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

INTERIM REPORT 2012

Greenheart Group
綠森集團
always growing

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CORPORATE INFORMATION

BOARD OF DIRECTORS

William Judson Martin* *(Chairman, Chief Executive Officer and President)*
Hui Tung Wah, Samuel*
Simon Murray#
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

NOMINATION 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

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Hong Kong
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INDEPENDENT AUDITORS

Moore Stephens

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 SHARE REGISTRAR & TRANSFER OFFICE IN BERMUDA

HSBC Bank Bermuda Limited
6 Front Street
Hamilton HM 11
Bermuda

BRANCH SHARE REGISTRAR & TRANSFER OFFICE IN HONG KONG

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

LETTER TO SHAREHOLDERS

Dear Greenheart Shareholders,

We are pleased to present to you our interim results for the first half of 2012. Despite tough economic conditions, Greenheart Group Limited ("Greenheart" or the "Company", together with its subsidiaries, the "Group") achieved strong revenues of HK$202.6 million in the first six months of 2012, representing an increase of 63.3% from the same period in 2011. This growth is mainly attributable to the success of our New Zealand plantation as we continued to ramp-up our harvesting operations in the region. However, the net loss for the six months ended 30 June 2012 increased compared to the corresponding period in 2011. This increase is primarily due to two reasons.

In New Zealand, the average radiata pine export prices on a cost, insurance and freight basis dropped from US$147 per JAS in the first six months of 2011 to US$125 per JAS in the first six months of 2012. This was predominantly driven by a continued downturn in the global economy, weakening in the Chinese construction market and increased softwood log inventory in Chinese ports. In response, we increased exports to India, the second largest market for New Zealand radiata pine.

In Suriname, our costs increased as we continued with our planned investment, harvesting and processing strategy. This includes the installation and commissioning costs for our new world-class wood processing facility in West Suriname, development costs in the East and Central Suriname, to which we only obtained management and operating rights in March and December of last year, respectively, and preparation costs for Forest Stewardship Council ("FSC") certification as part of our strong commitment to the highest standards of sustainable forestry. Today, all three of our concession regions are operating and as announced in the Company's press release on 28 June 2012, we are pleased to have brought on stream our wood processing facility in West Suriname – which is scheduled to be officially commissioned on 31 August 2012.

In Suriname, while we continue to focus on increasing the efficiency of our forest harvesting and improving the yield from our processing operations, we will strengthen our efforts in the marketing and sale of our premium lumber products. Products such as decking and finished flooring allow us to extract a higher yield and margin from our hardwood logs. Suriname tropical hardwood is a high-value product with limited global-supply and high global-demand and prices are a function of availability, processing and market acceptance. Therefore, the key focus for the second half of the year will be on the improvement of our sawmill production efficiency and our sales and marketing efforts, in order to increase the availability, understanding, demand and ultimately the prices of our lumber products.

Concurrent with our strategy in Suriname to boost productivity levels and sales, we remain committed in our efforts to achieve FSC accreditation. We have already obtained harvesting rights to Suriname's first FSC certified concession and have completed the FSC controlled wood audit in our West Suriname concession which is the precursor requirement to FSC accreditation. The next step for us is FSC Mixed certification in the West and FSC controlled wood certification in the East, which will open up more market opportunities for Greenheart's hardwood products, particularly in Europe and North America.

It has been both a challenging but exciting time for Greenheart as we focus our efforts on productivity, sales and marketing efforts. On behalf of Greenheart, we would like to take this opportunity to once again, thank our customers, employees and shareholders for their ongoing support as we continue to grow and develop our business.

W. Judson Martin
Chairman, CEO & Executive Director

Hong Kong, 30 August 2012

MANAGEMENT DISCUSSION AND ANALYSIS

Business Review

We are pleased to report that Greenheart has recorded revenue growth continuously during the six months ended 30 June 2012 (the "Period"). The Group's total revenue rose to HK$202,640,000 for the Period, representing a 63.3% increase in revenue from HK$124,061,000 in the same period last year. The significant growth in revenue was primarily attributable to the increase in sales generated from our New Zealand operation, as a result of the further ramp-up in the harvesting activities in New Zealand during the Period. The sales volume and sales revenue contributed from New Zealand operation thereby increased to 228,000 m^3 and HK$185,135,000, respectively for the Period, as compared to 123,000 m^3 and HK$110,147,000, respectively for the same period last year. In addition to the sales contributed from our New Zealand operation, the revenue contributed from our existing Suriname operations also increased to HK$15,048,000 for the Period compared to the contribution in the same period last year of HK$13,914,000. The revenue from trading of logs and timber products also contributed HK$2,457,000 during the Period.

The Group's gross profit for the Period was approximately HK$71,976,000, representing a 13.8% increase from approximately HK$63,238,000 in the same period last year. The gross profit contributed from the Group's New Zealand radiata pine, Suriname tropical hardwood business and log and timber products trading for the Period is HK$65,419,000 (2011: HK$56,886,000), HK$6,038,000 (2011: HK$6,352,000), and HK$519,000 (2011: Nil), respectively. The increase in the Group's overall gross profit was mainly attributable to the increase in sales of approximately 105,000 cubic meters of New Zealand radiata pine during the Period.

The Group's gross profit margin for the Period was approximately 35.5% as compared to 51.0% in the same period last year. The gross profit margin for the Group's New Zealand radiata pine and Suriname tropical hardwood for the Period is 35.3% and 40.1% (2011: 51.6% and 45.6%), respectively. The decrease of the gross profit margin from our New Zealand business is due to a strategic adjustment of our radiata pine grading, a decrease in overall radiata pine prices in the China market and the increase of our operating costs in New Zealand due to the appreciation of New Zealand dollars against United States dollars during the Period. The decrease of the gross profit margin from our Suriname tropical hardwood business is mainly due to the increase of overall operating costs in Suriname; mainly attributable to the addition of loading and other related costs of setting up the central log yard as a storage and selection centre for better inventory management and control. Suriname's high inflation rate has also been a contributing factor to higher costs, which despite stabilizing at 6.5% as of March 2012 due to tighter financial controls, had previously reached 22.6% in April 2011.

MANAGEMENT DISCUSSION AND ANALYSIS (continued)

Business Review (continued)

Other income and gains amounted to HK$7,685,000 for the Period, represented an increase of HK$3,979,000 compared with HK$3,706,000 in the same period last year. The increase was primarily attributable to HK$5,840,000, being fair value of 151,000 NZUs (New Zealand carbon credits) granted by the New Zealand Ministry of Agriculture and Forestry as at the date of grant, is recorded, during the Period.

The fair value gain on our plantation forest assets amounted to HK$42,731,000 (2011: HK$35,312,000) was primarily attributable to the net effect of the changes in log prices, production costs, forest estate maturity, harvest schedule and the grading of logs supplied based on the actual operating experience gained in 2012.

Selling and distribution costs mainly represented trucking, barging and export handling expenses from the sale of our Suriname logs and timber products and ocean freight and logistics related costs incurred from the sale of our New Zealand radiata pine. The significant increase during the Period was primarily attributable to increase of the sales volume of New Zealand radiata pine, which were sold on a cost, insurance and freight basis.

Administrative expenses increased by HK$1,592,000 to HK$43,874,000 for the Period. The increase is mainly due to the net effect of reduction of one-off legal and professional fees by HK$5,385,000, increase of the salaries, staff directly related costs and depreciation of office equipment and furniture by HK$7,116,000 which reflected the Group's expansion, particularly in its hiring of experienced staff and consultants and expansion of office spaces in Suriname in order to facilitate the Group's growth plans during the Period.

The increase in other operating expenses by HK$11,394,000 mainly attributable to additional costs and expenses incurred for the preparation and testing of the Group's new world-class wood processing facility in West Suriname. The Group also recorded new development costs for the expansion of sustainable forestry operations in the East and Central concessions, to which we only acquired or obtained the management and operating rights in March 2011 and December 2011, respectively, and were therefore not attributable to costs in the comparable period in 2011. These new costs also include preparations for Forest Stewardship Council ("FSC") certification whereby the Group has now successfully achieved FSC Controlled Wood status in the West and continuance of FSC Mixed status in Central Suriname.

MANAGEMENT DISCUSSION AND ANALYSIS (continued)

Business Review (continued)

Share option expenses incurred in the Period of HK$371,000 were non-cash in nature, represented the amortization of the fair value of the share options granted by the Company during the Period relating to contractual arrangements with senior managers required to implement the Company's growth plans.

Finance costs mainly represented the interest expenses incurred for the convertible notes with a total principal amount of approximately US$25,000,000 (equivalent to HK$195,000,000) issued in August 2010, bearing an effective interest rate of approximately 11.2% per annum. These convertible notes bear a coupon rate of 5% per annum, representing an actual coupon of HK$4,858,000 for the Period. The increase in finance costs was mainly attributable to the interests incurred on a loan with a principal amount of HK$312,000,000 granted by Sino-Forest Corporation ("Sino-Forest") in March 2011 and a loan of HK$47,580,000 from Sino-Capital Global Inc. ("Sino-Capital") granted during the Period. Finance costs also included certain finance lease interest expenses of HK$1,440,000 as a result of the hire-purchase arrangements entered for certain forestry equipment that are essential for the expansion of Suriname's operation.

Tax charge for the Period mainly represented general tax provision of HK$4,398,000 (2011: Nil) net of deferred tax credit arising from the revaluation of our plantation forest assets and other timing differences arising from our New Zealand operation and exchange difference for the Period.

The Group remains committed to the necessary investment into processing facilities, infrastructure and key operational personnel. The Group believes in the long-term strategic value in these investments although in the short term they contributed to the loss attributable to the equity holders of the Company of HK$19,789,000.

LIQUIDITY AND FINANCIAL REVIEW

As at 30 June 2012, the Group's current assets and current liabilities were HK$307,864,000 and HK$85,119,000 (31 December 2011: HK$373,646,000 and HK$75,637,000), respectively, of which the Group maintained cash and bank balances of approximately HK$202,868,000 (31 December 2011: HK$285,018,000) and pledged bank deposits of HK$1,521,000 (31 December 2011: HK$20,118,000). The Group's outstanding borrowings as at 30 June 2012 represented the loan from Sino-Forest amounting to HK$312,000,000 (31 December 2011: HK$312,000,000), the loan from Sino-Capital amounting to HK$47,580,000 (31 December 2011: Nil) and finance lease payables of HK$34,505,000 (31 December 2011: HK$33,708,000). Accordingly, the Group's gearing ratio, which was calculated on the basis of outstanding borrowings as a percentage of equity attributable to equity holders of the Company, was 37.3% (31 December 2011: 32.2%).

As at 30 June 2012, there were 779,724,104 ordinary shares of HK$0.01 each of the Company ("Shares") in issue.

The Group adopts conservative treasury policies in cash and financial management. Cash is generally placed in short-term deposits mostly denominated in United States dollars and Hong Kong dollars. The Group's liquidity and financing requirements are reviewed regularly. Most of our sales are denominated in United States dollars, to which the Hong Kong dollar is pegged and is the same currency in which the Group's all outstanding borrowings, majority costs and expenses incurred in Hong Kong and Suriname are denominated. The domestic sales generated from our New Zealand plantation assets are denominated in New Zealand dollars which can help to partly offset the Group's operating expenses payable in New Zealand dollars. During the Period, the Group did not use any financial instruments for hedging purposes and the Group did not have any hedging instruments outstanding as at 30 June 2012. However, we will continue to monitor closely all possible exchange rate risk arising from the Group's existing operations and new investments in the future and will implement the necessary hedging arrangement to mitigate any significant foreign exchange exposure.

MANAGEMENT DISCUSSION AND ANALYSIS (continued)

Prospects

According to data released by the China National Bureau of Statistics, GDP growth of 8.1% and 7.6% in the first and second quarter of 2012 respectively marked the sixth consecutive quarter of GDP decline in China which has naturally weakened the construction market, a significant driver of softwood demand. Coupled with a high softwood inventory level, China's demand for New Zealand radiata pine in 2012 has eased off. Statistics from Agrifax, a leading provider of independent information for New Zealand's forestry sector, shows that radiata pine exports to China in the first quarter of 2012 were down 17% year-on-year for the first quarter. This has also affected other softwood producers such as Canada and Russia, as total softwood log imports in China during the first half of 2012 fell 12% in volume compared to the same period in 2011. However, Wood Resources International LLC, an internationally recognized forest industry consulting firm, predicts that China will still continue to rely heavily on imports to meet its softwood log demand and the Chinese government has already signaled its intentions to boost consumer confidence. We are confident of a rebound in the market, which can be seen in the latest report from Wood Markets, a leading forest market research and analysis provider, which showed that softwood import volumes to China in the second quarter of 2012 grew 7% faster than the first quarter of 2012. But even with lower imports from China, general demand for softwood has remained resilient as a result of strong interest from other Asian markets. This includes India, a market which now accounts for 15% of Greenheart's New Zealand log sales and Greenheart's next target market, South Korea. Sales have also been boosted by the stabilization of radiata pine prices in 2012. A-grade radiata pine log prices fluctuated within a range of only US$7 per JAS in the first six months of 2012, compared to a range of US$51 per JAS in 2011.

For our Suriname tropical hardwood, the introduction of our new processing facilities will enable us to diversify our product range and increase margins. Our key focus is now to produce niche products for Europe as well as increased marketing efforts of hardwood lumber into Asian markets. According to Wood Markets, India will become the 'next China' in terms of lumber imports, and Greenheart is already leveraging its current softwood sales contacts to develop an industry presence in a market that traditionally has a preference for tropical hardwood. Going forward, the key challenge for Greenheart is to increase customer awareness of the lesser known species and thus raise the total average price of the lumber we sell. This marketing process will be aided by FSC Certification that Greenheart continues to work towards achieving. FSC accreditation will help illustrate our sustainable operations as well as allow us to penetrate new markets with higher margins and become a leading global provider of sustainable tropical hardwood.

Interim Dividend

The Board has resolved not to recommend any dividend for the six months ended 30 June 2012.

Capital Expenditure

During the six months ended 30 June 2012, the Group spent approximately HK$92,255,000 (year ended 31 December 2011: approximately HK$163,545,000) on acquisition of items of property, plant and equipment.

Contingent Liabilities

As at 30 June 2012, the Group did not have any significant contingent liabilities (31 December 2011: Nil).

Share Option Scheme

As at 30 June 2012, there were options for 32,892,070 Shares granted by the Company pursuant to the share option scheme, as adopted by the shareholders of the Company on 22 March 2002 (the "Old Share Option Scheme"), which were valid and outstanding. 2,190,000 options granted under the Old Share Option Scheme were lapsed for the six months ended 30 June 2012. The Old Share Option Scheme expired on 22 March 2012. No further options could thereafter be offered under the Old Share Option Scheme but provision of the Old Share Option Scheme shall in all other respects remain in full force and effect to the extent necessary to give effect to the exercise of any options granted prior thereto or otherwise as may be required in accordance with the provisions of the Old Share Option Scheme and options granted prior thereto but not yet exercised shall continue to be valid and exercisable in accordance with the Old Share Option Scheme.

A new share option scheme of the Company was adopted and approved by the Company at the special general meeting of the Company held on 28 June 2012, which is valid and effective for a period of 10 years commencing on 28 June 2012.

Employment and Remuneration Policy

As at 30 June 2012, the number of employees of the Group was about 428. Employees' cost (including Directors' emoluments) amounted to approximately HK$26,399,000 for the six months ended 30 June 2012. Remuneration of the employees includes salary and discretionary bonus which is based on the Group's results and individual performance. Medical and retirement benefits schemes are made available to all levels of personnel.

INDEPENDENT AUDITORS' REVIEW REPORT

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馬施雲
會計師事務所

To the Board of Directors of Greenheart Group Limited

(Incorporated in Bermuda with limited liability)

Introduction

We have reviewed the condensed consolidated interim financial statements set out on pages 12 to 33 which comprise the condensed consolidated statement of financial position of Greenheart Group Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") as of 30 June 2012 and the related condensed consolidated statements of comprehensive income, changes in equity and cash flows for the six-month period then ended, and other explanatory notes. The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of a report on interim financial information to be in compliance with the relevant provisions thereof and Hong Kong Accounting Standard 34 "Interim Financial Reporting" issued by the Hong Kong Institute of Certified Public Accountants. The directors of the Company are responsible for the preparation and presentation of these condensed consolidated interim financial statements in accordance with Hong Kong Accounting Standard 34. Our responsibility is to express a conclusion on these condensed consolidated interim financial statements based on our review and to report our conclusion solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

Scope of review

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

Conclusion

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

Moore Stephens
Certified Public Accountants
Hong Kong, 30 August 2012

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Notes	For the six months ended 30 June 2012 (Unaudited) HK$'000	2011 (Unaudited) HK$'000
REVENUE	4	**202,640**	124,061
Cost of goods sold		**(130,664)**	(60,823)
Gross profit		**71,976**	63,238
Other income and gains	4	**7,685**	3,706
Fair value gain on plantation forest assets	10	**42,731**	35,312
Selling and distribution costs		**(71,076)**	(42,130)
Administrative expenses		**(43,874)**	(42,282)
Other operating expenses		**(23,021)**	(11,627)
Non-cash share option expenses		**(371)**	(4,542)
Finance costs	5	**(19,450)**	(13,749)
LOSS BEFORE TAX	6	**(35,400)**	(12,074)
Tax	7	**(3,217)**	(10,907)
LOSS FOR THE PERIOD		**(38,617)**	(22,981)
OTHER COMPREHENSIVE INCOME			
Exchange differences on translation of foreign operations		**3,702**	6,612
OTHER COMPREHENSIVE INCOME FOR THE PERIOD, NET OF TAX OF NIL		**3,702**	6,612
TOTAL COMPREHENSIVE LOSS FOR THE PERIOD		**(34,915)**	(16,369)
LOSS FOR THE PERIOD ATTRIBUTABLE TO:			
Equity holders of the Company		**(19,789)**	(11,849)
Non-controlling interests		**(18,828)**	(11,132)
		(38,617)	(22,981)
TOTAL COMPREHENSIVE LOSS FOR THE PERIOD ATTRIBUTABLE TO:			
Equity holders of the Company		**(16,087)**	(5,237)
Non-controlling interests		**(18,828)**	(11,132)
		(34,915)	(16,369)
LOSS PER SHARE ATTRIBUTABLE TO EQUITY HOLDERS OF THE COMPANY	8		
Basic and diluted		**HK$(0.025)**	HK$(0.016)

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Notes	**30 June 2012 (Unaudited) HK$'000**	31 December 2011 (Audited) HK$'000
NON-CURRENT ASSETS			
Property, plant and equipment		**376,179**	286,950
Prepaid land lease payments		**15,349**	15,572
Goodwill		**7,624**	7,624
Timber concessions and cutting rights	9	**796,894**	800,201
Other intangible assets		**5,938**	–
Plantation forest assets	10	**496,642**	489,568
Prepayments, deposits and other receivables		**52,129**	57,640
Total non-current assets		**1,750,755**	1,657,555
CURRENT ASSETS			
Inventories		**23,233**	7,822
Trade receivables	11	**41,273**	34,533
Prepayments, deposits and other receivables		**37,090**	26,155
Tax recoverable		**1,879**	–
Pledged deposits		**1,521**	20,118
Cash and cash equivalents		**202,868**	285,018
Total current assets		**307,864**	373,646
CURRENT LIABILITIES			
Trade payables	12	**30,904**	18,513
Other payables and accruals		**16,869**	27,548
Finance lease payables		**7,307**	6,208
Due to the ultimate holding company	16(a)(i)	**103**	141
Due to the immediate holding company	16(a)(ii)	**434**	–
Deposit received from a fellow subsidiary	16(b)	**22,565**	22,565
Income tax payable		**6,937**	662
Total current liabilities		**85,119**	75,637
NET CURRENT ASSETS		**222,745**	298,009
TOTAL ASSETS LESS CURRENT LIABILITIES		**1,973,500**	1,955,564

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION (continued)

	Notes	**30 June 2012 (Unaudited) *HK$'000***	31 December 2011 (Audited) *HK$'000*
NON-CURRENT LIABILITIES			
Loan from the ultimate holding company	16(a)(i)	**312,000**	312,000
Loan from the immediate holding company	16(a)(ii)	**47,580**	–
Convertible bonds	13	**207,927**	201,553
Finance lease payables		**27,198**	27,500
Deferred tax liabilities		**88,582**	89,754
Total non-current liabilities		**683,287**	630,807
NET ASSETS		**1,290,213**	1,324,757
EQUITY			
Equity attributable to equity holders of the Company			
Issued capital		**7,797**	7,797
Reserves		**1,048,882**	1,064,598
		1,056,679	1,072,395
Non-controlling interests		**233,534**	252,362
TOTAL EQUITY		**1,290,213**	1,324,757

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2012

	Attributable to equity holders of the Company												
	Issued capital *HK$'000*	Share premium account *HK$'000*	Contributed surplus *HK$'000*	Share option reserve *HK$'000*	Convertible bond equity reserve *HK$'000*	Capital reserve *HK$'000*	Forestry land revaluation reserve *HK$'000*	Merger reserve *HK$'000*	Exchange fluctuation reserve *HK$'000*	Accumulated losses *HK$'000*	Total *HK$'000*	Non-controlling interests *HK$'000*	Total equity *HK$'000*
At 1 January 2012 (audited)	**7,797**	**1,451,590***	**83,274***	**26,537***	**7,328***	**846***	**9,052***	**265***	**14,556***	**(528,850)***	**1,072,395**	**252,362**	**1,324,757**
Loss for the period	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**(19,789)**	**(19,789)**	**(18,828)**	**(38,617)**
Other comprehensive income for the period	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**3,702**	**-**	**3,702**	**-**	**3,702**
Total comprehensive loss for the period	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**3,702**	**(19,789)**	**(16,087)**	**(18,828)**	**(34,915)**
Equity-settled share option arrangements	**-**	**-**	**-**	**371**	**-**	**-**	**-**	**-**	**-**	**-**	**371**	**-**	**371**
Share options lapsed	**-**	**-**	**-**	**(1,157)**	**-**	**-**	**-**	**-**	**-**	**1,157**	**-**	**-**	**-**
At 30 June 2012 (unaudited)	**7,797**	**1,451,590***	**83,274***	**25,751***	**7,328***	**846***	**9,052***	**265***	**18,258***	**(547,482)***	**1,056,679**	**233,534**	**1,290,213**
At 1 January 2011 (audited)	6,811	1,189,217	83,274	27,436	7,328	941	4,995	156,000	12,148	(459,363)	1,028,787	256,231	1,285,018
Loss for the period	–	–	–	–	–	–	–	–	–	(11,849)	(11,849)	(11,132)	(22,981)
Other comprehensive income for the period	–	–	–	–	–	–	–	–	6,612	–	6,612	–	6,612
Total comprehensive loss for the period	–	–	–	–	–	–	–	–	6,612	(11,849)	(5,237)	(11,132)	(16,369)
Issue of new shares as consideration for a business combination under common control	965	257,931	–	–	–	–	–	(155,735)	–	–	103,161	–	103,161
Exercise of share options	21	4,442	–	(977)	–	–	–	–	–	–	3,486	–	3,486
Equity-settled share option arrangements	–	–	–	4,542	–	–	–	–	–	–	4,542	–	4,542
Share options lapsed	–	–	–	(57)	–	–	–	–	–	57	–	–	–
Deemed capital contribution from the ultimate holding company	–	–	–	–	–	(87)	–	–	–	–	(87)	–	(87)
Acquisition of a subsidiary	–	–	–	–	–	–	–	–	–	–	–	27,667	27,667
Acquisition of non-controlling interests	–	–	–	–	–	(8)	–	–	–	–	(8)	8	–
At 30 June 2011 (unaudited)	7,797	1,451,590	83,274	30,944	7,328	846	4,995	265	18,760	(471,155)	1,134,644	272,774	1,407,418

* These reserve accounts comprise the consolidated reserves of HK$1,048,882,000 (31 December 2011: HK$1,064,598,000) in the condensed consolidated statement of financial position.

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

	For the six months ended 30 June	
	2012	2011
	(Unaudited)	(Unaudited)
	HK$'000	*HK$'000*
NET CASH FLOWS USED IN OPERATING ACTIVITIES	**(49,930)**	(55,385)
NET CASH FLOWS USED IN INVESTING ACTIVITIES	**(79,281)**	(76,562)
NET CASH FLOWS FROM FINANCING ACTIVITIES	**46,577**	9,306
NET DECREASE IN CASH AND CASH EQUIVALENTS	**(82,634)**	(122,641)
CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD	**285,018**	613,704
EFFECT ON FOREIGN EXCHANGE RATE CHANGE, NET	**484**	–
CASH AND CASH EQUIVALENTS AT END OF PERIOD	**202,868**	491,063
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS		
Cash and bank balances	**202,868**	491,063

NOTES TO CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

30 June 2012

1. BASIS OF PREPARATION AND PRESENTATION

These unaudited condensed consolidated interim financial statements have been prepared in accordance with Hong Kong Accounting Standard ("HKAS") 34 *Interim Financial Reporting* issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA") and the disclosure requirements of Appendix 16 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules"). These interim financial statements have been prepared under the historical cost convention, except for plantation forest assets and forestry land which are measured at fair value less costs to sell and fair value, respectively. These interim financial statements are presented in Hong Kong dollars and all values are rounded to the nearest thousand except when otherwise indicated.

Notwithstanding that (i) the Group incurred a loss attributable to equity holders of the Company of approximately HK$19,789,000 and reported net cash outflow from operating activities of HK$49,930,000 for the period ended 30 June 2012; and (ii) the Group has capital commitments of approximately HK$22,165,000, a loan from the ultimate holding company of HK$312,000,000, a loan from the immediate holding company HK$47,580,000 and convertible bonds with an aggregate principal amount of HK$195,000,000 ("CN") as at 30 June 2012, in the opinion of the Directors, the Group has sufficient working capital to finance its operations and to meet its financial obligations as and when they fall due in the foreseeable future, based on the cash flow projections of the Group and after taking into consideration the following:

(a) Sino-Capital, the immediate holding company of the Company, provided a letter dated 26 March 2012 to the Company confirming that it has no intention to dispose of, directly or indirectly, any beneficial interest in shareholding of the Company to the effect that it ceases to be the single largest shareholder of the Company which owns more than 30% of the issued share capital of the Company for more than 30 consecutive days. In view of the announcements made by Sino-Forest, the ultimate holding company of the Company, on 30 March 2012 and 14 August 2012, the Company has been in touch with Sino-Forest, its financial advisers and representatives of Sino-Forest's noteholders to consider alternatives of undergoing the restructuring of Sino-Forest that will not trigger the "Change of Control" provision under the CN. The Group is also in discussion with the noteholders regarding such redemption if Sino-Forest's restructuring plan is to be effective in future eventually;

(b) the Group has prioritised its funding and efforts to start the operation of its new processing sawmill in West Suriname which the Directors expect can generate faster returns to the Group upon full scale operation;

(c) various cost control measures have been taken by the Group to tighten the costs of operations and various general and administrative expenses; and

1. BASIS OF PREPARATION AND PRESENTATION (continued)

(d) the Group is actively exploring different options to obtain alternative source of financing. Certain term sheet or plan have been received/developed by the Group prior to the date of this interim report.

Accordingly, these unaudited condensed consolidated interim financial statements have been prepared on the going concern basis.

2. IMPACT OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS

The accounting policies and basis of preparation adopted in the preparation of these unaudited condensed consolidated interim financial statements are consistent with those followed in the preparation of the Group's annual financial statements for the year ended 31 December 2011, except for the adoption of the following new and revised Hong Kong Financial Reporting Standards ("HKFRSs", which also include HKASs and Interpretations) effective from 1 January 2012, noted below.

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*
HKFRS 7 Amendments	Amendments to HKFRS 7 *Financial Instruments: Disclosures – Transfer of Financial Assets*
HKAS 12 Amendments	Amendments to HKAS 12 *Income Taxes – Deferred tax: Recovery of Underlying Assets*

The adoption of the above revised HKFRSs has had no significant financial impact on these unaudited condensed consolidated interim financial statements.

3. OPERATING SEGMENT INFORMATION

The Group has adopted HKFRS 8 Operating Segments which requires operating segments to be identified on the basis of internal reports about components of the Group that are regularly reviewed by the chief operating decision maker in order to allocate resources to segments and to assess their performance.

The Group manages its businesses by geographic location and the chief operating decision maker (i.e. the Directors) also review the segment information by this category to allocate resources to segments and to assess their performance. The Group has presented the following three reportable segments:

Suriname:	Engaging in hardwood log harvesting, timber processing, marketing and sale of logs and timber products
New Zealand:	Engaging in softwood log harvesting, marketing and sale of logs
Elsewhere:	Engaging in trading of logs and timber products

3. OPERATING SEGMENT INFORMATION (continued)

Management monitors the results of the Group's operating segments separately for the purpose of making decisions about resources allocation and performance assessment. Segment performance is evaluated based on reportable segment profit/(loss), which is a measure of adjusted earnings/(loss) before interest, tax, depreciation and amortization.

The following tables present revenue and profit or loss information regarding the Group's operating segments for the six months ended 30 June 2012:

For the six months ended 30 June 2012

	Suriname *HK$'000*	New Zealand *HK$'000*	Elsewhere *HK$'000*	Total *HK$'000*
SEGMENT REVENUE	**15,048**	**185,135**	**2,457**	**202,640**
SEGMENT RESULTS				
Earning/(loss) before interest, tax, depreciation and amortization	**(30,557)**	**32,650**	**519**	**2,612**
Reconciliation of the segment results:				
Fair value gain on plantation forest assets	**–**	**42,731**	**–**	**42,731**
Government grant of carbon credits	**–**	**5,840**	**–**	**5,840**
Finance costs	**(1,874)**	**(6,344)**	**–**	**(8,218)**
Forest depletion cost as a result of harvesting	**–**	**(36,503)**	**–**	**(36,503)**
Amortization of harvest roading	**–**	**(3,831)**	**–**	**(3,831)**
Amortization of timber concession and cutting rights	**(2,513)**	**–**	**–**	**(2,513)**
Amortization of prepaid land lease payments	**(223)**	**–**	**–**	**(223)**
Depreciation	**(4,331)**	**(603)**	**–**	**(4,934)**
Corporate and other unallocated expenses, net				**(30,361)**
LOSS BEFORE TAX				**(35,400)**

3. OPERATING SEGMENT INFORMATION (continued)

For the six months ended 30 June 2011

	Suriname *HK$'000*	New Zealand *HK$'000*	Elsewhere *HK$'000*	Total *HK$'000*
SEGMENT REVENUE	13,914	110,147	–	124,061
SEGMENT RESULTS				
Earning/(loss) before interest, tax, depreciation and amortization	(15,920)	26,682	–	10,762
Reconciliation of the segment results:				
Fair value gain on plantation forest assets	–	35,312	–	35,312
Finance costs	(42)	(3,134)	–	(3,176)
Forest depletion cost as a result of harvesting	–	(13,869)	–	(13,869)
Amortization of harvest roading	–	(1,040)	–	(1,040)
Amortization of timber concession and cutting rights	(2,220)	–	–	(2,220)
Amortization of prepaid land lease payments	(121)	–	–	(121)
Depreciation	(1,884)	(139)	–	(2,023)
Corporate and other unallocated expenses, net				(35,699)
LOSS BEFORE TAX				(12,074)

NOTES TO CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (continued)

3. OPERATING SEGMENT INFORMATION (continued)

Geographical information

Revenue is attributed to the following geographical regions:

	For the six months ended 30 June	
	2012	2011
	(Unaudited)	(Unaudited)
	HK$'000	*HK$'000*
Mainland China	**152,477**	93,985
India	**28,592**	–
New Zealand	**12,938**	26,937
Suriname	**4,649**	1,784
Netherlands	**2,045**	841
Hong Kong	**1,491**	514
Singapore	**448**	–
	202,640	124,061

Information about major customers

During the six months ended 30 June 2012, the Group had transactions with 2 (2011: 2) customers who each contributed over 10% of the Group's total gross revenue before export tax for the Period. A summary of revenue earned from each of these major customers is set out below:

	For the six months ended 30 June	
	2012	2011
	(Unaudited)	(Unaudited)
	HK$'000	*HK$'000*
Customer 1	**45,818**	N/A*
Customer 2	**20,967**	18,225
Customer 3	**N/A***	73,194
	66,785	91,419

* The corresponding revenue of these customers is not disclosed as they individually did not contribute over 10% of the Group's total gross revenue before export tax for the relevant Period.

4. REVENUE, OTHER INCOME AND GAINS

	For the six months ended 30 June	
	2012	2011
	(Unaudited)	(Unaudited)
	HK$'000	*HK$'000*
Revenue		
Sales of logs and timber products	**202,640**	124,061
Other income and gains		
Bank interest income	**295**	2,319
Other interest income	**1,043**	–
Rental income for the lease of plant and machinery	**449**	564
Government grant of carbon credits	**5,840**	–
Others	**58**	823
	7,685	3,706

5. FINANCE COSTS

	For the six months ended 30 June	
	2012	2011
	(Unaudited)	(Unaudited)
	HK$'000	*HK$'000*
Interest on CN *(note 13)*	**11,232**	10,573
Interest on a loan from the ultimate holding company *(note 16(a)(i))*	**6,344**	3,134
Interest on a loan from the immediate holding company *(note 16(a)(ii))*	**434**	–
Interest on finance leases	**1,440**	–
Interest on a bank loan	**–**	42
	19,450	13,749

6. LOSS BEFORE TAX

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

	For the six months ended 30 June	
	2012	2011
	(Unaudited)	(Unaudited)
	HK$'000	*HK$'000*
Forest harvested as agricultural produce *(note 10)*	**38,970**	14,307
Amount capitalized in inventories	**(2,467)**	(438)
Forest depletion cost as a result of harvesting#	**36,503**	13,869
Amortization of timber concessions and cutting rights *(note 9)*	**3,307**	3,238
Less: Amount capitalized in inventories	**(794)**	(1,018)
Current period expenditure charged to cost of goods sold#	**2,513**	2,220
Depreciation	**6,129**	2,969
Amortization of prepaid land lease payments	**223**	121
Amortization of harvest roading*	**3,831**	1,040

Included in "Cost of goods sold" disclosed in the condensed consolidated statement of comprehensive income.

* Included in "Other operating expenses" disclosed in the condensed consolidated statement of comprehensive income.

7. TAX

Hong Kong profits tax has been provided at the rate of 16.5% on the estimated assessable profits arising in Hong Kong during the Period. No provision for Hong Kong profits tax had been made during the six months ended 30 June 2011 as the Group did not generate any assessable profits arising in Hong Kong during that period.

No overseas income tax has been provided during the periods ended 30 June 2012 and 2011 as the subsidiaries operating in overseas countries did not generate any assessable profits arising during the Period based on existing legislation, interpretations and practices in respect thereof.

7. TAX (continued)

Subsidiaries established in Suriname and New Zealand are subject to relevant tax rules and regulations of Suriname and New Zealand at the statutory tax rate of 36% and 28%, respectively. One of the Company's major subsidiaries in Suriname is currently enjoying a local income tax exemption for an original period of nine years from 2007 to 2016, which, subject to the approval by the Suriname authority, may be renewable or extended for a further period upon expiry.

	For the six months ended 30 June	
	2012	2011
	(Unaudited)	(Unaudited)
	HK$'000	*HK$'000*
Current – Hong Kong		
Charge for the Period	**4,398**	–
Current – Elsewhere	**–**	–
Foreign exchange difference on income tax payable	**(9)**	114
Deferred	**(1,701)**	9,835
Foreign exchange difference on deferred tax liabilities	**529**	958
Total tax expenses for the Period	**3,217**	10,907

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

The calculation of basic loss per share amount is based on the loss for the Period attributable to equity holders of the Company, and the weighted average of 779,724,104 (2011: 731,721,945) ordinary shares in issue during the Period.

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 six months ended 30 June 2012 and 2011 as the impact of the share options and convertible bonds outstanding during these periods had neither dilutive effect nor anti-dilutive effect on the basic loss per share amounts presented.

9. TIMBER CONCESSIONS AND CUTTING RIGHTS

	30 June 2012 (Unaudited) *HK$'000*	31 December 2011 (Audited) *HK$'000*
At beginning of the period/year:		
Cost	**815,178**	751,012
Accumulated amortization	**(14,977)**	(9,577)
Net carrying amount	**800,201**	741,435
Net carrying amount:		
At beginning of the period/year	**800,201**	741,435
Acquisition of subsidiaries	**–**	64,166
Amortization provided during the period/year *(note 6)*	**(3,307)**	(5,400)
At end of the period/year	**796,894**	800,201
At the end of period/year:		
Cost	**815,178**	815,178
Accumulated amortization	**(18,284)**	(14,977)
Net carrying amount	**796,894**	800,201

The Group is a natural forest concession owner and operator in Suriname, South America, and currently manages and operates certain forest concessions and cutting rights for the exploitation of timber on parcels of land in Suriname of approximately 313,000 hectares with the terms ranging from 10 to 20 years. In addition, the Group has also obtained an exclusive right to manage and operate certain forest concessions of approximately 91,750 hectares of natural tropical hardwood forest in Suriname for a term of two years commencing from 20 December 2011, further details of which are set out in the Company's announcement dated 8 December 2011.

As at 30 June 2012 and 31 December 2011, the Group's total concessions and cutting rights under management in Suriname covered land areas of approximately 405,000 hectares.

10. PLANTATION FOREST ASSETS

	30 June 2012 (Unaudited) *HK$'000*	31 December 2011 (Audited) *HK$'000*
At beginning of the period/year	**489,568**	480,480
Additions	**3,313**	2,044
Harvested as agricultural produce *(note 6)*	**(38,970)**	(38,597)
Changes in fair value less costs to sell	**42,731**	45,641
At the end of period/year	**496,642**	489,568

As at 30 June 2012, the Group intensively managed radiata plantation forest assets in Northland region of New Zealand (the "Mangakahia Forest"), which had a total freehold title land base of approximately 13,000 hectares, of which approximately 11,000 hectares was net productive area.

The Group's plantation forest assets in New Zealand are regarded as biological assets which are measured at fair value less costs to sell at the end of each reporting period in accordance with HKAS 41 *Agriculture*. These assets were valued by the Directors as at 30 June 2012. In view of the non-availability of market value for tree plantations in New Zealand, the Directors have applied the net present value approach whereby projected future net cash flows, based on their assessments of current timber log prices, were discounted at the pre-tax discount rate of 11% for the plantation forest assets, to arrive at the fair value of the plantation forest assets.

The discount rate used in the valuation of the plantation forest assets in New Zealand as at 30 June 2012 was determined by reference to discount rates published by public entities and government agencies in New Zealand, weighted average cost of capital analysis, internal rate of return analysis, surveyed opinion of forest valuers practice and the implied discount rate of forest sales transactions mainly in New Zealand over a period of time, with more weight given to the implied discount rate.

11. TRADE RECEIVABLES

	30 June 2012 (Unaudited) *HK$'000*	31 December 2011 (Audited) *HK$'000*
Trade receivables	**41,273**	34,533

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 20% to 40% 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 minimize credit risk. Overdue balances are reviewed regularly by senior management. Trade receivables are non-interest-bearing.

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

	30 June 2012 (Unaudited) *HK$'000*	31 December 2011 (Audited) *HK$'000*
Within 1 month	**40,615**	33,697
1 to 3 months	**495**	749
Over 3 months	**163**	87
	41,273	34,533

12. TRADE PAYABLES

An aged analysis of the trade payables of the Group as at the end of the reporting period, based on the invoice date, is as follows:

	30 June 2012 (Unaudited) *HK$'000*	31 December 2011 (Audited) *HK$'000*
Within 1 month	**30,511**	17,940
1 to 3 months	**74**	238
Over 3 months	**319**	335
	30,904	18,513

The trade payables are non-interest-bearing and are normally settled on 30-day terms.

13. CONVERTIBLE BONDS

During the year ended 31 December 2010, the Company issued US$ denominated convertible bonds with an aggregate principal amount of US$25,000,000 (equivalent to HK$195,000,000) 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 (the "Subscription Agreement"). The noteholder has the right to convert the whole or part of the principal amount of the CN into ordinary shares of the Company anytime commencing from six months after the issuance of the CN and from time to time in an amount of not less than US$100,000 on each conversion based on the terms as set out in the Subscription Agreement.

The noteholder may require the Company to redeem all or part of the CN held by it on each of the dates falling on the third anniversary and on the fourth anniversary of the issuance date of the CN at the redemption amount as defined in the Subscription Agreement (the "Redemption Amount"). In addition, the noteholder may require the Company to redeem all or part of the CN held by it if Sino-Forest and its subsidiaries as a group disposes of, directly or indirectly, any beneficial interest in shareholding in the Company to the effect that such group ceases to be the single largest shareholder which owns more than 30% of the issued share capital of the Company for more than 30 consecutive days or upon certain other events as specified in the Subscription Agreement, at the Redemption Amount. Further details of the Subscription Agreement are set out in the Company's shareholders' circular dated 13 July 2010.

13. CONVERTIBLE BONDS (continued)

As mentioned in note 1 to these unaudited condensed consolidated interim financial statements, a letter dated 26 March 2012 was received from Sino-Capital confirming to the Company that it has no intention to dispose of, directly or indirectly, any beneficial interest in shareholding of the Company to the effect that it ceases to be the single largest shareholder of the Company which owns more than 30% of the issued share capital of the Company for more than 30 consecutive days. Accordingly, the CN were classified as non-current liabilities as at 30 June 2012 in view of the maturity date of 17 August 2015.

The summarized information of the CN is set out as follows:

Issuance date	17 August 2010
Maturity date	17 August 2015
Original principal amount	US$25,000,000
Coupon rate	5%
Conversion price per ordinary share (HK$)	2.002

The CN is bifurcated into a liability component and an equity component for accounting purpose. The following tables summarise the movements in the principal amounts, liability and equity components of the Company's CN during the reporting period:

	30 June 2012 (Unaudited) *HK$'000*	31 December 2011 (Audited) *HK$'000*
Principal amount outstanding		
At beginning and end of period/year	**195,000**	195,000
Liability component		
At beginning and end of period/year	**201,553**	189,804
Interest expense *(note 5)*	**11,232**	21,467
Interest paid and payable	**(4,858)**	(9,718)
At the end of period/year	**207,927**	201,553
Equity component (included in convertible bonds equity reserve)		
At beginning and end of period/year	**7,328**	7,328

14. 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 30 June 2012, the Group had total future minimum lease receivables under non-cancellable operating leases with its subcontractors falling due as follows:

	30 June 2012 (Unaudited) ***HK$'000***	31 December 2011 (Audited) *HK$'000*
Within one year	**899**	899
In the second to fifth years, inclusive	**75**	524
	974	1,423

(b) As lessee

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

At 30 June 2012, the Group had total future minimum lease payments under non-cancellable operating leases falling due as follows:

	30 June 2012 (Unaudited) ***HK$'000***	31 December 2011 (Audited) *HK$'000*
Within one year	**5,332**	5,328
In the second to fifth years, inclusive	**1,860**	4,211
	7,192	9,539

15. CAPITAL COMMITMENTS

The Group had the following capital commitments at the end of reporting period:

	30 June 2012 (Unaudited) HK$'000	31 December 2011 (Audited) HK$'000
Contracted, but not provided for:		
Land and buildings	**8,205**	22,734
Plant and machinery	**13,960**	31,375
	22,165	54,109

16. RELATED PARTY DISCLOSURES

(a) In addition to the transactions detailed elsewhere in these unaudited condensed consolidated interim financial statements, the Group entered into the following material transactions with related parties during the six months ended 30 June 2012:

Name of related party	Nature of transaction	*Notes*	For the six months ended 30 June 2012 (Unaudited) HK$'000	2011 (Unaudited) HK$'000
The ultimate holding company				
Sino-Forest	Interest expenses paid and payable on a loan	(i)	**6,344**	3,134
The immediate holding company				
Sino-Capital	Interest expenses payable on a loan	(ii)	**434**	–
Fellow subsidiary				
Sino-Wood Trading Limited	Sales of logs	(iii)	**–**	73,194
A company with a common director				
Greater Sino	Interest expenses paid and payable on the CN	(iv)	**11,232**	10,573

16. RELATED PARTY DISCLOSURES (continued)

(a) (continued)

Notes:

(i) The interest expenses were charged based on the London Interbank Offered Rate plus 3.5% per annum on a loan with a principal amount of HK$312,000,000 granted by Sino-Forest, which is unsecured and repayable on 17 August 2013. The interest payable as at 30 June 2012 was HK$103,000.

(ii) The interest expenses were charged based on the Hong Kong Prime Rate on a loan granted by Sino-Capital during the six months ended 30 June 2012. The total loan facility is HK$62,400,000 (i.e. US$8 million) of which HK$47,580,000 (i.e. US$6.1 million) was drawdown as at 30 June 2012. The loan is unsecured and repayable on 26 March 2015. The interest payable as at 30 June 2012 was HK$434,000.

(iii) The sales of logs to a fellow subsidiary were made with reference to the prevailing market prices and under normal commercial terms of the sales of similar type of products. There have been no sales to Sino-Forest or any of its subsidiaries during the Period.

(iv) The amount disclosed above represents the imputed interest expenses charged to profit or loss for accounting purpose for the CN issued to Greater Sino, a company in which a director of the Company has an indirect interest. The actual interest paid and payable to Greater Sino, which is calculated based on the compound return of 10% per annum as set out in the terms and conditions of the said CN is HK$9,718,000.

(b) Outstanding balances with related parties

The deposit received from a fellow subsidiary is trade in nature, which is unsecured and interest-free.

NOTES TO CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (continued)

16. RELATED PARTY DISCLOSURES (continued)

(c) Compensation of key management personnel of the Group

	For the six months ended 30 June	
	2012	2011
	(Unaudited)	(Unaudited)
	HK$'000	*HK$'000*
Short-term employee benefits	**14,537**	4,791
Equity-settled share option	**371**	2,941
Pension scheme contributions	**49**	28
	14,957	7,760

17. COMPARATIVE AMOUNTS

Certain comparative amounts have been reclassified to conform to the presentation of the current Period.

18. EVENTS AFTER THE REPORTING PERIOD

On 14 August 2012, Sino-Forest announced a restructuring plan (the "Plan") under which Sino-Forest will transfer substantially all of its assets, other than certain excluded assets, to a newly formed entity to be owned by the affected creditors of Sino-Forest. Upon completion of the Plan, the ultimate control over the shares in the Company currently held by Sino-Capital may be changed.

In view that the terms of the Plan remain to be settled between the parties involved and the Plan itself will still be subject to various conditions, including but not limited to, relevant creditors, regulatory and court approvals, the Board considers it is premature to speculate on the outcome of the Plan and how it will affect the shareholdings of Sino-Forest in the Company. Besides, the Board at this stage is not in a position to ascertain whether the Plan will constitute a "Change of Control" under the terms of the CN. The Board is currently in discussion with the noteholder regarding such redemption if the Plan is to be effective and the Board will announce further information as and when appropriate.

Further details are set out in the Company's announcements dated 1 April 2012 and 16 August 2012.

19. APPROVAL OF THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

These condensed consolidated interim financial statements were approved by the Board of Directors on 30 August 2012.

OTHER INFORMATION

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

As at 30 June 2012, the interests and short positions of the Directors and chief executive of the Company in the share capital and underlying shares and debentures of the Company or its associated corporations (within the meaning of Part XV of the Hong Kong Securities and Futures Ordinance (the "SFO")), as recorded in the register required to be kept by the Company under Section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange of Hong Kong Limited ("the Stock Exchange") pursuant to the Model Code for the Securities Transactions by Directors of Listed Issuers set out in Appendix 10 to the Listing Rules (the "Model Code"), were as follows:

Long Positions in Shares and underlying shares of the Company

Name of Director	Capacity	Number of Shares and underlying shares interested *(Note 2)*	Approximate percentage of the total issued share capital of the Company %
William Judson Martin	Beneficial owner	6,811,490	0.874
Hui Tung Wah, Samuel	Beneficial owner	2,611,145	0.335
	Family interest *(Note 1)*	75,000	0.010
Simon Murray	Beneficial owner	2,342,000	0.300
Wong Kin Chi	Beneficial owner	981,145	0.126
Tong Yee Yung, Joseph	Beneficial owner	681,145	0.087
Wong Che Keung, Richard	Beneficial owner	781,145	0.100

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

Note 2: It includes the share options granted by the Company, details of the underlying shares involved are set out in the paragraph headed "Share Option Scheme".

OTHER INFORMATION (continued)

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

Interests in the shares and underlying 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	Number of shares and underlying shares held *(Notes 4)*
William Judson Martin	Beneficial owner and family interest *(Note 1)*	Sino-Forest *(Note 3)*	254,789
Simon Murray	Interest of controlled corporation *(Note 2)*	Sino-Forest *(Note 3)*	98,783

Note 1: 30,000 shares are held by spouse of Mr. William Judson Martin and 5,173 deferred stock units are held by Mr. William Judson Martin. Mr. William Judson Martin also has certain derivative interests (options) in Sino-Forest, details of which are as follows:

Exercise Period	Exercise Price	Number of shares
25/08/2006 – 25/08/2011 *(Note 5)*	CAD4.360	14,814
04/06/2007 – 04/06/2012 *(Note 5)*	CAD13.150	153,334
21/06/2010 – 21/06/2015	CAD17.410	28,854
17/03/2011 – 17/03/2016	CAD21.670	22,614

Note 2: Save for 5,230 deferred stock units held directly by Mr. Simon Murray, these shares are held by Forest Operations Limited over which Mr. Simon Murray controls 100% of such interest.

Note 3: Sino-Forest is as of the date hereof subject to a cease trade order issued by the Ontario Securities Commission which prohibits trading in Sino-Forest's securities.

Note 4: This column includes shares that are issuable on the exercise, conversion or exchange of certain securities of the associated corporation.

Note 5: Although 14,841 shares and 153,334 shares of Mr. William Judson Martin's Sino-Forest stock options were scheduled to expire on 25 August 2011 and 4 June 2012 respectively, Sino-Forest has imposed a blackout period with respect to trading by employees and other insiders in its securities since 22 March 2011. Pursuant to the terms of Sino-Forest's stock option plan, in the event that the term of a stock option expires within a blackout period imposed by Sino-Forest, the stock options do not expire until the date that is ten business days following the end of such blackout period.

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

Save as disclosed above, as at 30 June 2012, none of the Directors and chief executives of the Company had registered any interests or short positions in the shares, underlying shares and debentures of the Company or any of its associated corporations that was required to be recorded pursuant to Section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

Save as disclosed in the paragraph headed "Directors' and Chief Executive's Interests and Short Positions in Shares, Underlying Shares and Debentures" above and in the paragraph headed "Share Option Scheme" below, at no time during the Period 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, its holding company, or any of its subsidiaries or fellow subsidiaries a party to any arrangement to enable the Directors to acquire such rights in any other body corporate.

SHARE OPTION SCHEME

As at 30 June 2012, there were options for 32,892,070 Shares granted by the Company pursuant to the share option scheme, as adopted by the shareholders of the Company on 22 March 2002 (the "Old Share Option Scheme"), which were valid and outstanding. 2,190,000 options granted under the Old Share Option Scheme were lapsed for the six months ended 30 June 2012. The Old Share Option Scheme expired on 22 March 2012. No further options could thereafter be offered under the Old Share Option Scheme but provision of the Old Share Option Scheme shall in all other respects remain in full force and effect to the extent necessary to give effect to the exercise of any options granted prior thereto or otherwise as may be required in accordance with the provisions of the Old Share Option Scheme and options granted prior thereto but not yet exercised shall continue to be valid and exercisable in accordance with the Old Share Option Scheme.

SHARE OPTION SCHEME (continued)

A new share option scheme (the "New Share Option Scheme") of the Company was adopted and approved by the Company at the special general meeting of the Company held on 28 June 2012, which is valid and effective for a period of 10 years commencing on 28 June 2012.

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

Name or category of participant	Number of share options: At 1 January 2012	Granted during the Period	Exercised during the Period	Lapsed during the Period	At 30 June 2012	Exercise period of share options	Exercise price of share options HK$	Date of grant of share option	Closing price of the Share immediately before the date of grant of share option HK$	Weighted average closing price of the Shares immediately before the exercise date HK$
Directors, chief executive and a substantial shareholder and their associates										
William Judson Martin	5,480,000	–	–	–	5,480,000	24 Aug 2010 to 23 Aug 2015	2.180	24 Aug 2010	2.12	–
	1,331,490	–	–	–	1,331,490	28 Dec 2010 to 27 Dec 2015	2.500	28 Dec 2010	2.48	–
Hui Tung Wah, Samuel	200,000	–	–	200,000	–	25 Oct 2007 to 21 Mar 2012	1.744	24 Oct 2007	1.74	–
	500,000	–	–	–	500,000	5 Aug 2009 to 4 Aug 2014	1.650	5 Aug 2009	1.69	–
	681,145	–	–	–	681,145	28 Dec 2010 to 27 Dec 2015	2.500	28 Dec 2010	2.48	–
Simon Murray	1,096,000	–	–	–	1,096,000	24 Aug 2010 to 23 Aug 2015	2.180	24 Aug 2010	2.12	–
Wong Kin Chi	30,000	–	–	30,000	–	25 Oct 2007 to 21 Mar 2012	1.744	24 Oct 2007	1.74	–
	150,000	–	–	–	150,000	5 Aug 2009 to 4 Aug 2014	1.650	5 Aug 2009	1.69	–
	681,145	–	–	–	681,145	28 Dec 2010 to 27 Dec 2015	2.500	28 Dec 2010	2.48	–

OTHER INFORMATION (continued)

SHARE OPTION SCHEME (continued)

Name or category of participant	Number of share options: At 1 January 2012	Granted during the Period	Exercised during the Period	Lapsed during the Period	At 30 June 2012	Exercise period of share options	Exercise price of share options HK$	Date of grant of share option	Closing price of the Share immediately before the date of grant of share option HK$	Weighted average closing price of the Shares immediately before the exercise date HK$
Wong Che Keung, Richard	30,000	–	–	30,000	–	17 Apr 2007 to 21 Mar 2012	0.460	16 Apr 2007	0.44	–
	50,000	–	–	50,000	–	15 Jun 2007 to 21 Mar 2012	1.360	14 Jun 2007	1.12	–
	30,000	–	–	30,000	–	25 Oct 2007 to 21 Mar 2012	1.744	24 Oct 2007	1.74	–
	100,000	–	–	–	100,000	5 Aug 2009 to 4 Aug 2014	1.650	5 Aug 2009	1.69	–
	681,145	–	–	–	681,145	28 Dec 2010 to 27 Dec 2015	2.500	28 Dec 2010	2.48	–
Tong Yee Yung, Joseph	681,145	–	–	–	681,145	28 Dec 2010 to 27 Dec 2015	2.500	28 Dec 2010	2.48	–
Employees (other than Directors) In aggregate	3,020,000	–	–	–	3,020,000	5 Aug 2009 to 4 Aug 2014	1.650	5 Aug 2009	1.69	–
	5,040,000	–	–	350,000	4,690,000	28 Dec 2010 to 27 Dec 2015	2.500	28 Dec 2010	2.48	–
	3,500,000	–	–	–	3,500,000	10 Jan 2011 to 9 Jan 2016	2.930	10 Jan 2011	2.87	–
	2,000,000	–	–	–	2,000,000	22 Mar 2011 to 21 Mar 2016	2.710	22 Mar 2011	2.71	–
	2,000,000	–	–	–	2,000,000	50% on or after 13 Jun 2012 50% on or after 13 Jun 2013	1.952	16 Jun 2011 *(note 1)*	1.21	–
	300,000	–	–	–	300,000	50% on or after 11 Jul 2012 50% on or after 11 Jul 2013	1.266	11 Jul 2011 *(note 2)*	1.25	–
Other participants										
In aggregate	1,500,000	–	–	1,500,000	–	25 Oct 2007 to 21 Mar 2012	1.744	24 Oct 2007	1.74	–
	6,000,000	–	–	–	6,000,000	5 Aug 2009 to 4 Aug 2014	1.650	5 Aug 2009	1.69	–
Total	35,082,070	–	–	2,190,000	32,892,070					

Note 1: 50% of the share options granted are vested on 13 June 2012 and the remaining 50% will be vested on 13 June 2013.

Note 2: 50% of the share options granted are vested on 11 July 2012 and the remaining 50% will be vested on 11 July 2013.

OTHER INFORMATION (continued)

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

So far as is known to the Directors and the chief executive of the Company, as at 30 June 2012, the following persons (not being Directors or chief executive of the Company) had, or were deemed to have, interests or short positions in the Shares or underlying shares of the Company which would fall to be disclosed to the Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV 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)*	495,519,102	–	63.55
Sino-Capital	Beneficial owner *(Note 1)*	495,519,102	–	63.55
General Enterprise Management Services Limited	Interest of controlled corporation *(Note 2)*	7,000,000	97,077,922	13.35
Development Bank of Japan Inc.	Interest of controlled corporation *(Note 3)*	–	97,077,922	12.45
Asia Resources Fund Limited	Interest of controlled corporation *(Note 4)*	–	97,077,922	12.45
Greater Sino	Beneficial owner *(Note 4)*	–	97,077,922	12.45

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 Part XV 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 are interested by virtue of Part XV of the SFO.

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

Long Positions in Shares and underlying Shares: (continued)

Notes: (continued)

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 Part XV of SFO.

4. Greater Sino 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 is interested by virtue of Part XV of SFO.

Save as disclosed above, the Company has not been notified by any person (other than the Directors and the chief executive of the Company) who had, or was deemed to have, interests or short positions in the Shares or underlying shares of the Company as at 30 June 2012 which were required to be notified to the Company pursuant to the provisions of Divisions 2 and 3 of Part XV of the SFO or which are recorded in the register required to be kept by the Company under the SFO.

DISCLOSURE PURSUANT TO RULE 13.51B(1) OF THE LISTING RULES

Since the publication of the latest annual report of the Company for the year ended 31 December 2011, Mr. Simon Murray was appointed as the Vice Chairman of Essar Energy plc (whose shares are listed on the London Stock Exchange) with effect from 1 July 2012. Save as disclosed above, the Board is not aware of any other information required to be disclosed pursuant to Rule 13.51B(1) of the Listing Rules.

SUPPLEMENTAL INFORMATION

Reference is made to the announcements made by the Company on 29 August 2011, 26 September 2011 and 22 August 2012. The Board had been informed by the Securities and Futures Commission (the "SFC") that after careful consideration of the evidence collected, the SFC would not be pursuing the enquiry further.

AUDIT COMMITTEE

The audit committee of the Company (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 of the Company 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; to review financial and internal controls, accounting policies and practices with management and external auditors and to review the periodic reports prepared by the Internal Audit Department.

AUDIT COMMITTEE (continued)

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 Audit Committee has reviewed and discussed with management and external auditors the unaudited condensed consolidated interim financial statements of the Group for the sixth months ended 30 June 2012.

COMPLIANCE WITH THE CODE ON CORPORATE GOVERNANCE PRACTICES

The Board and the management of the Group emphasize on corporate governance and are committed to maintaining a high standard of corporate governance which is reviewed and strengthened from time to time. The Company has complied with all the code provisions set out in the Code on Corporate Governance Practices ("CG Code") (effective until 31 March 2012) and the CG Code (effective from 1 April 2012) contained in Appendix 14 to the Listing Rules throughout the six months ended 30 June 2012 except for the following deviations:

1. Chairman and Chief Executive Officer

Under code provision A.2.1 of the CG Code, the roles of chairman and chief executive officer of the Company should be separate and should not be performed by the same individual. Following the resignation of Mr. Chan Tak Yuen, Allen on 29 August 2011, Mr. William Judson Martin ("Mr. Martin"), the president, chief executive officer and executive director of the Company, has assumed the role as Chairman of the Board with effect from 29 August 2011. The Company's day-to-day operation is managed by the Executive Management Committee which comprises Mr. Martin, Mr. Andrew Fyfe, the Chief Operating Officer and Ms. Tse Nga Ying, the Chief Financial Officer which is responsible under the immediate authority of the Board for the conduct of the business of the Company. As such, the Board believes that the arrangement that Mr. Martin being both the Chairman of the Board and the chief executive officer of the Company, though not in line with the requirement of code provision A.2.1 of the CG Code, will provide the Group with strong and consistent leadership and allow for more effective and efficient business decision and execution.

COMPLIANCE WITH THE CODE ON CORPORATE GOVERNANCE PRACTICES (continued)

2. Non-Executive Directors

Under code provision A.4.1 of the CG Code, non-executive directors should be appointed for a specific term, subject to re-election. The existing non-executive Director was initially not appointed for a specific term but was subject to retirement by rotation and re-election at the annual general meetings pursuant to the bye-laws of the Company. A letter of appointment was entered into between the existing non-executive Director and the Company on 26 March 2012 to record the key terms and conditions in relation to the appointment of the existing non-executive Director, specifying his term of the appointment to expire on 16 August 2013 unless terminated in accordance with the terms and conditions provided therein and subject to rotation and re-election in accordance with the bye-laws of the Company. As such, arrangement has been made to comply with code provision A.4.1 of the CG Code.

DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted a code of conduct regarding securities transactions by Directors ("Code of Conduct") on terms no less exacting than the required standard set out in the Model Code and the Company has made specific enquiry of all Directors that they have complied with the required standard set out in the Model Code and the Code of Conduct for the six months ended 30 June 2012.

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 Period.

APPRECIATION

Our Group's success depended on all our staff's commitment, dedication and professionalism. The Board would like to thank every staff for their diligence and dedication and to express its sincere appreciation to our shareholders, clients and suppliers for their continuous and valuable support.

By Order of the Board
Greenheart Group Limited
W. Judson Martin
Chairman, CEO & Executive Director

Hong Kong, 30 August 2012