for the year ended 31 December 2010 and the state of affairs of the Company and the Group at that date are set out in the financial statements on pages 38 to 108.

The Directors do not recommend the payment of a final dividend for the year ended 31 December 2010 (2009: Nil).

Report of the Directors

SUMMARY FINANCIAL INFORMATION

A summary of the published results and assets, liabilities and non-controlling interests of the Group for the last five financial years, as extracted from the audited financial statements and the annual report of the Company for the year ended 31 December 2009, is set out below. This summary does not form part of the audited financial statements.

	Year ended 31 December				
Results	**2010**	2009	2008	2007	2006
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Revenue	**16,714**	11,226	10,500	119,552	383,756
Loss for the year	**(97,826)**	(96,380)	(115,069)	(144,847)	(14,384)
Attributable to:					
Equity holders of the Company	**(78,784)**	(86,247)	(103,783)	(130,829)	(30,656)
Non-controlling interests	**(19,042)**	(10,133)	(11,286)	(14,018)	16,272
	(97,826)	(96,380)	(115,069)	(144,847)	(14,384)

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

	31 December				
Assets, liabilities and non-controlling interests	**2010**	2009	2008	2007	2006
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Total assets	**1,408,220**	849,847	911,439	1,102,142	260,098
Total liabilities	**(296,316)**	(339,585)	(332,050)	(385,347)	(85,161)
Non-controlling interests	**(256,231)**	(275,273)	(285,406)	(319,029)	(36,050)
	855,673	234,989	293,983	397,766	138,887

PROPERTY, PLANT AND EQUIPMENT

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

SHARE CAPITAL AND SHARE OPTIONS

There were no movements in the Company's authorised share capital during the year. Details of movements in the Company's issued share capital and share options during the year are set out in notes 27 and 28 to the financial statements, respectively.

CONVERTIBLE BONDS

Details of movements in the Company's convertible bonds are set out in note 25 to the financial statements.

PRE-EMPTIVE RIGHTS

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

PURCHASE, REDEMPTION OR SALE OF LISTED SECURITIES OF THE COMPANY

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

RESERVES

Details of movements in the reserves of the Company and the Group during the year are set out in note 29(b) to the financial statements and in the consolidated statement of changes in equity, respectively.

DISTRIBUTABLE RESERVES

As at 31 December 2010, the Company had no reserves available for distribution in accordance with the Companies Act 1981 of Bermuda (as amended). However, the Company's share premium account, in the amount of HK$1,189,217,000 may be distributed in the form of fully paid bonus shares.

MAJOR CUSTOMERS AND SUPPLIERS

In the year under review, sales to the Group's five largest customers accounted for 72.8% of the total sales for the year and sales to the largest customer included therein amounted to 32.7%. All the products of the Group sold or produced in the year under review came from the Group's own forest concessions without any external purchases. Purchases, which mainly in relation to diesel, spare parts, daily supplies etc from the Group's five largest suppliers accounted for less than 1% of the total purchases for the year.

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

DIRECTORS

The Directors during the year and up to the date of this report were:

Mr. Chan Tak Yuen, Allen# (appointed on 3 August 2010)
Mr. William Judson Martin* (appointed on 3 August 2010)
Mr. Hui Tung Wah, Samuel*
Mr. Sung Yan Wai, Petrus* (resigned on 17 September 2010)
Mr. Chau Chi Piu, Alex* (resigned on 11 January 2010)
Mr. Simon Murray# (appointed on 17 August 2010)
Mr. Wong Kin Chi**
Mr. Wong Che Keung, Richard**
Mr. Tong Yee Yung, Joseph**

* *Executive Director*
\# Non-executive Director
** *Independent Non-Executive Directors*

In accordance with bye-law 97(A) of the Company's bye-laws, Messrs. Hui Tung Wah, Samuel and Wong Che Keung, Richard will retire by rotation and, being eligible, will offer themselves for re-election at the forthcoming annual general meeting.

In accordance with bye-law 89 of the Company's bye-laws, Messrs. Chan Tak Yuen, Allen, William Judson Martin and Simon Murray will only hold office until the forthcoming annual general meeting of the Company and all of them, being eligible, will offer themselves for re-election at the forthcoming annual general meeting of the Company.

DIRECTORS *(continued)*

The Company has received annual confirmations of independence pursuant to Rule 3.13 of the Listing Rules from Messrs. Wong Kin Chi, Wong Che Keung, Richard and Tong Yee Yung, Joseph, and as at the date of this report still considers them to be independent.

DIRECTORS' AND SENIOR MANAGEMENT'S BIOGRAPHIES

Biographical details of the Directors and senior management of the Company are set out on pages 14 to 15 of this annual report.

DIRECTORS' SERVICE CONTRACTS

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

DIRECTORS' REMUNERATION

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

DIRECTORS' INTERESTS IN CONTRACTS

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

CONNECTED TRANSACTIONS

During the year, the Company and the Group had the following connected transactions and continuing connected transaction:

CONNECTED TRANSACTIONS *(continued)*

Connected transactions

i. Non-exercise of pre-emption right in respect of a connected person's shares in Greenheart Resources Holdings Limited ("Greenheart Resources")

Silver Mount Group Limited ("Silver Mount"), a wholly-owned subsidiary of the Company, received from each relevant vendor a transfer notice dated 9 May 2010 in relation to the proposed sale of its respective shares in the capital of Greenheart Resources ("Greenheart Shares") under the sale and purchase agreement dated 9 May 2010 entered into between, among others, the relevant vendors, Sino-Capital and Sino-Forest in respect of the Greenheart Shares owned by the relevant vendors (the "SPA"). A period of 14 business days has elapsed since the relevant vendors served such transfer notices, during which period Silver Mount did not exercise its pre-emption rights in respect of the Greenheart Shares owned by the relevant vendors. No money is payable between Silver Mount or the Company and any of the relevant vendors, Sino-Capital or Sino-Forest in respect of the non-exercise by Silver-Mount of its pre-emptive rights.

One of the relevant vendors is Ms. Tse Nga Ying, who is a director of certain subsidiaries of the Company and is therefore a connected person of the Company by virtue of Rule 14A.11 of the Listing Rules. Silver Mount's non-exercise of its pre-emption right in respect of Ms. Tse's sale of Greenheart Shares under the SPA is, under Rule 14A.70(3) of the Listing Rules, treated as if the right was exercised and treated as a connected transaction of the Company. The consideration receivable by Ms. Tse in respect of her sale of Greenheart Shares under the SPA is HK$9,353,694.

ii. Issue of subscription shares to a connected person

The Company entered into a share subscription agreement ("Share Subscription Agreement") on 22 June 2010 with Sino-Capital whereby the Company agreed to allot and issue and Sino-Capital agreed to subscribe for a total of 230,000,000 shares at the price of HK$1.82 per share for a total consideration of HK$418.6 million (the "Share Subscription"). The Share Subscription was completed in August 2010.

The Directors considered that the Share Subscription would enable the Company to strengthen its capital base and raise long term equity funds for further expansion and development of the Group's existing and new business activities and as general working capital.

Sino-Capital is a wholly-owned subsidiary of Sino-Forest which is in turn a substantial shareholder of the Company. They together held approximately 19.91% of the existing issued share capital of the Company and approximately 89.59% of the convertible bonds issued by the Company on 8 November 2007 (as supplemented by supplemental deed polls dated 7 May 2009 and 9 November 2009) ("Existing Convertible Bonds") as at the date of the Share Subscription Agreement. Assuming full conversion of the Existing Convertible Bonds, Sino-Forest and Sino-Capital would own in aggregate approximately 40.06% of the issued share capital of the Company as at the date of the Share Subscription Agreement. Therefore the Sino-Capital is a connected person of the Company for the purpose of the Listing Rules. Accordingly, the Share Subscription constitutes a connected transaction of the Company under the Listing Rules.

CONNECTED TRANSACTIONS *(continued)*

Continuing connecting transaction

iii. Provision of facility by Silver Mount to Greenheart Resources

On 14 May 2008, Greenheart Resources and Silver Mount entered into a facility agreement in relation to the provision of the revolving loan facility of up to HK$50 million (the "Facility Limit") by Silver Mount to Greenheart Resources (the "Facility"). Sino-Forest is a substantial shareholder of the Company. Sino-Capital is a wholly-owned subsidiary of Sino-Forest and holds 39.61% of the issued share capital of Greenheart Resources following completion of the acquisition of an aggregate of 2,638,469,000 ordinary shares of Greenheart Resources by Sino-Capital in June 2010. After the completion of such acquisition, Greenheart Resources therefore became a connected person of the Company under Rule 14A.11(5) of the Listing Rules and the provision of the Facility from Silver Mount to Greenheart Resources has become a series of continuing connected transactions of the Company under Chapter 14A of the Listing Rules.

On 22 November 2010, Silver Mount entered into a supplemental facility agreement with Greenheart Resources pursuant to which the parties agreed to increase the Facility Limit to HK$215 million and extend the drawdown period and repayment date of the Facility.

The INEDs have reviewed the continuing connected transaction set out above and have confirmed that the continuing connected transaction was entered into (i) in the ordinary and usual course of business of the Group; (ii) on normal commercial terms or on terms no less favourable to the Group than terms available to or from independent third parties; and (iii) in accordance with the relevant agreements governing them on terms that are fair and reasonable and in the interests of the shareholders of the Company as a whole.

Ernst & Young, the Company's auditors, were engaged to report on the Group's continuing connected transaction in accordance with Hong Kong Standard on Assurance Engagements 3000 *Assurance Engagements Other Than Audits or Reviews of Historical Financial Information* and with reference to Practice Note 740 *Auditor's Letter on Continuing Connected Transactions* under the Listing Rules issued by the Hong Kong Institute of Certified Public Accountants. Ernst & Young have issued their unqualified letter containing the finding and conclusion in respect of the continuing connected transaction disclosed above by the Group in accordance with Rule 14A.38 of the Listing Rules. A copy of the auditors' letter has been provided by the Company to the Stock Exchange.

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

As at 31 December 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 Securities and Futures Ordinance (the "SFO")), as recorded in the register required to be kept by the Company pursuant to Section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers, were as follows:

Long positions in ordinary shares and underlying shares of the Company:

Name of Director	Capacity	Number of shares held	Approximate percentage of the total issued share capital of the Company %
Chan Tak Yuen, Allen	Beneficial owner	6,811,490	0.999
William Judson Martin	Beneficial owner	6,811,490	0.999
Hui Tung Wah, Samuel	Beneficial owner	2,811,145	0.413
	Spouse interest *(Note 1)*	75,000	0.011
Simon Murray	Beneficial owner	1,096,000	0.161
Wong Kin Chi	Beneficial owner	1,011,145	0.148
Tong Yee Yung, Joseph	Beneficial owner	711,145	0.104
	Spouse interest *(Note 2)*	180,000	0.026
Wong Che Keung, Richard	Beneficial owner	891,145	0.131

Note 1: These 75,000 shares were jointly owned by Mr. Hui Tung Wah, Samuel and his spouse.

Note 2: These 180,000 shares were jointly owned by Mr. Tong Yee Yung, Joseph and his spouse.

DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES AND DEBENTURES *(continued)*

Interests in the shares of the associated corporations (within the meaning of Part XV of the SFO) of the Company

Name of Director	Capacity	Name of the associated corporation	Position	Number of shares held	Approximate percentage of shareholding
Chan Tak Yuen, Allen	Beneficial owner and interest of controlled corporation *(Note 1)*	Sino-Forest	Long	7,854,743	3.20%
William Judson Martin	Beneficial owner and family interest *(Note 2)*	Sino-Forest	Long	227,002	0.09%
Simon Murray	Interest of controlled corporation *(Note 3)*	Sino-Forest	Long	195,553	0.08%

Note 1: 2,761,990 shares are directly held by Mr. Chan Tak Yuen, Allen and 5,092,753 shares are held by ADS Holdings (BVI) Ltd. over which Mr. Chan Tak Yuen, Allen controls 57.5% of such interest. The above interests include certain derivative interests in Sino-Forest, details of which are as follows:

Exercise Period	Exercise Price	Number of shares
15/08/2006 – 15/08/2011	CAD5.500	750,000
04/06/2007 – 04/06/2012	CAD13.150	250,000
31/03/2009 – 31/03/2014	CAD8.010	209,528
13/05/2010 – 13/05/2015	CAD19.560	64,462

Note 2: 30,000 shares are held by the spouse of Mr. William Judson Martin and 197,002 shares relate to certain derivative interests in Sino-Forest held by Mr. William Judson Martin, details of which are as follows:

Exercise Period	Exercise Price	Number of shares
25/08/2006 – 25/08/2011	CAD4.360	14,814
04/06/2007 – 04/06/2012	CAD13.150	153,334
21/06/2010 – 21/06/2015	CAD17.410	28,854

Note 3: These shares are held by Forest Operations Limited over which Mr. Simon Murray controls 100% of such interest.

DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES AND DEBENTURES *(continued)*

Save as disclosed above, as at 31 December 2010, none of the Directors or chief executive had registered an interest or short position in the shares, underlying shares or debentures of the Company or any of its associated corporations that was required to be recorded pursuant to Section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers.

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

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

SHARE OPTION SCHEME

The Company has a share option scheme (the "Scheme") which was adopted on 22 March 2002 whereby the Directors are authorized, at their discretion, to invite employees, executives or officers of the Group, including executive and non-executive directors of any company in the Group, and any suppliers, consultants, advisers, agents, shareholders, customers, partners or business associates of the Group, to take up option to subscribe the ordinary shares of the Company (the "Shares") as incentives and rewards for their contribution to the Group. Further details of the Scheme are disclosed in note 28 to the financial statements.

SHARE OPTION SCHEME *(continued)*

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

Name or category of participant	Number of share options: At 1 January 2010	Granted during the year	Exercised during the year	Lapsed during the year	At 31 December 2010	Exercise period of share options	Exercise price of share options HK$
Directors							
Chan Tak Yuen, Allen	–	5,480,000	–	–	5,480,000	24 Aug 2010 to 23 Aug 2015	2.180
	–	1,331,490	–	–	1,331,490	28 Dec 2010 to 27 Dec 2015	2.500
William Judson Martin	–	5,480,000	–	–	5,480,000	24 Aug 2010 to 23 Aug 2015	2.180
	–	1,331,490	–	–	1,331,490	28 Dec 2010 to 27 Dec 2015	2.500
Hui Tung Wah, Samuel	550,000	–	550,000	–	–	15 Jun 2005 to 14 Jun 2010	0.800
	50,000	–	–	–	50,000	17 Apr 2007 to 21 Mar 2012	0.460
	300,000	–	–	–	300,000	15 Jun 2007 to 21 Mar 2012	1.360
	200,000	–	–	–	200,000	25 Oct 2007 to 21 Mar 2012	1.744
	500,000	–	–	–	500,000	5 Aug 2009 to 4 Aug 2014	1.650
	–	681,145	–	–	681,145	28 Dec 2010 to 27 Dec 2015	2.500
Simon Murray	–	1,096,000	–	–	1,096,000	24 Aug 2010 to 23 Aug 2015	2.180
Wong Kin Chi	30,000	–	–	–	30,000	25 Oct 07 to 21 Mar 2012	1.744
	150,000	–	–	–	150,000	5 Aug 2009 to 4 Aug 2014	1.650
	–	681,145	–	–	681,145	28 Dec 2010 to 27 Dec 2015	2.500
Wong Che Keung, Richard	70,000	–	–	70,000	–	15 Jun 2005 to 14 Jun 2010	0.800
	30,000	–	–	–	30,000	17 Apr 2007 to 21 Mar 2012	0.460
	50,000	–	–	–	50,000	15 Jun 2007 to21 Mar 2012	1.360
	30,000	–	–	–	30,000	25 Oct 2007 to 21 Mar 2012	1.744
	100,000	–	–	–	100,000	5 Aug 2009 to 4 Aug 2014	1.650
	–	681,145	–	–	681,145	28 Dec 2010 to 27 Dec 2015	2.500
Tong Yee Yung, Joseph	70,000	–	–	70,000	–	15 Jun 2005 to 14 Jun 2010	0.800
	30,000	–	30,000	–	–	17 Apr 2007 to 21 Mar 2012	0.460
	50,000	–	50,000	–	–	15 Jun 2007 to 21 Mar 2012	1.360
	30,000	–	–	–	30,000	25 Oct 2007 to 21 Mar 2012	1.744
	100,000	–	100,000	–	–	5 Aug 2009 to 4Aug 2014	1.650
	–	681,145	–	–	681,145	28 Dec 2010 to 27 Dec 2015	2.500
Employees (other than Directors)							
In aggregate	100,000	–	–	100,000	–	15 Jun 2005 to 14 Jun 2010	0.800
	20,000	–	20,000	–	–	25 Oct 2007 to 21 Mar 2012	1.744
	7,950,000	–	4,850,000	60,000	3,040,000	5 Aug 2009 to 4 Aug 2014	1.650
	–	5,140,000	–	–	5,140,000	28 Dec 2010 to 27 Dec 2015	2.500
Other participants							
In aggregate	250,000	–	–	250,000	–	15 Jun 2005 to 14 Jun 2010	0.800
	300,000	–	–	–	300,000	17 Apr 2007 to 21 Mar 2012	0.460
	5,300,000	–	4,100,000	–	1,200,000	15 Jun 2007 to 21 Mar 2012	1.360
	4,900,000	–	950,000	700,000	3,250,000	25 Oct 2007 to 21 Mar 2012	1.744
	13,960,000	–	7,460,000	–	6,500,000	5 Aug 2009 to 4 Aug 2009	1.650
	35,120,000	22,583,560	18,110,000	1,250,000	38,343,560		

Details of the valuation of the share options granted during the year are set out in note 28 to the financial statements.

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

As at 31 December 2010, the following interests and short positions of 5% or more of the issued share capital, share options, convertible bonds of the Company were recorded in the register of interests required to be kept by the Company pursuant to Section 336 of the SFO:

Long Positions in shares and underlying shares:

Name of shareholder	Capacity	Number of shares	Number of underlying shares	Approximate percentage of Issued share capital of the Company %
Sino-Forest	Interest of controlled corporation *(Note 1)*	399,024,150	–	58.58
Sino-Capital	Beneficial owner *(Note 1)*	399,024,150	–	58.58
General Enterprise Management Services Limited	Interest of controlled corporation *(Note 2)*	7,000,000	97,077,922	15.28
Development Bank of Japan Inc.	Interest of controlled corporation *(Note 3)*	–	97,077,922	14.25
Asia Resources Fund Limited	Interest of controlled corporation *(Note 4)*	–	97,077,922	14.25

Notes:

1. Sino-Capital is a wholly-owned subsidiary of Sino-Forest, Sino-Forest is deemed to be interested in the Shares in which Sino-Capital is interested by virtue of the SFO.

2. 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 is 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. Development Bank of Japan Inc. owned 46.51% 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. 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.

SUFFICIENCY OF PUBLIC FLOAT

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

CORPORATE GOVERNANCE

The Company is committed to maintaining a high level of corporate governance practices. Corporate governance practices adopted by the Company are set out in the Corporate Governance Report on page 16 to 22.

EVENTS AFTER THE REPORTING PERIOD

Details of the significant events after the reporting period of the Group are set out in note 35 to the financial statements.

AUDITORS

During the year, Moore Stephens resigned as auditors of the Company and Ernst & Young were appointed by the Directors to fill the casual vacancy so arising. There have been no other changes of auditors in the past three years. A resolution for the reappointment of Ernst & Young as auditors of the Company will be proposed at the forthcoming annual general meeting.

ON BEHALF OF THE BOARD
GREENHEART GROUP LIMITED

Chan Tak Yuen, Allen
Chairman

Hong Kong
14 March 2011

Independent Auditors' Report

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To the shareholders of Greenheart Group Limited
(Formerly known as Omnicorp Limited)
(Incorporated in Bermuda with limited liability)

We have audited the consolidated financial statements of Greenheart Group Limited (the "Company") and its subsidiaries (together, the "Group") set out on pages 38 to 108, which comprise the consolidated and company statements of financial position as at 31 December 2010, and the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

DIRECTORS' RESPONSIBILITY FOR THE CONSOLIDATED FINANCIAL STATEMENTS

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

AUDITORS' RESPONSIBILITY

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

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

AUDITORS' RESPONSIBILITY *(continued)*

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

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

OPINION

In our opinion, the consolidated financial statements give a true and fair view of the state of affairs of the Company and of the Group as at 31 December 2010, and of the Group's loss and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards and have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

Ernst & Young
Certified Public Accountants
Hong Kong
14 March 2011

Consolidated Statement of Comprehensive Income

Year ended 31 December 2010

	Notes	2010 HK$'000	2009 HK$'000
REVENUE	5	**16,714**	11,226
Cost of sales		**(7,906)**	(5,412)
Gross profit		**8,808**	5,814
Other income and gains	5	**2,288**	1,137
Selling and distribution costs		**(6,519)**	(4,731)
Administrative expenses		**(50,043)**	(41,821)
Other operating expenses		**(36,502)**	(34,362)
Finance costs	7	**(14,778)**	(20,883)
Share of loss of an associate		**(1,667)**	(1,725)
LOSS BEFORE TAX	6	**(98,413)**	(96,571)
Tax	10	**587**	191
LOSS FOR THE YEAR AND TOTAL COMPREHENSIVE LOSS FOR THE YEAR		**(97,826)**	(96,380)
ATTRIBUTABLE TO:			
Equity holders of the Company	11	**(78,784)**	(86,247)
Non-controlling interests		**(19,042)**	(10,133)
		(97,826)	(96,380)
LOSS PER SHARE ATTRIBUTABLE TO EQUITY HOLDERS OF THE COMPANY			
Basic and diluted	12	**HK$(0.18)**	HK$(0.27)

Consolidated Statement of Financial Position

31 December 2010

	Notes	2010 HK$'000	2009 HK$'000
NON-CURRENT ASSETS			
Property, plant and equipment	13	**24,842**	17,205
Prepaid land lease payment	14	**1,376**	1,448
Goodwill	15	**7,624**	7,624
Timber concessions and cutting rights	16	**741,435**	747,384
Interest in an associate	18	**–**	20,962
Prepayments and deposits	21	**5,208**	3,128
Total non-current assets		**780,485**	797,751
CURRENT ASSETS			
Inventories	19	**9,855**	6,920
Trade and other receivables	20	**3,134**	2,948
Prepayments and deposits	21	**1,962**	1,312
Cash and bank balances	22	**612,784**	40,916
Total current assets		**627,735**	52,096
CURRENT LIABILITIES			
Trade and other payables	23	**10,143**	5,924
Deposits received	24	**23,149**	22,854
Total current liabilities		**33,292**	28,778
NET CURRENT ASSETS		**594,443**	23,318
TOTAL ASSETS LESS CURRENT LIABILITIES		**1,374,928**	821,069
NON-CURRENT LIABILITIES			
Convertible bonds	25	**189,804**	237,000
Deferred tax liabilities	26	**73,220**	73,807
Total non-current liabilities		**263,024**	310,807
Net assets		**1,111,904**	510,262

Consolidated Statement of Financial Position

31 December 2010

	Notes	2010 HK$'000	2009 HK$'000
EQUITY			
Equity attributable to equity holders of the Company			
Issued capital	27	**6,811**	3,145
Reserves	29(a)	**848,862**	231,844
		855,673	234,989
Non-controlling interests		**256,231**	275,273
TOTAL EQUITY		**1,111,904**	510,262

William Judson MARTIN
Director

HUI Tung Wah, Samuel
Director

Consolidated Statement of Changes in Equity

Year ended 31 December 2010

	Notes	Issued capital HK$'000	Share premium account HK$'000	Contributed surplus HK$'000	Share option reserve HK$'000	Convertible bond equity reserve HK$'000	Exchange fluctuation reserve HK$'000	Accumulated losses HK$'000	Total HK$'000	Non-controlling interests HK$'000	Total equity HK$'000
		Attributable to equity holders of the Company									
At 1 January 2009		3,141	453,708	83,274	5,353	45,234	9,731	(306,458)	293,983	285,406	579,389
Loss for the year and total comprehensive loss for the year		–	–	–	–	–	–	(86,247)	(86,247)	(10,133)	(96,380)
Exercise of share options	27(a)	4	664	–	(166)	–	–	–	502	–	502
Equity-settled share option arrangements	28	–	–	–	24,334	–	–	–	24,334	–	24,334
Share options lapsed		–	–	–	(471)	–	–	471	–	–	–
Disposal of a subsidiary		–	–	–	–	–	2,417	–	2,417	–	2,417
At 31 December 2009 and 1 January 2010		3,145	454,372*	83,274*	29,050*	45,234*	12,148*	(392,234)*	234,989	275,273	510,262
Loss for the year and total comprehensive loss for the year		–	–	–	–	–	–	(78,784)	(78,784)	(19,042)	(97,826)
Issue of new shares	27(b)	2,300	416,300	–	–	–	–	–	418,600	–	418,600
Exercise of share options	27(a)	181	43,087	–	(15,005)	–	–	–	28,263	–	28,263
Conversion of convertible bonds	27(c)	1,185	281,049	–	–	(45,234)	–	–	237,000	–	237,000
Share issue expenses		–	(5,591)	–	–	–	–	–	(5,591)	–	(5,591)
Equity-settled share option arrangements	28	–	–	–	13,868	–	–	–	13,868	–	13,868
Share options lapsed		–	–	–	(477)	–	–	477	–	–	–
Issue of convertible bonds	25	–	–	–	–	7,328	–	–	7,328	–	7,328
At 31 December 2010		**6,811**	**1,189,217***	**83,274***	**27,436***	**7,328***	**12,148***	**(470,541)***	**855,673**	**256,231**	**1,111,904**

* These reserve accounts comprise the consolidated reserves of HK$848,862,000 (2009: HK$231,844,000) in the consolidated statement of financial position.

Consolidated Statement of Cash Flows

Year ended 31 December 2010

	Notes	2010 HK$'000	2009 HK$'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Loss before tax		**(98,413)**	(96,571)
Adjustments for:			
Finance costs	7	**14,778**	20,883
Share of loss of an associate		**1,667**	1,725
Bank interest income	5	**(1,388)**	(33)
Loss on disposal of items of property, plant and equipment	6	**2,328**	220
Loss on disposal of subsidiaries	6	**–**	784
Gain on disposal of an associate	5	**(64)**	–
Gain on disposal of listed investments at fair value through profit or loss	5	**–**	(1,066)
Depreciation	6	**3,762**	2,728
Amortisation of prepaid land lease payment	6	**36**	–
Amortisation of timber concessions and cutting rights	6	**2,458**	1,885
Provision for slow-moving and obsolete inventories	6	**5,564**	–
Impairment of trade receivables	6	**310**	330
Equity-settled share option expense		**13,868**	24,334
		(55,094)	(44,781)
Increase in inventories		**(5,008)**	(17)
Increase in trade and other receivables		**(496)**	(2,276)
Increase in prepayment and deposits		**(2,668)**	–
Increase/(decrease) in trade and other payables		**4,219**	(2,912)
Increase/(decrease) in deposits received		**295**	(36)
Cash used in operations		**(58,752)**	(50,022)
Interest received		**1,388**	33
Interest paid		**(10,700)**	(9,481)
NET CASH FLOWS USED IN OPERATING ACTIVITIES		**(68,064)**	(59,470)
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchases of items of property, plant and equipment		**(13,727)**	(2,630)
Increase in deposits paid for the purchase of items of property, plant and equipment		**(26)**	(3,128)
Proceeds from disposal of subsidiaries		**–**	987
Proceeds from disposal of an associate		**19,359**	–
Capital injection in an associate		**–**	(8,000)
Investments in equity investments at fair value through profit or loss		**–**	(2,066)
Proceeds from disposal of equity investments at fair value through profit or loss		**–**	3,132
NET CASH FLOWS FROM/(USED IN) INVESTING ACTIVITIES		**5,606**	(11,705)

Consolidated Statement of Cash Flows

Year ended 31 December 2010

	Notes	2010 HK$'000	2009 HK$'000
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from issue of shares	27(a), (b)	**446,863**	502
Share issue expenses	29(b)	**(5,591)**	–
Proceeds from issue of convertible bonds	25	**193,054**	–
Advance of a loan from an associate		**8,000**	–
Repayment of a loan from an associate		**(8,000)**	–
NET CASH FLOWS FROM FINANCING ACTIVITIES		**634,326**	502
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS		**571,868**	(70,673)
Cash and cash equivalents at beginning of year		**40,916**	111,589
CASH AND CASH EQUIVALENTS AT END OF YEAR	22	**612,784**	40,916

Statement of Financial Position

31 December 2010

	Notes	2010 HK$'000	2009 HK$'000
NON-CURRENT ASSETS			
Interests in subsidiaries	17	**485,428**	464,229
Prepayments and deposits	21	**3,702**	–
Total non-current assets		**489,130**	464,229
CURRENT ASSETS			
Prepayments and deposits	21	**178**	100
Cash and bank balances	22	**591,721**	802
Total current assets		**591,899**	902
CURRENT LIABILITIES			
Other payables	23	**1,831**	2,303
NET CURRENT ASSETS/(LIABILITIES)		**590,068**	(1,401)
TOTAL ASSETS LESS CURRENT LIABILITIES		**1,079,198**	462,828
NON-CURRENT LIABILITIES			
Convertible bonds	25	**189,804**	237,000
NET ASSETS		**889,394**	225,828
EQUITY			
Issued capital	27	**6,811**	3,145
Reserves	29(b)	**882,583**	222,683
TOTAL EQUITY		**889,394**	225,828

William Judson MARTIN
Director

HUI Tung Wah, Samuel
Director

1. CORPORATE INFORMATION

Greenheart Group Limited (the "Company"), formerly known as Omnicorp Limited, is a limited liability company incorporated in Bermuda and the issued shares of which are listed on The Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange"). Pursuant to a special resolution of the Company's shareholders passed on 17 December 2010 and as approved by the Registrar of Companies of Bermuda, the English name of the Company was changed from "Omnicorp Limited" to "Greenheart Group Limited" and the Chinese name of the Company, for identification purposes only, was changed from "兩儀控股有限公司" to "綠森集團有限公司".

During the year, the Company and its subsidiaries (collectively the "Group") was principally engaged in log harvesting, timber processing, and the marketing and sale of logs and timber products.

As at 31 December 2010 and the date of approval of these financial statements, the immediate holding company of the Company is Sino-Capital Global Inc. ("Sino-Capital"), which is incorporated in the British Virgin Islands ("BVI"), and in the opinion of the directors, the ultimate holding company of the Company is Sino-Forest Corporation ("Sino-Forest"), which is incorporated in Canada and listed on the Toronto Stock Exchange.

2.1 BASIS OF PREPARATION

These financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") (which include all Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards ("HKASs") and Interpretations) issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA"), accounting principles generally accepted in Hong Kong and the disclosure requirements of the Hong Kong Companies Ordinance. They have been prepared under the historical cost convention, except for listed equity investments at fair value through profit or loss, which have been measured at fair value. These financial statements are presented in Hong Kong dollars and all values are rounded to the nearest thousand except when otherwise indicated.

2.1 BASIS OF PREPARATION *(continued)*

Basis of consolidation

Basis of consolidation from 1 January 2010

The consolidated financial statements include the financial statements of the Company and its subsidiaries for the year ended 31 December 2010. The financial statements of the subsidiaries are prepared for the same reporting period as the Company. The results of subsidiaries are consolidated from the date of acquisition, being the date on which the Group obtains control, and continue to be consolidated until the date that such control ceases. All intra-group balances, transactions, unrealised gains and losses resulting from intra-group transactions and dividends are eliminated on consolidation in full. Adjustments are made to bring into line any dissimilar accounting policies that may exist.

Losses within a subsidiary are attributed to the non-controlling interest even if that results in a deficit balance.

A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction. If the Group loses control over a subsidiary, it derecognises (i) the assets (including goodwill) and liabilities of the subsidiary, (ii) the carrying amount of any non-controlling interest and (iii) the cumulative translation differences recorded in equity; and recognises (i) the fair value of the consideration received, (ii) the fair value of any investment retained and (iii) any resulting surplus or deficit in profit or loss. The Group's share of components previously recognised in other comprehensive income is reclassified to profit or loss or retained profits/accumulated losses, as appropriate.

Basis of consolidation prior to 1 January 2010

Certain of the above-mentioned requirements have been applied on a prospective basis. The following differences, however, are carried forward in certain instances from the previous basis of consolidation:

- Losses incurred by the Group were attributed to the non-controlling interest until the balance was reduced to nil. Any further excess losses were attributable to the parent, unless the non-controlling interest had a binding obligation to cover these. Losses prior to 1 January 2010 were not reallocated between non-controlling interest and the parent shareholders.

- Upon loss of control, the Group accounted for the investment retained at its proportionate share of net asset value at the date control was lost. The carrying amount of such investment at 1 January 2010 has not been restated.

2.2 CHANGES IN ACCOUNTING POLICY AND DISCLOSURES

Change in the functional currency of the Company

Pursuant to a resolution of the board of directors of the Company passed on 3 August 2010, the Company changed its functional currency from Hong Kong dollars ("HK$") to United States dollars ("US$") effective from 3 August 2010. The reason for the change in functional currency of the Company was after taking into consideration of, inter alia, the fact that the Group's forestry and timber business, which is the sole principal operation of the Group, is mostly transacted in United States dollars. As Hong Kong dollar is pegged to United States dollar, this change in functional currency of the Company did not have any significant financial effect on these financial statements and was prospectively effected.

Adoption of new and revised HKFRSs

The Group has adopted the following new and revised HKFRSs for the first time for the current year'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*
HKFRS 5 Amendments 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*
Improvements to HKFRSs 2009	Amendments to a number of HKFRSs issued in May 2009
HK Interpretation 4 Amendment	Amendment to HK Interpretation 4 *Leases – Determination of the Length of Lease Term in respect of Hong Kong Land Leases*
HK Interpretation 5	*Presentation of Financial Statements – Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause*

2.2 CHANGES IN ACCOUNTING POLICY AND DISCLOSURES *(continued)*

Adoption of new and revised HKFRSs (continued)

Other than as further explained below regarding the impact of HKFRS 3 (Revised), HKAS 27 (Revised), and amendments to HKFRS 8, HKAS 7 and HKAS 17 included in *Improvements to HKFRSs 2009*, the adoption of the new and revised HKFRSs has had no significant financial effect on these financial statements.

The principal effects of adopting these new and revised HKFRSs are as follows:

(a) HKFRS 3 (Revised) *Business Combinations* and HKAS 27 (Revised) *Consolidated and Separate Financial Statements*

HKFRS 3 (Revised) introduces a number of changes in the accounting for business combinations that affect the initial measurement of non-controlling interests, the accounting for transaction costs, the initial recognition and subsequent measurement of a contingent consideration and business combinations achieved in stages. These changes will impact the amount of goodwill recognised, the reported results in the period that an acquisition occurs, and future reported results.

HKAS 27 (Revised) requires that a change in the ownership interest of a subsidiary without loss of control is accounted for as an equity transaction. Therefore, such a change will have no impact on goodwill, nor will it give rise to a gain or loss. Furthermore, the revised standard changes the accounting for losses incurred by the subsidiary as well as the loss of control of a subsidiary. Consequential amendments were made to various standards, including, but not limited to HKAS 7 *Statement of Cash Flows*, HKAS 12 *Income Taxes*, HKAS 21 *The Effects of Changes in Foreign Exchange Rates*, HKAS 28 *Investments in Associates* and HKAS 31 *Interests in Joint Ventures*.

The changes introduced by these revised standards are applied prospectively and affect the accounting of acquisitions, loss of control and transactions with non-controlling interests after 1 January 2010.

2.2 CHANGES IN ACCOUNTING POLICY AND DISCLOSURES *(continued)*

Adoption of new and revised HKFRSs (continued)

(b) *Improvements to HKFRSs 2009* issued in May 2009 sets out amendments to a number of HKFRSs. There are separate transitional provisions for each standard. While the adoption of some of the amendments results in changes in accounting policies, none of these amendments has had a significant financial impact on the Group. Details of the key amendments most applicable to the Group are as follows:

- HKFRS 8 *Operating Segments*: Clarifies that segment assets and liabilities need only to be reported when those assets and liabilities are included in measures that are used by the chief operating decision maker. Upon the adoption of the amendment, the Group no longer discloses segment asset information as it is not currently reviewed by the chief operating decision maker.

- HKAS 7 *Statement of Cash Flows*: Requires that only expenditures that result in a recognised asset in the statement of financial position can be classified as a cash flow from investing activities.

- HKAS 17 *Leases*: Removes the specific guidance on classifying land as a lease. As a result, leases of land should be classified as either operating or finance leases in accordance with the general guidance in HKAS 17.

2.3 ISSUED BUT NOT YET EFFECTIVE HONG KONG FINANCIAL REPORTING STANDARDS

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

HKFRS 1 Amendment	Amendment to HKFRS 1 *First-time Adoption of Hong Kong Financial Reporting Standards – Limited Exemption from Comparative HKFRS 7 Disclosures for First-time Adopters*[2]
HKFRS 1 Amendments	Amendments to HKFRS 1 *First-time Adoption of Hong Kong Financial Reporting Standards – Severe Hyperinflation and Removal of Fixed Dates for First-time Adopters*[4]
HKFRS 7 Amendments	Amendments to HKFRS 7 *Financial Instruments: Disclosures – Transfers of Financial Assets*[4]
HKFRS 9	*Financial Instruments*[6]
HKFRS 12 Amendments	Amendments to HKFRS 12 *Income Taxes – Deferred Tax: Recovery of Underlying Assets*[5]

2.3 ISSUED BUT NOT YET EFFECTIVE HONG KONG FINANCIAL REPORTING STANDARDS *(continued)*

HKAS 24 (Revised)	*Related Party Disclosures*[3]
HKAS 32 Amendment	Amendment to HKAS 32 *Financial Instruments: Presentation – Classification of Rights Issues*[1]
HK(IFRIC)-Int 14 Amendments	Amendments to HK(IFRIC)-Int 14 *Prepayments of a Minimum Funding Requirement*[3]
HK(IFRIC)-Int 19	*Extinguishing Financial Liabilities with Equity Instruments*[2]

[1] Effective for annual periods beginning on or after 1 February 2010
[2] Effective for annual periods beginning on or after 1 July 2010
[3] Effective for annual periods beginning on or after 1 January 2011
[4] Effective for annual periods beginning on or after 1 July 2011
[5] Effective for annual periods beginning on or after 1 January 2012
[6] Effective for annual periods beginning on or after 1 January 2013

Apart from the above, the HKICPA has issued *Improvements to HKFRSs 2010* which sets out amendments to a number of HKFRSs primarily with a view to removing inconsistencies and clarifying wording. The amendments to HKFRS 3 and HKAS 27 are effective for annual periods beginning on or after 1 July 2010, whereas the amendments to HKFRS 1, HKFRS 7, HKAS 1, HKAS 34 and HK(IFRIC)-Int 13 are effective for annual periods beginning on or after 1 January 2011 although there are separate transitional provisions for each standard.

Further information about those changes that are expected to significantly affect the Group is as follows:

(a) HKFRS 9 issued in November 2009 is the first part of phase 1 of a comprehensive project to entirely replace HKAS 39 *Financial Instruments: Recognition and Measurement*. This phase focuses on the classification and measurement of financial assets. Instead of classifying financial assets into four categories, an entity shall classify financial assets as subsequently measured at either amortised cost or fair value, on the basis of both the entity's business model for managing the financial assets and the contractual cash flow characteristics of the financial assets. This aims to improve and simplify the approach for the classification and measurement of financial assets compared with the requirements of HKAS 39.

2.3 ISSUED BUT NOT YET EFFECTIVE HONG KONG FINANCIAL REPORTING STANDARDS *(continued)*

(a) (continued)

In November 2010, the HKICPA issued additions to HKFRS 9 to address financial liabilities (the "Additions") and incorporated in HKFRS 9 the current derecognition principles of financial instruments of HKAS 39. Most of the Additions were carried forward unchanged from HKAS 39, while changes were made to the measurement of financial liabilities designated at fair value through profit or loss using the fair value option ("FVO"). For these FVO liabilities, the amount of change in the fair value of a liability that is attributable to changes in credit risk must be presented in other comprehensive income ("OCI"). The remainder of the change in fair value is presented in profit or loss, unless presentation of the fair value change in respect of the liability's credit risk in OCI would create or enlarge an accounting mismatch in profit or loss. However, loan commitments and financial guarantee contracts which have been designated under the FVO are scoped out of the Additions.

HKAS 39 is aimed to be replaced by HKFRS 9 in its entirety. Before this entire replacement, the guidance in HKAS 39 on hedge accounting and impairment of financial assets continues to apply. The Group expects to adopt HKFRS 9 from 1 January 2013.

(b) HKAS 24 (Revised) clarifies and simplifies the definition of related parties. It also provides for a partial exemption of related party disclosure to government-related entities for transactions with the same government or entities that are controlled, jointly controlled or significantly influenced by the same government. The Group expects to adopt HKAS 24 (Revised) from 1 January 2011.

While the adoption of the revised standard will result in changes in the accounting policy, the revised standard is unlikely to have any impact on the related party disclosures as the Group is not a government-related entity.

2.3 ISSUED BUT NOT YET EFFECTIVE HONG KONG FINANCIAL REPORTING STANDARDS *(continued)*

(c) *Improvements to HKFRSs 2010* issued in May 2010 sets out amendments to a number of HKFRSs. The Group expects to adopt the amendments from 1 January 2011. There are separate transitional provisions for each standard. While the adoption of some of the amendments may result in changes in accounting policies, none of these amendments are expected to have a significant financial impact on the Group. Those amendments that are expected to have a significant impact on the Group's policies are as follows:

- HKFRS 3 *Business Combinations*: Clarifies that the amendments to HKFRS 7, HKAS 32 and HKAS 39 that eliminate the exemption for contingent consideration do not apply to contingent consideration that arose from business combinations whose acquisition dates precede the application of HKFRS 3 (as revised in 2008).

  In addition, the amendments limit the measurement choice of non-controlling interests at fair value or at the proportionate share of the acquiree's identifiable net assets to components of non-controlling interests that are present ownership interests and entitle their holders to a proportionate share of the entity's net assets in the event of liquidation. Other components of non-controlling interests are measured at their acquisition date fair value, unless another measurement basis is required by another HKFRS.

  The amendments also added explicit guidance to clarify the accounting treatment for non-replaced and voluntarily replaced share-based payment awards.

- HKAS 1 *Presentation of Financial Statements*: Clarifies that an analysis of other comprehensive income for each component of equity can be presented either in the statement of changes in equity or in the notes to the financial statements.

- HKAS 27 *Consolidated and Separate Financial Statements*: Clarifies that the consequential amendments from HKAS 27 (as revised in 2008) made to HKAS 21, HKAS 28 and HKAS 31 shall be applied prospectively for annual periods beginning on or after 1 July 2009 or earlier if HKAS 27 is applied earlier.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Subsidiaries

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

The results of subsidiaries are included in the Company's profit or loss to the extent of dividends received and receivable. The Company's investments in subsidiaries that are not classified as held for sale in accordance with HKFRS 5 are stated at cost less any accumulated impairment losses.

Associate

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

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

Related parties

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

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

(b) the party is an associate;

(c) the party is a member of the key management personnel of the Group or its holding companies;

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Related parties (continued)

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

Business combinations and goodwill

Business combinations from 1 January 2010

Business combinations are accounted for using the acquisition method. The consideration transferred is measured at the acquisition date fair value which is the sum of the acquisition date fair values of assets transferred by the Group, liabilities assumed by the Group to the former owners of the acquiree and the equity interests issued by the Group in exchange for control of the acquiree. For each business combination, the acquirer measures the non-controlling interest in the acquiree either at fair value or at the proportionate share of the acquiree's identifiable net assets. Acquisition costs are expensed as incurred.

When the Group acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date. This includes the separation of embedded derivatives in host contracts by the acquiree.

If the business combination is achieved in stages, the acquisition date fair value of the acquirer's previously held equity interest in the acquiree is remeasured to fair value as at the acquisition date through profit or loss.

Any contingent consideration to be transferred by the acquirer is recognised at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration which is deemed to be an asset or liability will be recognised in accordance with HKAS 39 either in profit or loss or as a change to other comprehensive income. If the contingent consideration is classified as equity, it shall not be remeasured until it is finally settled within equity.

Goodwill is initially measured at cost being the excess of the aggregate of the consideration transferred, the amount recognised for non-controlling interests and any fair value of the Group's previously held equity interests in the acquiree over the net identifiable assets acquired and liabilities assumed. If the sum of this consideration and other items is lower than the fair value of the net assets of the subsidiary acquired, the difference is, after reassessment, recognised in profit or loss as a gain on bargain purchase.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Business combinations and goodwill (continued)

Business combinations from 1 January 2010 (continued)

After initial recognition, goodwill is measured at cost less any accumulated impairment losses. Goodwill is tested for impairment annually or more frequently if events or changes in circumstances indicate that the carrying value may be impaired. The Group performs its annual impairment test of goodwill as at 31 December. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash-generating units, or groups of cash-generating units, that are expected to benefit from the synergies of the combination, irrespective of whether other assets or liabilities of the Group are assigned to those units or groups of units.

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

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

Business combinations prior to 1 January 2010 but after 1 January 2005

In comparison to the above-mentioned requirements which were applied on a prospective basis, the following differences applied to business combinations prior to 1 January 2010:

Business combinations were accounted for using the purchase method. Transaction costs directly attributable to the acquisition formed part of the acquisition costs. The non-controlling interest was measured at the proportionate share of the acquiree's identifiable net assets.

Business combinations achieved in stages were accounted for as separate steps. Any additional acquired share of interest did not affect previously recognised goodwill.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Business combinations and goodwill (continued)

Business combinations prior to 1 January 2010 but after 1 January 2005 (continued)

When the Group acquired a business, embedded derivatives separated from the host contract by the acquiree were not reassessed on acquisition unless the business combination resulted in a change in the terms of the contract that significantly modified the cash flows that otherwise would have been required under the contract.

Contingent consideration was recognised if, and only if, the Group had a present obligation, the economic outflow was more likely than not and a reliable estimate was determinable. Subsequent adjustments to the contingent consideration were recognised as part of goodwill.

Property, plant and equipment and depreciation

Property, plant and equipment, other than construction in progress, are stated at cost less accumulated depreciation and any accumulated impairment losses. The cost of an item of property, plant and equipment comprises its purchase price and any directly attributable costs of bringing the asset to its working condition and location for its intended use.

Expenditure incurred after items of property, plant and equipment have been put into operation, such as repairs and maintenance, is normally charged to profit or loss in the period in which it is incurred. In situations where the recognition criteria are satisfied, the expenditure for a major inspection is capitalised in the carrying amount of the asset as a replacement. Where significant parts of property, plant and equipment are required to be replaced at intervals, the Group recognises such parts as individual assets with specific useful lives and depreciation.

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

Buildings	10%
Leasehold improvements	Over the shorter of the lease terms and 18% to 20%
Plant and machinery	9% to 25%
Furniture and fixtures	12.5% to 30%
Motor vehicles	18% to 33%

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Property, plant and equipment and depreciation (continued)

Where parts of an item of property, plant and equipment have different useful lives, the cost of that item is allocated on a reasonable basis among the parts and each part is depreciated separately. Residual values, useful lives and the depreciation method are reviewed, and adjusted if appropriate, at least at each financial year end.

An item of property, plant and equipment and any significant part initially recognised is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss on disposal or retirement recognised in profit or loss in the period the asset is derecognised is the difference between the net sales proceeds and the carrying amount of the relevant asset.

Construction in progress represents a building under construction, which is stated at cost less any accumulated impairment losses, and is not depreciated. Construction in progress is reclassified to the appropriate category of property, plant and equipment when completed and ready for use.

Timber concessions and cutting rights

Timber concessions and cutting rights acquired separately by the Group are intangible assets and are stated at cost less accumulated amortisation and any accumulated impairment losses. These timber concessions and cutting rights give the Group rights to harvest trees in the allocated concession forests in designated areas in the Republic of Suriname ("Suriname"). Amortisation is charged on a unit-of-production basis, whereby the annual amortisation amount is determined based on the actual logging volume for the year to the projected total standing log volume of the timber concessions and cutting rights. These timber concessions and cutting rights are assessed for impairment whenever there is an indication that the timber concessions and cutting rights may be impaired. The amortisation period and the amortisation method for timber concessions and cutting rights with a finite useful life are reviewed at least at each financial year end.

Impairment of non-financial assets

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Impairment of non-financial assets (continued)

An impairment loss is recognised only if the carrying amount of an asset exceeds its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. An impairment loss is charged to "Other operating expenses" in profit or loss in the period in which it arises.

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

Operating leases

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

Prepaid land lease payment under an operating lease is initially stated at cost and subsequently amortised on the straight-line basis over the lease terms.

Investments and other financial assets

Initial recognition and measurement

Financial assets within the scope of HKAS 39 are classified as equity investments at fair value through profit or loss and loans and receivables, as appropriate. The Group determines the classification of its financial assets at initial recognition. When financial assets are recognised initially, they are measured at fair value, plus, in the case of investments not at fair value through profit or loss, directly attributable transaction costs.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Investments and other financial assets (continued)

Initial recognition and measurement (continued)

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

Subsequent measurement

The subsequent measurement of financial assets depends on their classification as follows:

(a) Equity investments at fair value through profit or loss

Equity investments at fair value through profit or loss are equity investments held for trading. Equity investments are classified as held for trading if they are acquired for the purpose of sale in the near term. Gains or losses on investments held for trading are recognised in profit or loss. Equity investments at fair value through profit or loss are carried in the statement of financial position at fair value with changes in fair value recognised in "Other income and gains" or "Other operating expenses" in profit or loss. These net fair value changes do not include any dividends on these financial assets, which are recognised in profit or loss when the shareholders' right to receive payment has been established.

(b) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. After initial measurement, such assets are subsequently measured at amortised cost using the effective interest rate method less any allowance for impairment. Amortised cost is calculated by taking into account any discount or premium on acquisition and includes fees or costs that are an integral part of the effective interest rate. The effective interest rate amortisation is included in "Other income and gains" in profit or loss. The loss arising from impairment is recognised in "Other operating expenses" in profit or loss.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Impairment of financial assets

The Group assesses at the end of each reporting period whether there is any objective evidence that a financial asset or a group of financial assets is impaired. A financial asset or a group of financial assets is deemed to be impaired if, and only if, there is objective evidence of impairment as a result of one or more events that has occurred after the initial recognition of the asset (an incurred "loss event") and that loss event has an impact on the estimated future cash flows of the financial asset or the group of financial assets that can be reliably estimated. Evidence of impairment may include indications that a debtor or a group of debtors is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganisation and observable data indicating that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

Financial assets carried at amortised cost

For financial assets carried at amortised cost, the Group first assesses individually whether objective evidence of impairment exists for financial assets that are individually significant, or collectively for financial assets that are not individually significant. If the Group determines that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment. Assets that are individually assessed for impairment and for which an impairment loss is, or continues to be, recognised are not included in a collective assessment of impairment.

If there is objective evidence that an impairment loss has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not yet been incurred). The present value of the estimated future cash flows is discounted at the financial asset's original effective interest rate (i.e., the effective interest rate computed at initial recognition). If a loan has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate.

The carrying amount of the asset is reduced either directly or through the use of an allowance account and the amount of the loss is recognised in profit or loss. Interest income continues to be accrued on the reduced carrying amount and is accrued using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss. Loans and receivables together with any associated allowance are written off when there is no realistic prospect of future recovery.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Impairment of financial assets (continued)

Financial assets carried at amortised cost (continued)

If, in a subsequent period, the amount of the estimated impairment loss increases or decreases because of an event occurring after the impairment was recognised, the previously recognised impairment loss is increased or reduced by adjusting the allowance account. If a future write-off is later recovered, the recovery is credited to "Other operating expenses" in profit or loss.

Derecognition of financial assets

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

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

- the Group has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a "pass-through" arrangement; and either (a) the Group has transferred substantially all the risks and rewards of the asset, or (b) the Group has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Group has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, and has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the asset is recognised to the extent of the Group's continuing involvement in the asset. In that case, the Group also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Group has retained.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Group could be required to repay.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Financial liabilities

Initial recognition and measurement

Financial liabilities within the scope of HKAS 39 are all classified as loans and borrowings. The Group determines the classification of its financial liabilities at initial recognition. All financial liabilities are recognised initially at fair value, net of directly attributable transaction costs.

Subsequent measurement

After initial recognition, loans and borrowings are subsequently measured at amortised cost, using the effective interest rate method unless the effect of discounting would be immaterial, in which case they are stated at cost. Gains and losses are recognised in profit or loss when the liabilities are derecognised as well as through the effective interest rate method amortisation process.

Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the effective interest rate. The effective interest rate amortisation is included in "Finance costs" in profit or loss.

Convertible bonds

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Convertible bonds (continued)

Upon the exercise of the conversion options, the resulting ordinary shares issued are recorded by the Company as additional share capital at the nominal value of the ordinary shares issued, and the excess of the total carrying amount of the liability and equity components of the convertible bonds over the nominal value of the ordinary shares issued is recorded in the share premium account. When the convertible bonds are redeemed, the carrying amount of the equity component is transferred to retained profits/accumulated losses as a movement in reserves and any difference between the amount paid and the carrying amount of the liability component is recognised in profit or loss. Where the conversion option remains unexercised at the expiry date, any remaining balance of the equity component of the convertible bonds will be transferred to retained profits/accumulated losses as a movement in reserves. No gain or loss is recognised in profit or loss upon conversion or expiration of the conversion option.

Derecognition of financial liabilities

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

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

Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount is reported in the statement of financial position if, and only if, there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the assets and settle the liabilities simultaneously.

Fair value of financial instruments

The fair value of financial instruments that are traded in active markets is determined by reference to quoted market prices or dealer price quotations (bid price for long positions and ask price for short positions), without any deduction for transaction costs. For financial instruments where there is no active market, the fair value is determined using appropriate valuation techniques. Such techniques include using recent arm's length market transactions; reference to the current market value of another instrument which is substantially the same; a discounted cash flow analysis; and other valuation models.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Inventories

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

Cash and cash equivalents

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

Provisions

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

When the effect of discounting is material, the amount recognised for a provision is the present value at the end of the reporting period of the future expenditures expected to be required to settle the obligation. The increase in the discounted present value amount arising from the passage of time is included in "Finance costs" in profit or loss.

Income tax

Income tax comprises current and deferred tax. Income tax relating to items recognised outside profit or loss is recognised outside profit or loss, either in other comprehensive income or directly in equity.

Current tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period, taking into consideration interpretations and practices prevailing in the countries in which the Group operates.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Income tax (continued)

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

Deferred tax liabilities are recognised for all taxable temporary differences, except:

- where the deferred tax liability arises from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

- in respect of taxable temporary differences associated with investments in subsidiaries and associates, where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets are recognised for all deductible temporary differences, carryforward of unused tax credits and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carryforward of unused tax credits and unused tax losses can be utilised, except:

- where the deferred tax asset relating to the deductible temporary differences arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

- in respect of deductible temporary differences associated with investments in subsidiaries and associates, deferred tax assets are only recognised to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised. Unrecognised deferred tax assets are reassessed at the end of each reporting period and are recognised to the extent that it has become probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Income tax (continued)

Deferred tax assets and deferred tax liabilities are offset if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

Revenue recognition

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

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

(b) rental income, on the straight-line basis over the lease terms;

(c) interest income, on an accrual basis using the effective interest rate method by applying the rate that exactly discounts the estimated future cash receipts through the expected life of the financial instrument or a shorter period, when appropriate, to the net carrying amount of the financial asset; and

(d) from the trading of listed investments, on the trade dates.

Share-based payment transactions

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

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Share-based payment transactions (continued)

The cost of equity-settled transactions with eligible participants is measured by reference to the fair value at the date at which they are granted. The fair value is determined by an external valuer using an appropriate pricing model.

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

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

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

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

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Share-based payment transactions (continued)

Upon the exercise of share options, the resulting shares issued are recorded by the Company as additional share capital at the nominal value of the shares, and the excess of the exercise price per share over the nominal value of the shares is recorded by the Company in the share premium account. In addition, at the time when the share options are exercised, the amount previously recognised in the share option reserve will be transferred to the share premium account.

Options which are cancelled prior to their exercise date or lapsed are deleted from the register of outstanding options. When the share options are forfeited after the vesting date or are still not exercised at the expiry date, the amount previously recognised in the share option reserve will be transferred to retained profits/accumulated losses as a movement in reserves.

Other employee benefits

Pension scheme

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

Borrowing costs

Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds.

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Foreign currencies

These financial statements are presented in Hong Kong dollars. Each entity in the Group determines its own functional currency and items included in the financial statements of each entity are measured using that functional currency. Foreign currency transactions recorded by the entities in the Group are initially recorded using their respective functional currency rates ruling at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies are retranslated at the functional currency rates of exchange ruling at the end of the reporting period. All differences are taken to profit or loss.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined.

The functional currencies of the Company (after 3 August 2010) and certain overseas subsidiaries are currencies other than the Hong Kong dollar. As at the end of the reporting period, the assets and liabilities of these entities are translated into the presentation currency of the Company at the exchange rates ruling at the end of the reporting period and their statements of comprehensive income are translated into Hong Kong dollars at the weighted average exchange rates for the year.

The resulting exchange differences are recognised in other comprehensive income and accumulated in the exchange fluctuation reserve. On disposal of a foreign operation, the component of the exchange fluctuation reserve relating to that particular foreign operation is recognised in profit or loss.

Any goodwill arising on the acquisition of a foreign operation and any fair value adjustments to the carrying amounts of assets and liabilities arising on acquisition are treated as assets and liabilities of the foreign operation and translated at the closing rate.

For the purpose of the consolidated statement of cash flows, the cash flows of the Company (after 3 August 2010) and those subsidiaries with functional currency other than Hong Kong dollars are translated into Hong Kong dollars at the exchange rates ruling at the dates of the cash flows. Frequently recurring cash flows of these entities which arise throughout the year are translated into Hong Kong dollars at the weighted average exchange rates for the year.

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES

The preparation of the Group's financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the disclosure of contingent liabilities, at the end of the reporting period. However, uncertainty about these assumptions and estimates could result in outcomes that could require a material adjustment to the carrying amounts of the assets or liabilities affected in the future.

The major judgements, estimates and assumptions that have the most significant effect on the amounts recognised in the financial statements and have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are set out below:

(a) Useful lives and depreciation of property, plant and equipment

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

(b) Amortisation of timber concessions and cutting rights

Amortisation is charged to profit or loss on a unit-of-production basis, by reference to the estimated total standing log volume of the timber concessions and cutting rights, as further detailed in the accounting policy for "Timber concessions and cutting rights" set out in note 2.4 to the financial statements. The estimate of the total logging volume is based on the total proven and probable reserves of the total forestry exploitation volume or contractual period from the date of commencement of commercial exploitation.

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES *(continued)*

(c) Impairment of non-financial assets

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

(d) Impairment of goodwill

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

(e) Net realisable value of inventories

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

(f) Impairment of trade and other receivables

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

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES *(continued)*

(g) Deferred tax liabilities

The accounting for deferred tax required judgements in assessing the likely future tax consequence of events that have been recognised in the financial statements or tax returns. These judgements, which are completed on a taxing jurisdiction basis, takes into account a number of types of evidence, including the following: the sources of future taxable income, mix of earnings among different tax jurisdictions, tax planning strategies, the timing of reversal of deferred tax assets and liabilities and the likelihood of the change of the tax exemptions or concessions granted to the particular legal entity or tax group based on our interaction with local tax authorities and discussion with the relevant experts in that particular tax jurisdiction. As at 31 December 2010, the Group had total deferred tax liabilities of HK$73,220,000 (2009: HK$73,807,000), which arise from the fair value adjustment in relation to the acquisitions of 60% Greenheart Resources Holdings Limited and its subsidiaries in 2007. Although management believes that the judgements and estimates discussed herein are reasonable, actual result could differ, and the Group may be exposed to increases or decreases in deferred tax expenses that could be material.

4. OPERATING SEGMENT INFORMATION

No operating segment is presented as the Group basically operated in one single operating segment during the years ended 31 December 2010 and 2009.

Geographical information

(a) Revenue from external customers

	2010	2009
	HK$'000	HK$'000
Mainland China	**15,740**	10,600
Suriname	**974**	626
	16,714	11,226

The revenue information above is based on the location of the customers.

4. OPERATING SEGMENT INFORMATION *(continued)*

(b) Non-current assets

	2010 HK$'000	2009 HK$'000
Hong Kong	**5,391**	24,941
Suriname	**775,094**	772,810
	780,485	797,751

Information about major customers

During the year ended 31 December 2010, the Group had transactions with three (2009: two) external customers who each contributed over 10% of the Group's total revenue for the year. A summary of revenue earned from each of these major external customers is set out below:

	2010 HK$'000	2009 HK$'000
Customer 1	**6,427**	7,277
Customer 2	**2,488**	–
Customer 3	**2,129**	–
Customer 4	**–**	2,956
	11,044	10,233

5. REVENUE, OTHER INCOME AND GAINS

Revenue, which is also the Group's turnover, represents the aggregate of the invoiced value of goods sold, net of export tax and after allowances for returns and trade discounts; and gross rental income received and receivable during the year.

An analysis of revenue, other income and gains is as follows:

	2010 HK$'000	2009 HK$'000
Revenue		
Sales of logs and timbers	**16,714**	10,755
Rental income	**–**	471
	16,714	11,226
Other income and gains		
Bank interest income	**1,388**	33
Gain on disposal of an associate (note 18)	**64**	–
Gain on disposal of listed equity investments at fair value through profit or loss	**–**	1,066
Rental income for the lease of plant and machinery	**828**	–
Others	**8**	38
	2,288	1,137

6. LOSS BEFORE TAX

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

	Notes	2010 HK$'000	2009 HK$'000
Cost of inventories sold		**5,448**	3,527
Depreciation	13	**3,762**	2,728
Amortisation of prepaid land lease payment	14	**36**	–
Amortisation of timber concessions and cutting rights	16	**5,949**	1,929
Less: Amount capitalised in inventories		**(3,491)**	(44)
Current year expenditure charged to cost of sales		**2,458**	1,885
Loss on disposal of subsidiaries		**–**	784
Loss on disposal of items of property, plant and equipment		**2,328**	220
Provision for slow-moving and obsolete inventories		**5,564**	–
Impairment of trade receivables	20	**310**	330
Minimum lease payments under operating leases for land and buildings		**5,437**	4,943
Auditors' remuneration		**1,400**	860
Employee benefit expense (including directors' remuneration (note 8)):			
Wages and salaries		**27,241**	24,324
Equity-settled share option expense		**13,868**	12,241
Pension scheme contributions		**201**	187
		41,310	36,752
Gross rental income		**(828)**	(471)
Less: outgoings		**368**	158
Net rental income		**(460)**	(313)
Foreign exchange differences, net		**(3,633)**	(1,615)

7. FINANCE COSTS

	Group	
	2010	2009
	HK$'000	HK$'000
Interest on convertible bonds	**14,714**	20,883
Interest on a loan from an associate	**64**	–
	14,778	20,883

8. DIRECTORS' REMUNERATION

Directors' remuneration for the year, disclosed pursuant to The Rules Governing the Listing of Securities (the "Listing Rules") on the Stock Exchange and Section 161 of the Hong Kong Companies Ordinance, is as follows:

	Group	
	2010	2009
	HK$'000	HK$'000
Fees	**480**	480
Other emoluments:		
Salaries, allowances and benefits in kind	**2,099**	2,058
Equity-settled share option expense	**10,187**	1,436
Pension scheme contributions	**9**	12
	12,295	3,506
	12,775	3,986

During the current and prior years, certain directors were granted share options without a vesting period, in respect of their services to the Group, under the share option scheme of the Company, further details of which are set out in note 28 to the financial statements. The fair values of such options, which have been recognised in profit or loss in the year in which the options were granted, were determined as at the respective dates of grant and are included in the above directors' remuneration disclosures.

8. DIRECTORS' REMUNERATION *(continued)*

An analysis of directors' remuneration, on a named basis, is as follows:

	Fees HK$'000	Salaries, allowances and benefits in kind HK$'000	Equity-settled share option expense HK$'000	Pension scheme contributions HK$'000	Total remuneration HK$'000
Year ended 31 December 2010					
Executive directors:					
Mr. William Judson Martin	–	–	3,830	–	3,830
Mr. Hiu Tung Wah, Samuel	–	1,300	488	–	1,788
Mr. Sung Yan Wai, Petrus*	–	787	–	9	796
Mr. Chau Chi Piu, Alex*	–	12	–	–	12
	–	2,099	4,318	9	6,426
Non-executive directors:					
Mr. Chan Tak Yuen, Allen	–	–	3,830	–	3,830
Mr. Simon Murray	–	–	575	–	575
	–	–	4,405	–	4,405
Independent non-executive directors:					
Mr. Wong Che Keung, Richard	120	–	488	–	608
Mr. Tong Yee Yung, Joseph	120	–	488	–	608
Mr. Wong Kin Chi	240	–	488	–	728
	480	–	1,464	–	1,944
Total	480	2,099	10,187	9	12,775

* Mr. Sung and Mr. Chau resigned as directors of the Company on 17 September 2010 and 11 January 2010, respectively.

8. DIRECTORS' REMUNERATION *(continued)*

	Fees HK$'000	Salaries, allowances and benefits in kind HK$'000	Equity-settled share option expense HK$'000	Pension scheme contributions HK$'000	Total remuneration HK$'000
Year ended 31 December 2009					
Executive directors:					
Mr. Hiu Tung Wah, Samuel	–	1,300	532	–	1,832
Mr. Sung Yan Wai, Petrus	–	650	532	12	1,194
Mr. Chau Chi Piu, Alex	–	108	–	–	108
	–	2,058	1,064	12	3,134
Independent non-executive directors:					
Mr. Wong Che Keung, Richard	120	–	106	–	226
Mr. Tong Yee Yung, Joseph	120	–	106	–	226
Mr. Wong Kin Chi	240	–	160	–	400
	480	–	372	–	852
Total	480	2,058	1,436	12	3,986

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

9. FIVE HIGHEST PAID EMPLOYEES

The five highest paid employees during the year included three (2009: one) directors, details of whose remuneration are set out in note 8 above. Details of the remuneration of the remaining two (2009: four) non-director, highest paid employees for the year are as follows:

	Group 2010 HK$'000	Group 2009 HK$'000
Salaries, allowances and benefits in kind	**2,291**	3,873
Equity-settled share option expense	**1,074**	7,132
Pension scheme contributions	**24**	36
	3,389	11,041

9. FIVE HIGHEST PAID EMPLOYEES *(continued)*

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

	Number of employees	
	2010	2009
HK$1,000,001 to HK$1,500,000	**–**	2
HK$1,500,001 to HK$2,000,000	**2**	2
	2	4

During the current and prior years, share options without a vesting period were granted to non-director, highest paid employees in respect of their services to the Group, further details of which are included in the disclosures in note 28 to the financial statements. The fair values of such options, which have been recognised in profit or loss in the year in which the options were granted, were determined as at the respective dates of grant and are included in the above non-director, highest paid employees' remuneration disclosures.

10. 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 year (2009: Nil).

No overseas income tax has been provided as the subsidiaries operating in overseas did not generate any assessable profits arising during the year based on existing legislation, interpretations and practices in respect thereof (2009: Nil). Subsidiaries established in Suriname are subject to the relevant tax rules and regulations of Suriname at the statutory tax rate of 36%. One of the Company's subsidiaries is currently enjoying tax exemptions in Suriname for an original period of nine years.

	2010	2009
	HK$'000	HK$'000
Tax credit for the year		
Deferred (note 26)	**(587)**	(191)
Total tax credit for the year	**(587)**	(191)

10. TAX *(continued)*

A reconciliation of the tax credit applicable to loss before tax at the statutory rate of Hong Kong, where the Company is headquartered, to the tax credit at the effective tax rate, is as follows:

	2010 **HK$'000**	2009 HK$'000
Loss before tax	**(98,413)**	(96,571)
Tax at the statutory tax rate of 16.5% (2009: 16.5%)	**(16,238)**	(15,934)
Tax effect of different tax rates of subsidiaries operating in other jurisdictions	**1,184**	923
Expenses not deductible for tax	**12,183**	18,223
Loss attributable to an associate	**275**	284
Income not subject to tax	**(559)**	(4,632)
Tax losses not recognised	**2,219**	945
Others	**349**	–
Tax credit at the Group's effective rate of 0.6% (2009: 0.2%)	**(587)**	(191)

11. LOSS FOR THE YEAR ATTRIBUTABLE TO EQUITY HOLDERS OF THE COMPANY

The consolidated loss attributable to equity holders of the Company for the year ended 31 December 2010 includes a loss of HK$35,902,000 (2009: HK$75,302,000) which has been dealt with in the financial statements of the Company (note 29(b)).

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

The calculation of basic loss per share amounts is based on the loss for the year attributable to equity holders of the Company, and the weighted average of 445,979,969 (2009: 314,147,234) ordinary shares in issue during the year.

In respect of the diluted loss per share amounts presented, no adjustment has been made to the basic loss per share amounts presented for the years ended 31 December 2010 and 2009 as the impact of the share options and convertible bonds outstanding during these years had an anti-dilutive effect on the basic loss per share amounts presented.

13. PROPERTY, PLANT AND EQUIPMENT

Group

	Buildings HK$'000	Leasehold improve-ments HK$'000	Plant and machinery HK$'000	Furniture and fixtures HK$'000	Motor vehicles HK$'000	Construction in progress HK$'000	Total HK$'000
Year ended 31 December 2010							
At 1 January 2010:							
Cost	–	1,018	16,043	2,605	3,976	1,708	25,350
Accumulated depreciation	–	(675)	(4,715)	(1,240)	(1,515)	–	(8,145)
Net carrying amount	–	343	11,328	1,365	2,461	1,708	17,205
Net carrying amount:							
At 1 January 2010	–	343	11,328	1,365	2,461	1,708	17,205
Additions	–	–	9,006	571	523	3,627	13,727
Transfers	4,166	–	–	–	–	(4,166)	–
Depreciation provided during the year (note 6)	(208)	(216)	(2,339)	(521)	(478)	–	(3,762)
Disposals	–	(64)	(1,177)	(647)	(440)	–	(2,328)
At 31 December 2010	3,958	63	16,818	768	2,066	1,169	24,842
At 31 December 2010:							
Cost	4,166	71	22,625	1,275	3,673	1,169	32,979
Accumulated depreciation	(208)	(8)	(5,807)	(507)	(1,607)	–	(8,137)
Net carrying amount	3,958	63	16,818	768	2,066	1,169	24,842

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

	Buildings HK$'000	Leasehold improve-ments HK$'000	Plant and machinery HK$'000	Furniture and fixtures HK$'000	Motor vehicles HK$'000	Construction in progress HK$'000	Total HK$'000
Year ended 31 December 2009							
At 1 January 2009:							
Cost	–	948	16,105	1,949	4,062	–	23,064
Accumulated depreciation	–	(318)	(3,305)	(791)	(1,127)	–	(5,541)
Net carrying amount	–	630	12,800	1,158	2,935	–	17,523
Net carrying amount:							
At 1 January 2009	–	630	12,800	1,158	2,935	–	17,523
Additions	–	70	142	675	35	1,708	2,630
Depreciation provided during the year (note 6)	–	(357)	(1,509)	(454)	(408)	–	(2,728)
Disposals	–	–	(105)	(14)	(101)	–	(220)
At 31 December 2009	–	343	11,328	1,365	2,461	1,708	17,205
At 31 December 2009:							
Cost	–	1,018	16,043	2,605	3,976	1,708	25,350
Accumulated depreciation	–	(675)	(4,715)	(1,240)	(1,515)	–	(8,145)
Net carrying amount	–	343	11,328	1,365	2,461	1,708	17,205

14. PREPAID LAND LEASE PAYMENT

	Group	
	2010 HK$'000	2009 HK$'000
Carrying amount at 1 January	**1,448**	1,448
Amortisation provided during the year (note 6)	**(36)**	–
Carrying amount at 31 December	**1,412**	1,448
Current portion included in current portion of prepayments and deposits (note 21)	**(36)**	–
Non-current portion	**1,376**	1,448

The leasehold land is situated in Suriname and is held under a medium term lease.

15. GOODWILL

	Group	
	2010	2009
	HK$'000	HK$'000
Cost and net carrying amount at 1 January and 31 December	**7,624**	7,624

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

Impairment testing of goodwill

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

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

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

The directors of the Company are of the opinion that, based on the value-in-use calculations prepared in accordance with the above key assumptions, no impairment loss provision against the goodwill as at 31 December 2010 is considered necessary.

16. TIMBER CONCESSIONS AND CUTTING RIGHTS

	Group	
	2010	2009
	HK$'000	HK$'000
Net carrying amount:		
At 1 January	**747,384**	749,313
Amortisation provided during the year	**(5,949)**	(1,929)
At 31 December	**741,435**	747,384

	Group		
	31 December 2010	31 December 2009	1 January 2009
	HK$'000	HK$'000	HK$'000
Cost	**751,012**	751,012	751,012
Accumulated amortisation	**(9,577)**	(3,628)	(1,699)
Net carrying amount	**741,435**	747,384	749,313

The Group is a natural forest concession owner and operator in Suriname, South America and currently holds certain forest concessions for the exploitation of timbers on parcels of land in Suriname of approximately 183,000 hectares with the terms ranging from 10 to 20 years.

17. INTERESTS IN SUBSIDIARIES

		Company	
		2010	2009
	Notes	**HK$'000**	HK$'000
Unlisted shares, at cost		**1**	1
Due from subsidiaries	(a)	**1,009,407**	1,008,056
		1,009,408	1,008,057
Impairment	(b)	**(523,980)**	(543,828)
		485,428	464,229

Notes:

(a) The amounts advanced to the subsidiaries included in the interests in subsidiaries above are unsecured, interest-free and have no fixed terms of repayment.

17. INTERESTS IN SUBSIDIARIES *(continued)*

Notes: (continued)

(b) An impairment was recognised for amounts due from subsidiaries of HK$1,009,407,000 (before deducting the impairment loss) (2009: HK$1,008,056,000) because these subsidiaries had been loss-making for some time.

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

Name	Place of incorporation/ registration and operation	Nominal value of issued ordinary/ registered share capital	Percentage of equity attributable to the Company Direct	Percentage of equity attributable to the Company Indirect	Principal activities
Barnet Consultancy Limited*	BVI/ Hong Kong	US$1	–	100	Provision of corporate service
Silver Mount Group Limited*	BVI/ Hong Kong	US$1	100	–	Investment holding
Greenheart Resources Holdings Limited ("Greenheart Resources")	BVI/ Hong Kong	–	–	60.39	Investment holding
Superb Manufacturing Company Limited*	BVI/ Hong Kong	US$1	–	60.39	Investment holding
Superb Able Industrial Limited*	BVI/ Hong Kong	US$1,155	–	60.39	Provision of corporate service
Greenheart Resources (Hong Kong) Company Limited	Hong Kong	HK$1	–	60.39	Provision of administrative and management services
Top Wood Holdings Limited*	BVI/ Hong Kong	US$1	–	60.39	Provision of administrative and management services
Octagon International N.V.*	Suriname	–	–	60.39	Timber concession holding, harvesting and sale of logs

17. INTERESTS IN SUBSIDIARIES *(continued)*

Notes: (continued)

(c) (continued)

Name	Place of incorporation/ registration and operation	Nominal value of issued ordinary/ registered share capital	Percentage of equity attributable to the Company Direct	Percentage of equity attributable to the Company Indirect	Principal activities
Epro N.V.*	Suriname	US$18	–	60.39	Timber concession holding
Dynasty Forestry Industry N.V.*	Suriname	US$1,340	–	60.39	Timber concession holding
Beach Paradise N.V.*	Suriname	US$364	–	60.39	Manufacturing and sale of timbers

* The financial statements of these subsidiaries were not audited by Ernst & Young, Hong Kong or another member firm of the Ernst & Young global network.

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

18. INTEREST IN AN ASSOCIATE

	Group 2010 HK$'000	Group 2009 HK$'000
Share of net assets	–	20,962

The associate of the Group as at 31 December 2009 was TGX Capital Limited, an investment holding company of which the Group held a 46% equity interest. Pursuant to a sale and purchase agreement entered into between the Group and a third party on 29 September 2010, the Group's entire equity interest in this associate was disposed of for a cash consideration of HK$19,359,000, resulting in a gain on disposal of an associate of HK$64,000 (note 5) which was recognised in profit or loss for the year ended 31 December 2010.

18. INTEREST IN AN ASSOCIATE *(continued)*

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

	2010	2009
	HK$'000	HK$'000
Assets	**–**	45,724
Liabilities	**–**	(153)
Loss	**(3,305)**	(3,741)

19. INVENTORIES

Inventories of the Group as at 31 December 2010 and 2009 represented harvested logs and timbers held for sale.

20. TRADE AND OTHER RECEIVABLES

	Group	
	2010	2009
	HK$'000	HK$'000
Trade receivables (note)	**3,303**	2,639
Impairment (note)	**(310)**	(330)
	2,993	2,309
Other receivables	**141**	639
Trade and other receivables	**3,134**	2,948

Note: The Group's trading terms with its customers are mainly letters of credit at sight or on open accounts with credit terms of 30 days to 45 days, where a 20% to 30% deposit is normally required. Each customer has a maximum credit limit. The Group seeks to maintain strict control over its outstanding receivables so as to minimise credit risk. Overdue balances are reviewed regularly by senior management. In the opinion of directors, there is no significant concentration of credit risk. Trade receivables are non-interest-bearing.

20. TRADE AND OTHER RECEIVABLES *(continued)*

Note: (continued)

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

	Group	
	2010	2009
	HK$'000	HK$'000
Within 1 month	**2,647**	312
1 to 3 months	**342**	1,680
Over 3 months	**4**	317
	2,993	2,309

The movements in provision for impairment of trade receivables during the year are as follows:

	Group	
	2010	2009
	HK$'000	HK$'000
At 1 January	**330**	2,080
Impairment losses recognised (note 6)	**310**	330
Amount written off as uncollectible	**(330)**	(2,080)
At 31 December	**310**	330

The above provision for impairment of trade receivables is a full provision for individually impaired trade receivables with a carrying amount before provision of HK$310,000 (2009: 330,000).

The individually impaired trade receivables relate to customers that were in financial difficulties or were in default in both interest and/or principal payments and only a portion of the receivables is expected to be recovered. The Group does not hold any collateral or other credit enhancements over these balances.

20. TRADE AND OTHER RECEIVABLES *(continued)*

Note: (continued)

An aged analysis of the trade receivables that are not individually nor collectively considered to be impaired is as follows:

	Group	
	2010	2009
	HK$'000	HK$'000
Neither past due nor impaired	**2,989**	929
Less than 3 months past due	**4**	1,078
Over 3 months past due	**–**	302
	2,993	2,309

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

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

21. PREPAYMENTS AND DEPOSITS

Non-current portion	**Group**		**Company**	
	2010	2009	**2010**	2009
	HK$'000	HK$'000	**HK$'000**	HK$'000
Deposits paid for the purchase of items of property, plant and equipment	**3,154**	3,128	**–**	–
Costs incurred for a business combination under common control	**–**	–	**3,702**	–
Rental deposits	**1,906**	–	**–**	–
Prepayments	**148**	–	**–**	–
	5,208	3,128	**3,702**	–

21. PREPAYMENTS AND DEPOSITS *(continued)*

Current portion	**Group**		**Company**	
	2010	2009	**2010**	2009
	HK$'000	HK$'000	**HK$'000**	HK$'000
Prepaid land lease payment – current portion (note 14)	**36**	–	**–**	–
Prepayments	**1,206**	502	**178**	100
Other deposits	**720**	810	**–**	–
	1,962	1,312	**178**	100

None of the above assets is either past due or impaired. The financial assets included in the above balances relate to receivables for which there was no recent history of default.

22. CASH AND BANK BALANCES

	Group		**Company**	
	2010	2009	**2010**	2009
	HK$'000	HK$'000	**HK$'000**	HK$'000
Cash and bank balances other than time deposits	**22,933**	40,916	**1,870**	802
Time deposits with original maturity of less than three months when acquired	**589,851**	–	**589,851**	–
	612,784	40,916	**591,721**	802

Bank balances other than time deposits earn interest at floating rates based on daily bank deposit rates. Short term time deposits are made for varying periods of between seven days and one month depending on the immediate cash requirements of the Group, and earn interest at the respective short term time deposit rates. The bank deposits are deposited with creditworthy banks with no recent history of default.

23. TRADE AND OTHER PAYABLES

		Group		Company	
		2010	2009	**2010**	2009
	Notes	**HK$'000**	HK$'000	**HK$'000**	HK$'000
Trade payables	(a)	**682**	104	**–**	–
Other payables	(b)	**2,835**	2,424	**–**	1,622
Accruals		**6,626**	3,396	**1,831**	681
Trade and other payables		**10,143**	5,924	**1,831**	2,303

Notes:

(a) The trade payables are non-interest-bearing and are normally settled on 60-day terms. All the trade payables of the Group as at 31 December 2010 and 2009, based on invoice date, were aged within one month.

(b) Other payables are non-interest-bearing and have an average term of three months.

24. DEPOSITS RECEIVED

Included in the deposits received was an amount due to Sino-Forest Resources Inc. ("SF Resources") of HK$22,565,000 (2009: HK$22,565,000). SF Resources is a wholly-owned subsidiary of Sino-Forest and a fellow subsidiary of the Company as at 31 December 2010.

25. CONVERTIBLE BONDS

The Company had HK$ denominated convertible bonds (the "HK$ Convertible Bonds") and US$ denominated convertible bonds (the "US$ Convertible Bonds") outstanding during the years ended 31 December 2010 and 2009, the summary information of which is set out as follows:

Group and Company

	HK$ Convertible Bonds (note (a))	**US$ Convertible Bonds** (note (b))
Issuance date	8 November 2007	17 August 2010
Maturity date	8 November 2010	17 August 2015
Original principal amount	HK$237,000,000	US$25,000,000
Coupon rate	4%	5%
Conversion price per ordinary share (HK$)	2.00	2.002

Each of the HK$ Convertible Bonds and the US$ Convertible Bonds is bifurcated into a liability component and an equity component for accounting purposes as further described in the accounting policy for "Convertible bonds" set out in note 2.4 to the financial statements. The following tables summarise the movements in the principal amounts, liability and equity components of the Company's convertible bonds during the years ended 31 December 2010 and 2009:

Group and Company

	HK$ Convertible Bonds HK$'000 (note (a))	**US$ Convertible Bonds** HK$'000 (note (b))	**Total** HK$'000
Principal amount outstanding			
At 1 January 2009, 31 December 2009 and 1 January 2010	237,000	–	237,000
Issue of convertible bonds	–	195,000	195,000
Conversion to ordinary shares	(237,000)	–	(237,000)
At 31 December 2010	–	195,000	195,000

25. CONVERTIBLE BONDS *(continued)*

Group and Company

	HK$ Convertible Bonds HK$'000 (note (a))	US$ Convertible Bonds HK$'000 (note (b))	Total HK$'000
Liability component			
At 1 January 2009	225,598	–	225,598
Interest expense	20,883	–	20,883
Interest paid	(9,481)	–	(9,481)
At 31 December 2009 and 1 January 2010	237,000	–	237,000
Issue of convertible bonds	–	185,726	185,726
Interest expense	6,992	7,722	14,714
Interest paid	(6,992)	(3,644)	(10,636)
Transfer to share capital and share premium account upon conversion to ordinary shares (note 27(c))	(237,000)	–	(237,000)
At 31 December 2010	–	189,804	189,804
Equity component (included in the convertible bond equity reserve)			
At 1 January 2009, 31 December 2009 and 1 January 2010	45,234	–	45,234
Issue of convertible bonds	–	7,328	7,328
Transfer to share capital and share premium account upon conversion to ordinary shares (note 27(c))	(45,234)	–	(45,234)
At 31 December 2010	–	7,328	7,328

25. CONVERTIBLE BONDS *(continued)*

Notes:

(a) The HK$ Convertible Bonds were issued by the Company on 8 November 2007 as part of the consideration paid for the acquisition of a 60% equity interest in Greenheart Resources, pursuant to a sale and purchase agreement entered into between, inter alia, the Group and the then shareholders of Greenheart Resources.

The HK$ Convertible Bonds originally had a maturity date of 8 November 2009 which was subsequently extended to 8 November 2010 following the execution of a supplementary deed poll as approved by the independent shareholders of the Company at a special general meeting held on 6 November 2009. In the opinion of the directors, this alteration did not constitute a substantial modification of the terms of the HK$ Convertible Bonds and hence was not accounted for as an extinguishment of the original financial liability and the recognition of a new financial liability.

In respect of the prior year, a written confirmation was obtained from Sino-Forest, which is the ultimate beneficial owner of the HK$ Convertible Bonds with a total principal amount of HK$212,328,000, for its agreement to enter into discussion with the Company which may result in Sino-Forest supporting the Company in proposing to the remaining bondholders to, among other things, further extend the maturity date of the HK$ Convertible Bonds from 8 November 2010 to a date not earlier than 30 September 2011. Pursuant to the terms of the HK$ Convertible Bonds, alteration of terms could be induced upon obtaining consent from bondholders with over 50% beneficial interests in the HK$ Convertible Bonds, and therefore, the whole balance of the HK$ Convertible Bonds was classified as non-current liabilities as at 31 December 2009.

Further details of the HK$ Convertible Bonds are set out in the Company's circulars dated 3 October 2007 and 20 October 2009.

(b) The US$ Convertible Bonds were issued to Greater Sino Holdings Limited ("Greater Sino"), a company in which a director of the Company has an indirect interest, for a total cash consideration of US$24,750,000, pursuant to a convertible note subscription agreement entered into between the Company and Greater Sino on 22 June 2010. In addition, the noteholder has the right to convert the whole or part of the principal amount of the US$ Convertible Bonds into shares anytime commencing 6 months after the issuance of the US$ Convertible Bonds and from time to time in an amount of not less than US$100,000 on each conversion. Moreover, the noteholder may require the Company to redeem all or part of the US$ Convertible Bonds on each of the dates falling on the third anniversary and on the fourth anniversary of the issuance date of the US$ Convertible Bonds, at the redemption amount equal to the principal amount and a compounded return of 10% per annum accrued on the principal amount inclusive of any interest received. Further details of the US$ Convertible Bonds are set out in the Company's circular dated 13 July 2010.

As at 31 December 2010, the US$ Convertible Bonds were classified as non-current liabilities as they have a maturity date of 17 August 2015.

26. DEFERRED TAX

The movement in deferred tax liabilities of the Group, which arose from the fair value adjustment in connection with acquisition of subsidiaries, during the year is as follows:

	Group	
	2010	2009
	HK$'000	HK$'000
At 1 January	**73,807**	73,998
Deferred tax credited to profit or loss during the year (note 10)	**(587)**	(191)
At 31 December	**73,220**	73,807

As at 31 December 2010, the Group had aggregate tax losses arising in Hong Kong of approximately HK$54,448,000 (2009: HK$41,001,000) that are available indefinitely for offsetting future taxable profits of the companies in which the losses arose. Deferred tax assets have not been recognised in respect of these losses as they have arisen in the Company and subsidiaries that have been loss-making for some time and it is not considered probable that taxable profits will be available against which the tax losses can be utilised.

27. SHARE CAPITAL

Shares

	2010	2009
	HK$'000	HK$'000
Authorised:		
15,000,000,000 ordinary shares of HK$0.01 each	**150,000**	150,000
Issued and fully paid:		
681,149,152 (2009: 314,539,152) ordinary shares of HK$0.01 each	**6,811**	3,145

27. SHARE CAPITAL *(continued)*

Shares (continued)

A summary of the movements in the Company's issued share capital during the years ended 31 December 2010 and 2009 is as follows:

	Notes	Number of shares in issue	Issued capital HK$'000	Share premium account HK$'000	Total HK$'000
At 1 January 2009		314,089,152	3,141	453,708	456,849
Shares issued upon exercise of share options	(a)	450,000	4	664	668
At 31 December 2009 and 1 January 2010		314,539,152	3,145	454,372	457,517
Issue of new shares	(b)	230,000,000	2,300	416,300	418,600
Shares issued upon exercise of share options	(a)	18,110,000	181	43,087	43,268
Shares issued upon conversion of the HK$ Convertible Bonds	(c)	118,500,000	1,185	281,049	282,234
Share issue expenses		–	–	(5,591)	(5,591)
At 31 December 2010		681,149,152	6,811	1,189,217	1,196,028

Notes:

(a) During the year ended 31 December 2010, the subscription rights attaching to 18,110,000 (2009: 450,000) share options were exercised at the subscription price ranging from HK$0.46 to HK$1.744 (2009: ranging from HK$0.8 to HK$1.65) per share, resulting in the issue of 18,110,000 ordinary shares of the Company for a total cash consideration of HK$28,263,000 (2009: HK$502,000). As a result of the exercise of these share options, their fair value of HK$15,005,000 (2009: HK$166,000) previously recognised in the share option reserve was transferred to the share premium account.

(b) Pursuant to a share subscription agreement dated 22 June 2010 entered into between Sino-Capital and the Company, 230,000,000 new ordinary shares of the Company were allotted and issued to Sino-Capital at a subscription price of HK$1.82 per ordinary share for a total cash consideration, before any issuance expenses, of HK$418,600,000. Following the completion of the transaction on 3 August 2010 and the conversion of the HK$ Convertible Bonds beneficially owned by Sino-Capital and Sino-Forest in September 2010, Sino-Capital and Sino-Forest became the immediate holding company and the ultimate holding company of the Company, respectively.

27. SHARE CAPITAL *(continued)*

Shares (continued)

Notes: (continued)

(c) During the year ended 31 December 2010, the HK$ Convertible Bonds with an aggregate principal amount of HK$237,000,000 were converted by bondholders into 118,500,000 new ordinary shares of the Company in total at a conversion price of HK$2 per ordinary share. The difference of approximately HK$281,049,000 between nominal value of the ordinary shares issued and the then aggregate carrying amounts of the liability and equity components of the HK$ Convertible Bonds at the dates of conversions was transferred to the Company's share premium account.

Share options

Details of the Company's share option scheme and the share options issued under the scheme are included in note 28 to the financial statements.

28. SHARE OPTION SCHEME

The Company has a share option scheme (the "Scheme") which was adopted on 22 March 2002 whereby the directors of the Company are authorised, at their discretion, to invite employees, executives or officers of the Group, including executive and non-executive directors of any company in the Group, and any suppliers, consultants, advisers, agents, shareholders, customers, partners or business associates of the Group, to take up options to subscribe the ordinary shares of the Company (the "Shares") as incentives and rewards for their contribution to the Group. Upon acceptance of the option, the grantee shall pay HK$1.00 to the Company by way of consideration for the grant. The Scheme shall be valid and effective for a period of 10 years ending on 22 March 2012, after which no further options will be granted.

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

28. SHARE OPTION SCHEME *(continued)*

The total number of the Shares available for issue under the Scheme as at 31 December 2010 was 95,930,915 Shares (including options for 38,343,560 Shares that have been granted but not yet lapsed or exercised) which represented 14.08% of the issued share capital of the Company as at 31 December 2010. The number of Shares issued and to be issued upon exercise of the options granted to each participate in any 12-month period is limited to 1% of the Company's ordinary shares in issue.

The following share options were outstanding under the Scheme during the year:

		2010		2009	
	Notes	**Weighted average exercise price HK$ per share**	**Number of options '000**	Weighted average exercise price HK$ per share	Number of options '000
At 1 January		**1.58**	**35,120**	1.43	14,074
Granted during the year	(a)	**2.33**	**22,584**	1.65	22,860
Lapsed/forfeited during the year		**1.37**	**(1,250)**	1.45	(1,364)
Exercised during the year	(b)	**1.56**	**(18,110)**	1.11	(450)
At 31 December	(c)	**2.04**	**38,344**	1.58	35,120

Notes:

(a) The fair values of the options granted during the year on 24 August 2010 and 28 December 2010 were calculated using the Binomial Option Pricing Model. The inputs to the model are as follows:

	28 December 2010	24 August 2010
Share price at the date of grant	HK$2.50	HK$1.98
Exercise price per share	HK$2.50	HK$2.18
Expected volatility (%)	68.5%	68.25%
Risk-free interest rate (%)	1.807%	1.07%

The Group recognised in profit or loss for the year an equity-settled share option expense of HK$13,868,000 (2009: HK$24,334,000) in total in relation to share options granted by the Company in 2010.

28. SHARE OPTION SCHEME *(continued)*

Notes: (continued)

(b) The 18,110,000 share options exercised during the year resulted in the issue of 18,110,000 ordinary shares of the Company and new share capital of HK$181,000 and share premium of HK$43,087,000 (before issue expenses), as further detailed in note 27(a) to the financial statements.

(c) At the end of the reporting period, the Company had 38,343,560 share options outstanding under the Scheme. The exercise in full of the outstanding share options would, under the present capital structure of the Company, result in the issue of 38,343,560 additional ordinary shares of the Company and additional share capital of HK$383,000 and share premium of HK$102,346,000 (before issue expenses). These share options had exercise prices of HK$0.46, HK$1.36, HK$1.744, HK$1.65, HK$2.18 and HK$2.50 (2009: HK$0.46, HK$0.80, HK$1.36, HK$1.744 and HK$1.65) per share and a weighted average remaining contractual life of 3.97 years (2009: 3.83 years).

(d) Subsequent to the reporting period, on 10 January 2011, a total of 3,500,000 share options were granted to an employee of the Group. These share options do not have a vesting period and have an exercise price of HK$2.93 per share with an exercise period from 10 January 2011 to 9 January 2016. The closing price of the Company's shares at the date of grant was HK$2.93 per share.

At the date of approval of these financial statements, the Company had 41,843,560 share options outstanding under the Scheme, which represented approximately 6.14% of the Company's shares in issue as at that date.

29. RESERVES

(a) Group

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

29. RESERVES *(continued)*

(b) Company

	Notes	Share premium account HK$'000	Contributed surplus HK$'000	Share option reserve HK$'000	Convertible bond equity reserve HK$'000	Accumulated losses HK$'000	Total HK$'000
At 1 January 2009		453,708	125,376	5,353	45,234	(356,518)	273,153
Loss for the year and total comprehensive loss for the year		–	–	–	–	(75,302)	(75,302)
Exercise of share options	27(a)	664	–	(166)	–	–	498
Equity-settled share option arrangements	28	–	–	24,334	–	–	24,334
Share options lapsed		–	–	(471)	–	471	–
At 31 December 2009 and 1 January 2010		454,372	125,376	29,050	45,234	(431,349)	222,683
Loss for the year and total comprehensive loss for the year		–	–	–	–	(35,902)	(35,902)
Issue of new shares	27(b)	416,300	–	–	–	–	416,300
Exercise of share options	27(a)	43,087	–	(15,005)	–	–	28,082
Conversion of convertible bonds	27(c)	281,049	–	–	(45,234)	–	235,815
Share issue expenses		(5,591)	–	–	–	–	(5,591)
Equity-settled share option arrangements	28	–	–	13,868	–	–	13,868
Share options lapsed		–	–	(477)	–	477	–
Issue of conversion bonds	25	–	–	–	7,328	–	7,328
At 31 December 2010		1,189,217	125,376	27,436	7,328	(466,774)	882,583

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

29. RESERVES *(continued)*

(b) Company (continued)

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

30. OPERATING LEASE ARRANGEMENTS

(a) As lessor

The Group leases certain of its plant and machinery to its subcontractors under operating lease arrangements, with leases negotiated for terms of three years.

At 31 December 2010, the Group had total future minimum lease receivables under non-cancellable operating leases with its subcontractors falling due as follows:

	Group	
	2010	2009
	HK$'000	HK$'000
Within one year	**1,278**	–
In the second to fifth years, inclusive	**2,023**	–
	3,301	–

At 31 December 2010, the Company did not have any non-cancellable operating lease arrangements as lessor (2009: Nil).

30. OPERATING LEASE ARRANGEMENTS *(continued)*

(b) As lessee

The Group leases certain of its office properties and staff quarters under operating lease arrangements. Leases for office properties are negotiated for terms of one to three years, and those for staff quarters are for terms of one year.

At 31 December 2010, the Group had total future minimum lease payments under non-cancellable operating leases falling due as follows:

	Group	
	2010	2009
	HK$'000	HK$'000
Within one year	**5,808**	2,065
In the second to fifth years, inclusive	**9,000**	71
	14,808	2,136

At 31 December 2010, the Company did not have any non-cancellable operating lease arrangements as lessee (2009: Nil).

31. CAPITAL COMMITMENTS

At 31 December 2010, the Group had the following capital commitments:

	Group	
	2010	2009
	HK$'000	HK$'000
Contracted, but not provided for:		
Leasehold improvements	**1,373**	–
Furniture and fixtures	**1,287**	–
Plant and machinery	**–**	2,630
	2,660	2,630

At 31 December 2010, the Company did not have any significant capital commitments (2009: Nil).

32. RELATED PARTY DISCLOSURES

(a) In addition to the transactions detailed elsewhere in these financial statements, the Group entered into the following material transactions with related parties during the year:

Name of related party	Nature of transaction	Notes	2010 HK$'000	2009 HK$'000
The ultimate holding company				
Sino-Forest	Interest expense paid and payable on the HK$ Convertible Bonds	(i)	**6,259**	20,470
Associate				
TGX Capital Limited	Interest expense paid and payable on an advance from the associate	(ii)	**64**	–
A company with a common director				
Greater Sino	Interest expense paid and payable on the US$ Convertible Bonds	(iii)	**7,722**	–

Notes:

(i) The amount disclosed above comprised actual interest paid and payable to Sino-Forest of HK$6,259,000 (2009: HK$8,493,000) at the rate of 4% per annum, and imputed interest expense of Nil (2009: HK$11,977,000), which was calculated and charged to profit or loss for accounting purposes only.

(ii) During the year ended 31 December 2010, the Group was granted a loan of HK$8,000,000 from TGX Capital Limited, an associate of the Group. The loan bore interest at the Hong Kong prime rate per annum and had been fully repaid in September 2010.

(iii) The amount disclosed above comprised actual interest paid and payable to Greater Sino of HK$7,288,000 at the compound return of 10% per annum, and imputed interest expense of HK$434,000, which was calculated and charged to profit or loss for accounting purposes only.

32. RELATED PARTY DISCLOSURES *(continued)*

(b) Outstanding balances with related parties

(i) Details of the Group's deposit received from a fellow subsidiary are included in note 24 to the financial statements.

(ii) As at 31 December 2009, the Group's HK$ Convertible Bonds in an aggregate principal amount of HK$212,328,000 were held by Sino-Forest, which exercised the conversion option during the year to convert the HK$ Convertible Bonds into shares of the Company during the year. Further details of the HK$ Convertible Bonds and shares issued upon conversion are set out in notes 25 and 27 to the financial statements, respectively.

(iii) Details of the Group's US$ Convertible Bonds payable to Greater Sino, a company in which a director of the Company has an indirect interest, are set out in note 25 to the financial statements.

(c) Compensation of key management personnel of the Group

	2010 **HK$'000**	2009 HK$'000
Short term employee benefits	**4,870**	6,411
Equity-settled share option expense	**11,261**	8,568
Pension scheme contributions	**33**	48
Total	**16,164**	15,027

Further details of directors' remuneration and remuneration of the five highest paid employees are included in notes 8 and 9 to the financial statements, respectively.

33. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The main risks arising from the Group's financial instruments are interest rate risk, foreign currency risk, credit risk and liquidity risk. The Group does not have any written risk management policies and guidelines. The board of directors reviews and agrees policies for managing each of these risks and they are summarised below.

Interest rate risk

Convertible bonds with fixed interest rates are the only interest-bearing financial liabilities of the Group. Therefore, the Group's exposure to the risk of changes in interest rate is not significant. The Group currently does not have an interest rate hedging policy and will consider enter into interest rate hedging should the need arise.

Foreign currency risk

The Group's sales and purchases that are denominated in United States dollars, which is the functional currency of the operations to which they relate, and also the functional currency of the Company. Accordingly, in the opinion of the directors, as the United States dollar is pegged to Hong Kong dollar, the Group's exposure to foreign currency risk is insignificant.

Credit risk

Credit risk arises from the possibility that customers may not be able to settle obligations within the normal terms of transactions. The Group performs ongoing credit evaluation of the debtors' financial condition and maintains an account for allowance for doubtful trade and other accounts receivable based upon the expected collectibles of all trade and other accounts receivable. At 31 December 2010, there were no major concentrations of credit risk.

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

Cash is held with financial institutions of good standing.

33. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES *(continued)*

Liquidity risk

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

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

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

Group	2010				
	On demand HK$'000	Less than 3 months HK$'000	3 to less than 12 months HK$'000	1 to 5 years HK$'000	Total HK$'000
Convertible bonds	–	–	9,750	230,398	240,148
Trade and other payables	682	–	2,835	–	3,517
	682	–	12,585	230,398	243,665

33. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES *(continued)*

Liquidity risk (continued)

	2009				
	On demand HK$'000	Less than 3 months HK$'000	3 to less than 12 months HK$'000	1 to 5 years HK$'000	Total HK$'000
Convertible bonds	–	–	243,992	–	243,992
Trade and other payables	2,528	–	–	–	2,528
	2,528	–	243,992	–	246,520

Fair value risk

The following table sets out a comparison by category of carrying amounts and fair values of the Group's financial instruments that are carried in the financial statements at other than fair values. The fair values of these financial instruments have been calculated by discounting the expected future cash flows at prevailing interest rates.

	Carrying amount		Fair value	
	2010 HK$'000	2009 HK$'000	**2010 HK$'000**	2009 HK$'000
Financial assets:				
Non-current prepayments and deposits	**5,208**	3,128	**5,208**	3,128
Financial liabilities:				
Convertible bonds	**189,804**	237,000	**243,750**	237,000

Note: The carrying amounts of financial assets and liabilities which are due to be received or settled within one year are reasonable approximation of their respective fair values, and accordingly, no disclosure of the fair values of these financial instruments is made.

33. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES *(continued)*

Capital management

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

The Group manages its capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of the underlying assets. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares. The Group is not subject to any externally imposed capital requirements. No changes were made in the objectives, policies or processes for managing capital during the years ended 31 December 2010 and 2009.

The Group monitors capital using a ratio, which is the consolidated total debt shall not at any time exceed 1.2 times of the consolidated tangible net worth. The consolidated total debt includes interest-bearing bank and other borrowings, convertible bonds etc. The consolidated tangible net worth includes equity attributable to equity holders of the Company, but excludes goodwill.

34. FINANCIAL INSTRUMENTS BY CATEGORY

All financial assets and liabilities of the Group and the Company as at 31 December 2010 and 2009 are loans and receivables, and financial liabilities stated at amortised cost, respectively.

35. EVENTS AFTER THE REPORTING PERIOD

The following significant events occurred subsequent to the reporting period:

(a) On 7 January 2011, Green Source Holdings Limited ("Green Source"), an indirect wholly-owned subsidiary of the Company entered into a master sale and purchase agreement with Sino-Wood Trading Limited ("Sino-Wood"), an indirect wholly-owned subsidiary of Sino-Forest, for the supply of logs, standing timbers, agri-forest, timber-related and agri-related products by Green Source (or any of its subsidiaries) to Sino-Wood (or any of its subsidiaries).

The arrangement constitutes a connected transaction under the Listing Rules and hence independent shareholders' approval is required. The independent shareholders' meeting regarding this has not yet been held as at the date of approval of these financial statements.

35. EVENTS AFTER THE REPORTING PERIOD *(continued)*

(b) On 7 January 2011, the Company entered into a sale and purchase agreement with Sino-Capital and Sino-Forest, whereby the Company has conditionally agreed to purchase the entire equity interest of Mega Harvest International Limited ("Mega Harvest"), together with its shareholder's loan at a maximum consideration of approximately HK$288,600,000 (equivalent to US$37,000,000). Mega Harvest is an investment holding company incorporated in the BVI, which, through its subsidiaries, owns a radiate pine plantation in New Zealand with approximately 13,000 hectares of freehold land with a net harvestable area of approximately 11,000 hectares. Further details of which are set out in the Company's announcement dated 7 January 2011 and the shareholders' circular dated 11 March 2011.

The proposed acquisition transaction constitutes a connected transaction and a major acquisition transaction under the Listing Rules and hence independent shareholders' approval is required. The independent shareholders' meeting regarding this has not yet been held as at the date of approval of these financial statements.

(c) Pursuant to a sale and purchase agreement dated 24 February 2011, Greenheart Forest (Suriname) FT Limited (formerly known as Ample Victory Investments Limited) an indirect wholly-owned subsidiary of the Company acquired from an independent third party 60% equity interest in Vista Marine Services N.V., a company incorporated in Suriname, South America, which controls certain harvesting rights to a 128,000 hectares hardwood concession. Further details of which were set out in the Company's press release on its website dated 1 March 2011.

36. APPROVAL OF THE FINANCIAL STATEMENTS

The financial statements were approved and authorised for issue by the board of directors on 14 March 2011.