Annual Report 2012

年報 2012

Greenheart Group
綠森集團
always growing

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

Contents

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 HM 12
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

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 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 shareholders of Greenheart Group Limited ("Greenheart" or the "Company")

We are pleased to present Greenheart's annual financial results for 2012, where despite the challenges our Company encountered as a result of the on-going restructuring of our former largest shareholder, we saw a year of growth in all our business units. Effective 31 January 2013, substantially all of the assets of our former largest shareholder, including a 63.55% equity interest in Greenheart, have been transferred to a new ownership group. Although the long-term plans of the new ownership group are not yet entirely clear, the distinct disassociation of Greenheart from the substantial problems surrounding our former largest shareholder is a positive step forward.

In 2012, we increased our year on year revenue by over 50% from HK$327.0 million to HK$495.2 million and increased our business units' adjusted earnings before interest, tax, depreciation and amortization ("Adjusted EBITDA") by 203% from HK$12.6 million to HK$38.2 million. As we announced on 20 December 2012, we strengthened our capital structure and liquidity with the completion of a US$30 million credit facility with the Bank of New Zealand. The facility includes a US$5 million revolving facility, repayable on demand and a US$25 million revolving facility maturing on 30 November 2015. The facility remained undrawn in our year-end 2012 financial results.

In our softwood business unit, we grew our New Zealand operations and sales network into China and India taking advantage of the growing demand for radiata pine as a key construction and building material. All of our softwood sales and marketing activity are managed by our in-house staff. We have no reliance on any related party or agreements. In 2012, we harvested approximately 559,000 cubic metres, representing a 59% increase from 2011 resulting in revenue and Adjusted EBITDA increases of 50% and 65% respectively. In 2013, we have plans to harvest up to 650,000 cubic metres. In a little over two years we have taken our New Zealand plantation assets from under development with little harvest volume to a profitable income producing asset with increasing harvest volume and asset value.

China, India and New Zealand are now our three largest markets for our New Zealand radiata pine. China accounted for 76% of Greenheart's softwood sales with average A-Grade prices increasing by 18% from December 2011 to December 2012. This was primarily driven by reduced supply from Russia and a redirection of Canadian softwood supply to the improving US housing market. Additionally, we benefitted from the oversupply of dry bulk carriers that drove shipping costs from New Zealand to China down by 17% during 2012. In 2013, we will continue to grow our export market share in China and India with our planned increased harvest volumes and explore new opportunities to supplement our own supply with additional third party volume.

Letter to Shareholders

In our hardwood business unit in Suriname, we increased sales by 67% from the year before with revenues of HK$42.5 million in 2012. In West Suriname, we completed phase one of our world-class wood processing facility, which was commissioned in August 2012 by Suriname's Minister of Public Works. This is an important achievement and allows Greenheart to produce and sell high-value tropical hardwood products around the world which are sustainably produced in Suriname.

Phase two expansion, which is underway in West Suriname includes an additional sawmill and processing capacity, 22 dry kilns and the construction of a bioenergy plant to convert a substantial proportion of our timber waste into clean energy. When completed in 2013, we will be substantially less reliant on diesel fuel while realizing approximately US$2 million in annual cost savings. As a result, our carbon footprint will be substantially smaller and we are exploring opportunities to relay our excess clean energy back to the national grid as well as the local indigenous community. Most importantly and aligned with our fundamental commitment to the environment and principles of sustainability, our West Suriname operations achieved the Forest Stewardship Council ("FSC") controlled wood certification in 2012. We also successfully completed the annual audit evaluation for full FSC certification in our Central Suriname concessions where we now control harvesting rights and the option to acquire further concession rights in the neighboring region.

Due to the problems faced by our former largest shareholder over the past two years, we have moved cautiously and deliberately slow in our Suriname expansion. Our operations in Suriname remain under development but with the restructuring of our former largest shareholder now substantially behind us, we can recommence our full growth strategy. Upon completion of phase two later in 2013, our tropical hardwood processing facility in West Suriname will be one of the largest and most energy efficient in South America. Our future plans include replication of the wood processing facility and bioenergy plant that is under construction in West Suriname in our Central Suriname operations.

In 2012, we focused on strengthening our in-house sales & marketing resources to expand to new hardwood markets with more species and more product choice. All of our hardwood sales and marketing activity are managed by our in-house staff. We have no reliance on any related party or agreements. As we started producing top quality lumber, we commenced sales to the Netherlands, which has become our largest hardwood lumber market. We are also developing a growing customer base in Denmark, Belgium and the United Kingdom. In 2012, our average selling price for hardwood lumber, excluding recovery products was US$811 per cubic metre, an increase of 8% from 2011. We also increased our third-party hardwood trading revenue by nearly 200% compared to 2011 as we focused on selective sourcing and trading of timber that leverages our growing marketing and distribution network. Although currently a small contributor, we will continue to develop our trading business in the coming years as it generates substantial operating synergies, utilizes and develops our existing resources and strengths without significant additional long term capital commitments.

Letter to Shareholders

On 31 January 2013, Emerald Plantation Group Limited ("EPGL"), Greenheart's largest shareholder with approximately 63.55% of the issued share capital in Greenheart (at the time of the making of the MGO (as defined below)) made an unconditional mandatory general cash offer (the "MGO") to acquire all the issued ordinary share capital, including the convertible notes and outstanding options of Greenheart that were not already held by EPGL. On 21 March 2013, the MGO closed and EPGL announced they owned a total of 496,189,028 shares in Greenheart representing approximately 62.82% of the issued share capital of the Company. This level of acceptance did not meet the requirements for compulsory acquisition under the relevant rules and Greenheart continued to maintain its listing of shares on the Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange"). Our net asset value per share of HK$1.53 attributable to shareholders at the end of 2012 is a premium of 164% to the EPGL offer price of HK$0.58 per share.

In the last two years, we faced significant challenges and acted with deliberate care as a direct result of the restructuring of our former largest shareholder. At the same time, we have turned a small business with annual sales of only HK$17 million into a business generating annual revenue of almost HK$500 million with positive Adjusted EBITDA from business units. Our keen focus in 2013 and beyond is to continue the reduction of operating losses and move to profitability and positive operating cash flow on a consolidated basis. We plan to accomplish this by growing our top line with increased softwood harvesting and sales from New Zealand and to ramp up hardwood sales in Suriname which we are now well positioned to do, with the completion of our wood processing facility in West Suriname. We also intend to improve efficiency in all our operations thereby controlling costs.

With the challenges of our former largest shareholder now substantially behind us, we are excited about our future. We believe we have the strategy and the people to turn our existing assets into a world-class sustainable forestry business creating a solid platform on which to grow.

On behalf of all of us at Greenheart, I want to thank you for sharing that belief.

W. Judson Martin
Chairman, Chief Executive Officer and Executive Director

Management Discussion and Analysis

BUSINESS REVIEW

We are pleased to report that Greenheart continued to grow its operations throughout the year ended 31 December 2012 (the "Year"). Total revenue was approximately HK$495,226,000 for the Year, representing a 51.5% increase from approximately HK$326,984,000 in the previous year. The significant growth in revenue was primarily attributable to our New Zealand operation, where revenue increased by approximately 49.8% to HK$450,280,000 and represented 90.9% of total revenue. In Suriname, we completed phase one of our processing facility and commenced production and sale of high value lumber which increased our revenue by approximately 66.7% to approximately HK$42,489,000 for the Year. The revenue from trading of third party logs and timber products increased by approximately 197% to approximately HK$2,457,000 for the Year.

The Group's gross profit for the Year was approximately HK$186,416,000, representing an increase of 20.4% from approximately HK$154,784,000 in the previous year. The gross profit contribution from the New Zealand and Suriname business units were approximately HK$169,655,000 (2011: HK$143,938,000) and HK$16,376,000 (2011: HK$10,595,000), respectively. The significant increase in the Group's gross profit was mainly attributable to incremental sales of approximately 180,000 cubic metres of New Zealand radiata pine and approximately 3,000 cubic metres of Surinamese sawn lumber compared to the year before. Gross profit was further boosted by the sale of 34,000 additional wood pallets from our Suriname operations. The gross profit for the Group's trading business was HK$385,000 (2011: HK$251,000), an increase of approximately 53.4% from the previous year.

The Group's gross profit margin for the Year was approximately 37.6% as compared to approximately 47.3% in the previous year. The gross profit margin for the New Zealand and Suriname business units were approximately 37.7% and 38.5% (2011: 47.9% and 41.5%), respectively. The decrease in the gross profit margin for New Zealand is mainly due to a higher proportion of freight on board sales which reduces the total average selling price and an increased fair value on our New Zealand plantation forest assets which increases the unit depletion cost. The decrease in the gross profit margin for Suriname is mainly attributable to higher operating costs including the associated costs of setting up a new central log yard as a storage and control center for better inventory management. The increased sale of wood pallets, a recovery product with a lower profit margin compared to other high value timber products also contributed to the decrease in the overall gross profit margin.

Other income and gains amounted to approximately HK$10,948,000 for the Year, representing a 30.1% increase from approximately HK$8,414,000 in the previous year. The net increase of approximately HK$2,534,000 was mainly attributable to HK$5,840,000, being the fair value of 151,000 units of New Zealand carbon credits granted by the New Zealand Ministry for Primary Industries as at the date of grant and reduced non-recurring income and gains recorded during the Year.

The Group's fair value gain on plantation forest assets was HK$94,764,000 (2011: HK$45,641,000), primarily attributable to the net effect of increasing average selling prices, changing harvesting and roading cost, forest yields and discount rate which reflect the actual operation experience and operating data which the Group obtained in the past two years.

Selling and distribution costs are mainly attributable to trucking, barging and export handling expenses from the sale of our Suriname logs and timber products as well as ocean freight and logistics related costs incurred from the sale of our New Zealand radiata pine. The significant increase was mainly attributable to the increased sale of New Zealand radiata pine, which were sold predominantly on a cost and freight basis.

Administrative expenses decreased by HK$11,611,000 or 12.7% to approximately HK$79,489,000 for the Year. The net decrease is mainly attributable to the reduction of the one-off legal and professional fees occurred in 2011 of HK$15,078,000 and an increase in the salaries, staff related costs and depreciation of office equipment and furniture by approximately HK$4,017,000 which reflected the Group's expansion, particularly in its hiring of experienced staff and consultants in order to facilitate the Group's growth plans during the Year.

The increase in other operating expenses of approximately HK$86,286,000 was mainly attributable to impairment loss of timber concessions and cutting rights of approximately HK$63,601,000 and property, plant and equipment of approximately HK$632,000 due to the frustration of a subcontracting agreement in relation to certain harvesting right in East Suriname (details please refer to the Company's announcement dated 5 April 2013) and an impairment loss of approximately HK$3,882,000 due to the fair value decrease in the New Zealand carbon credits by the end of 2012. The Group's other operating expenses also included the 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 obtained certain rights to operate and manage the harvesting and related activities in East Suriname and Central Suriname in March 2011 and December 2011, respectively and recorded new development costs that were not reflected in operating expenses in 2011.

Share option expenses incurred for the Year of approximately HK$1,361,000 were non-cash in nature, represented the amortization of the fair value of the share options granted by the Company during the Year relating to contractual arrangements with senior managers required to implement the Company's growth plans.

Management Discussion and Analysis

Finance costs mainly represented the interest expenses incurred for the convertible notes with a total principal amount of US$25,000,000 (equivalent to approximately 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$9,718,000 for the Year. The increase in finance costs was mainly attributable to the interests incurred on a loan of US$40,000,000 (equivalent to HK$312,000,000) granted by Sino-Forest Corporation (the "Sino-Forest" or "Ultimate Holding Company") ("Holding Company Loan") and a loan of US$8,000,000 (equivalent to HK$62,400,000) granted by Sino-Capital Global Inc. ("Sino-Capital") during the Year in relation to its proportionate share of costs and expenditure regarding its shareholding in West Suriname operation. Finance costs also included certain finance lease interest expenses of HK$2,740,000 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 Year mainly represented general tax provision of approximately HK$9,524,000 (2011: HK$2,467,000), deferred tax arising from the revaluation of our plantation forest assets and other timing differences arising from our New Zealand operation of approximately HK$2,824,000 (2011: HK$12,338,000) and foreign exchange difference on income tax payable and deferred tax liabilities during the Year.

As a result of the aforementioned, the loss attributable to the equity holders of the Company increased to approximately HK$76,777,000 for the Year from the loss in 2011 of approximately HK$74,343,000.

LIQUIDITY AND FINANCIAL REVIEW

As at 31 December 2012, the Group's current assets and current liabilities were HK$322,061,000 and HK$633,396,000 respectively (2011: HK$373,646,000 and HK$75,637,000 respectively). Cash and bank balances were approximately HK$144,285,000 (2011: HK$285,018,000) with no pledged bank deposits (2011: HK$20,118,000). The Group's outstanding borrowings as at 31 December 2012 represented the Holding Company Loan amounting to HK$312,000,000 (2011: HK$312,000,000), the loan from Sino-Capital of HK$62,400,000 (2011: Nil) and a finance lease payable of HK$31,141,000 (2011: HK$33,708,000). Accordingly, the Group's gearing ratio, which was calculated on the basis of outstanding borrowings (excluding the convertible bonds) as a percentage of equity attributable to equity holders of the Company, was 40.2% (2011: 32.2%).

Notwithstanding the Group has net current liabilities of HK$311,335,000 as at 31 December 2012, the Directors, after taking into account of the unutilized banking facility of a total of US$30 million from the Bank of New Zealand and other measures as mentioned in note 2 to the consolidated financial statements, are of the view that the Group will have sufficient working capital to finance its operations and meet its financial obligations as and when they fall due in the foreseeable future.

Management Discussion and Analysis

As at 31 December 2012, there were 779,724,104 ordinary shares of HK$0.01 each 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 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 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 2012. However, we will continue to closely monitor 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(s) to mitigate any significant foreign exchange exposure.

BUSINESS PROSPECTS

Greenheart continued to grow in New Zealand and Suriname in 2012 and expanded its timber-trading business in Hong Kong. In New Zealand, Greenheart continued to expand its softwood business by increasing harvest volumes while enjoying rising prices and falling shipping costs. In Suriname, Greenheart completed phase one of the construction of a world-class hardwood processing facility and commenced production of new sawn lumber, higher value products such as flooring and recovery products such as pallets. Greenheart has already commenced phase two construction of a second sawmill line and signed an agreement to purchase and build a new bioenergy plant adjacent to the processing facilities – both set for completion in 2013.

In New Zealand, Greenheart harvested approximately 559,000 cubic metres of softwood in 2012, compared to approximately 349,000 cubic metres in 2011. In 2013, Greenheart currently expects to harvest up to 650,000 cubic metres with sales to China, our largest market which is also the world's largest importer of New Zealand radiata pine, India, South Korea as well as domestic buyers in New Zealand.

Management Discussion and Analysis

Demand for New Zealand radiata pine grew quicker in the second half of 2012 and the Company was able to sell its A-grade logs in China on cost and freight basis for US$143 per cubic metre in December 2012, up approximately 18.2% from US$121 per cubic metre in December 2011. While building and infrastructure investment in China has remained positive, the main driver for the increased demand is due to decreased supply from competing regions, namely Russia and the Pacific North West, which has seen a redirection of their supply into the United States as the housing sector recovers. This has channeled customers back to New Zealand, now the most accessible market to meet demand in the China market. As well as increased prices, the Company has also enjoyed decreasing shipping costs, dropping to approximately US$34 per cubic metre for shipments to China in 2012 compared to approximately US$39 per cubic metre in 2011.

In Suriname, Greenheart completed phase one of its world-class hardwood processing facility in West Suriname and commenced processing hardwood logs into sawn lumber, finished timber products such as flooring and recovery products into pallets. Sales increased by 67% as compared to 2011 and we will continue to grow our product offering by constructing additional dry kilns and molders to enhance the quality and value of our hardwood lumber. We are also building a bioenergy plant that will convert a substantial portion of the waste produced from the processing facility into clean energy. This bioenergy plant will power Greenheart's processing facility allowing Greenheart to reduce our carbon footprint and to save up to 1.5 million litres of diesel fuel consumption, equivalent to a saving of US$2 million a year at current diesel prices in Suriname.

With the processing facility increasing capacity, lumber sales and marketing have focused on new higher margin markets, such as Europe, North America, Australia, South Korea and the Middle East. Greenheart's largest lumber markets in order of size are now the Netherlands, followed by Denmark, Belgium and the United Kingdom. Our average price of hardwood lumber, excluding recovery products such as pallets was approximately US$811 per cubic metre, up 8% from 2011. The European Union has also introduced the new European Union Timber Regulations on imported timber products and Greenheart is confident in its ability to leverage its sustainability certifications to gain greater market share in Europe.

In 2012, Greenheart grew its hardwood trading business and increased revenues by nearly 200% compared to 2011. The trading business will focus on the sourcing of third party logs and lumber from other sustainable hardwood suppliers and trading to existing and new customers for a margin. Greenheart has already initiated trading dialogue with several hardwood suppliers from Africa, Brazil, Peru, Papua New Guinea, Malaysia, and Russia. Greenheart will also grow the softwood trading business from New Zealand in 2013.

Management Discussion and Analysis

The global economy has started to see a recovery in the second half of 2012 and Greenheart has experienced this through its improved metrics from its New Zealand softwood business and continued growth in its Surinamese tropical hardwood business. In 2013, Greenheart expects its Surinamese hardwood business to grow quickly, securing greater market share in the higher value markets and building a brand that signifies sustainability, quality and value. In New Zealand, Greenheart will continue to increase harvest levels, increase market share in India and China and explore new opportunities for trading margin expansion.

DIVIDEND

The board of Directors (the "Board") has resolved not to recommend any dividend for the Year.

CAPITAL EXPENDITURE

During the Year, the Group spent approximately HK$128,598,000 (2011: approximately HK$163,545,000) on acquisition of items of property, plant and equipment.

BUSINESS ACQUISITION AND DISPOSAL

The Group had no material business acquisitions or disposals for the Year.

CONTINGENT LIABILITIES

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

EMPLOYMENT AND REMUNERATION POLICY

As at 31 December 2012, the number of employees of the Group was about 532 (2011: 273). Employees' cost (including Directors' emoluments) amounted to approximately HK$78,206,000 (2011: approximately HK$42,401,000) for the Year. 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. William Judson Martin, aged 57, is the chairman, chief executive officer of the Company and an executive Director. He is also Chairman of the Company's Executive Management Committee and a director of several subsidiaries of the Company. He joined the board of the Company and was appointed president and chief executive officer in August 2010 when Sino-Forest acquired its controlling stake in the Company. Mr. Martin was appointed vice-chairman of Sino-Forest in June 2010 and prior to that date was an independent non-executive director since 2006. In August 2011, at the request of the board of Sino-Forest, Mr. Martin agreed to assume the role of chief executive officer of Sino-Forest to assist with the various examinations and investigations that were underway with respect to Sino-Forest's business in the People's Republic of China and to lead the restructuring process that ultimately led to a transfer of Sino-Forest's assets to its creditors pursuant to the restructuring plan (the "Plan") of Sino-Forest as approved by the creditors of Sino-Forest on 3 December 2012 and sanctioned by the Ontario Superior Court of Justice on 10 December 2012. On 31 January 2013 where the Plan was implemented, Mr. Martin resigned from all positions held in Sino-Forest and its subsidiaries with the exception of his current positions in the Company and certain subsidiaries of the Company.

Before joining Sino-Forest, Mr. Martin was executive vice president and chief financial officer of Alliance Atlantis Communications Inc. ("Alliance"), a company formerly listed on the Toronto Stock Exchange and the NASDAQ from 1999 to 2002, senior executive vice president and chief financial officer from 2003 to 2005 and a consultant until 2007 when Alliance was sold to Goldman Sachs and Canwest Global Communications. During the period of 1995 to 1997, Mr. Martin held the positions of executive vice president, chief financial officer and chief operating officer of MDC Communications Corporation, a company listed on the Toronto Stock Exchange. From 1982 to 1995, Mr. Martin held various positions with the Brookfield group of companies including vice president (finance and treasurer) of Trizec Corporation Ltd., executive vice president and chief financial officer of Brookfield Development Corporation and president and chief executive officer of Trilon Securities Corporation. Mr. Martin is currently 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, whose issued shares were formerly listed on the Toronto Stock Exchange, chair of its compensation and nominating committee and a member of its audit committee.

Mr. Hui Tung Wah, Samuel, aged 58, is an executive Director. He 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 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 Café de Coral Holdings Limited whose issued shares are listed on the Main Board of the Stock Exchange. Mr. Hui was a non-executive director of WLS Holdings Limited, a Hong Kong listed company, between August 2004 and March 2012. Mr. Hui holds a Bachelor degree in Social Sciences from the University of Hong Kong and a Master degree in Business Administration from Brunel University in the United Kingdom.

Biographical Details of Directors and Senior Management

Mr. Simon Murray, aged 73, is a non-executive Director. He joined the Board in August 2010. Mr. Murray is the chairman of General Enterprise Management Services (International) Limited ("GEMS Ltd."). 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 a non-executive chairman of Glencore International Plc since April 2011 and is a member of the board of directors of Cheung Kong (Holdings) Limited, Orient Overseas (International) Limited, Wing Tai Properties 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 the vice chairman of 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 and Sino-Forest, between June 1999 and January 2013. 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.

Mr. Wong Kin Chi, aged 61, 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 member of the audit committee, remuneration committee and nomination committee of the Company.

Mr. Wong Che Keung, Richard, aged 67, 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. ("RIM") which engages in direct business investments both locally and overseas. Prior to joining RIM, Mr. Wong was the Vice-chairman and chief operation officer of Cathay International Holdings Ltd., a company specialized in property development and infrastructure projects in China. Mr. Wong worked for Bank of America in the capacity of Vice-president and Country Manager, responsible for the Bank's business in China. Mr. Wong is the chairman of the audit committee of the Company and a member of the remuneration committee and nomination committee of the Company.

Mr. Tong Yee Yung, Joseph, aged 58, 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. Mr. Tong is the chairman of the remuneration committee and nomination committee of the Company and a member of the audit committee of the Company.

Biographical Details of Directors and Senior Management

SENIOR MANAGEMENT

Mr. Andrew James Fyfe, aged 54, 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. Mr. Fyfe served as Chief Operating Officer for a private forestry company based in Hong Kong with assets in China and South America. 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 forestry industry consulting business. 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 40, is the Chief Financial Officer, a member of the Executive Management Committee and the Company Secretary of the Company. She has worked for the Company and its affiliated companies for more than 10 years. Ms. Tse has over 17 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 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 Corporate Governance Code ("CG Code") contained in Appendix 14 to the Rules Governing the Listing of Securities (the "Listing Rules") on the Stock Exchange throughout the Year except for certain minor deviations as explained in this report.

THE BOARD

The Board comprises six Directors, including two executive Directors, namely Mr. William Judson Martin (Chairman of the Board) and Mr. Hui Tung Wah, Samuel; one non-executive Director, namely 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 is 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 headed "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, 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 2011 and six months end 30 June 2012, respectively, and granted share options; reviewed internal controls taken by the Group; and other significant operational, financial and compliance matters.

Corporate Governance Report

The Board conducts meeting on a regular basis and on an ad hoc basis, as required by business needs. The Board totally held 4 meetings during the Year. The Board has delegated responsibility for day-to-day management of the Group to the executive Directors and Executive Management Committee. 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 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 and the number of general meetings attended by each Director during the Year is set out in the following table.

Name of Director	No. of Board meetings attendance	Number of general meetings attendance
Mr. William Judson Martin	4/4	2/2
Mr. Hui Tung Wah, Samuel	4/4	2/2
Mr. Simon Murray	3/4	2/2
Mr. Wong Kin Chi	4/4	2/2
Mr. Wong Che Keung, Richard	4/4	2/2
Mr. Tong Yee Yung, Joseph	4/4	2/2

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.

DIRECTORS' CONTINUOUS TRAINING AND DEVELOPMENT

The Directors are encouraged to participate in continuous professional development to develop and refresh their knowledge and skills. This is to ensure that their contribution to the Board remains informed and relevant.

The Directors are regularly briefed on the latest changes and development of the Listing Rules, corporate governance practices and other regulatory regime with written materials, as well as attending seminars on professional knowledge and latest development of regulatory requirements related to director's duties and responsibilities.

The Directors have complied with the CG Code A.6.5 which came into effect on 1 April 2012 on Directors' training. All Directors have participated in continuous professional development and provided a record of training they received for the Year to the Company.

The individual training record of each Director received for the Year is set out below:

Directors	**Corporate Governance/Updates on Laws, Rules & Regulations Read Materials and Attended Seminars**
Executive Directors	
William Judson Martin	✓
Hui Tung Wah, Samuel	✓
Non-executive Director	
Simon Murray	✓
INEDs	
Wong Che Keing, Richard	✓
Tong Yee Yung, Joseph	✓
Wong Kin Chi	✓

Corporate Governance Report

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 chairman, 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 James Fyfe, the Chief Operating Officer and Ms. Daphne Tse, the Chief Financial Officer. The Executive Management Committee 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.

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.

Each of the INED has been appointed for a term of 3 years 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 Company's bye-laws and applicable laws, rules and regulations.

COMPANY SECRETARY

The company secretary of the Company is Ms. Tse Nga Ying. She has fulfilled the requirement under Rules 3.28 and 3.29 of the Listing Rules. As an employee of the Company, the company secretary supports the Board, ensures good information flow within the Board and Board policy and procedures are followed; advises the Board on governance matters, facilitates induction and, monitors the training and continuous professional development of Directors. She has attained not less than 15 hours of relevant professional training during the Year.

NOMINATION COMMITTEE

On 30 March 2012, the Nomination Committee was constituted. The Nomination Committee consists of all the INEDs namely Mr. Tong Yee Yung, Joseph (Chairman), Mr. Wong Che Keung, Richard and Mr. Wong Kin Chi.

Its primary responsibilities are, among other matters, to assist the Board to review the size and structure of the Board and make recommendations on the appointment or re-appointment of Directors to the Board.

One Nomination Committee meeting was held during the Year. Attendance of the members is set out below:

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

In order to comply with the CG Code (effective from 1 April 2012), the Board adopted a terms of reference of the Nomination Committee on 30 March 2012. The terms of reference of the Nomination Committee are available on the websites of the Company and the Stock Exchange.

Before the Nomination Committee is constituted, the Board was responsible for selection and approval of candidates for appointment as Directors to the Board. During the Year and after the Nomination Committee has been established, it has assessed the independence of the INEDs and the re-election of retiring Directors at the forthcoming annual general meeting.

REMUNERATION COMMITTEE

The Remuneration Committee comprises three members, namely Mr. Tong Yee Yung, Joseph (Chairman), Mr. Wong Che Keung, Richard and Mr. Wong Kin Chi. All of them are INEDs. The primary objectives of Remuneration Committee are, among other matters, to formulate the remuneration policy based on the responsibilities, qualifications and working performance of senior management and Directors; determine, with delegated responsibility, the remuneration packages of individual Directors and senior management. 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, the Remuneration Committee has held one meeting to review and approval of the remuneration policy of the Group, assess performance of executive Directors and approve the remuneration packages of all Directors and senior management of the Group.

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

In order to comply with the CG Code (effective from 1 April 2012), the Board adopted a revised terms of reference of the Remuneration Committee on 30 March 2012. The revised terms of reference of the Remuneration Committee are available on the websites of the Company and the Stock Exchange.

AUDIT COMMITTEE

The Audit Committee has three members comprising the three INEDs, namely Mr. Wong Che Keung, Richard (Chairman), Mr. Wong Kin Chi and Mr. Tong Yee Yung, Joseph. 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, among other matters, 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; to review the periodic reports prepared by the Internal Audit Department and; to review the Company's compliance with the CG Code.

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, and the Company's policies and practices on corporate governance. The Audit Committee has reviewed and discussed with management and external auditors the consolidated financial statements for the Year. The Audit Committee held four meetings during the Year, two of 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)*	4/4
Mr. Wong Kin Chi	4/4
Mr. Tong Yee Yung, Joseph	4/4

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

In order to comply with the CG Code (effective from 1 April 2012), the Board adopted a revised terms of reference of the Audit Committee on 30 March 2012. The revised terms of reference of the Audit Committee are available on the websites of the Company and the Stock Exchange.

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 as set out in the Model Code for Securities Transactions by Directors of Listed Issuers set out in Appendix 10 to the Listing Rules (the "Model Code"). All Directors have confirmed, following specific enquiry by the Company, that they have complied with the required standard set out in the Model Code and the Code of Conduct for the Year.

ACCOUNTABILITY AND AUDIT

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.

Corporate Governance Report

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, 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 has prepared the financial statements on a going concern basis, details of which are set out in note 2 to the financial statements.

The financial statements of the Group for the Year have been reviewed by the Audit Committee and audited by the external auditors, Moore Stephens. For the Year, the audit fee was HK$1,550,000 and the non-audit service fees paid to Moore Stephens and Ernst & Young (the preceding auditors) were HK$250,000 and HK$57,000, respectively. The non-audit services mainly comprised review of financial information and taxation compliance. The responsibilities of the external auditors with respect to financial reporting are set out in the section of "Independent Auditors' Report".

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 and the internal auditors 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 and the internal auditors of the Group have reviewed the Group's internal control and risk management system for the Year and have reported the results of the review and its recommendations and opinions for consideration by the Audit Committee. 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, 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.

The Group has established a specific Internal Audit Department and formulated internal control monitoring procedures to ensure comprehensive, accurate and timely record of accounting and management information. Regular reviews are conducted to ensure financial statements are prepared in accordance with the relevant accounting standards, accounting policies and applicable laws and regulations and cover operational effectiveness and risk management of the Group on an on-going basis. Reports from the internal auditors containing the summary of findings and recommendations are tabled and discussed at meetings by the Audit Committee members.

CONSTITUTIONAL DOCUMENTS

During the Year, there was no change in the Company's constitutional documents.

INVESTOR RELATIONS

During the Year, 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 the Group's 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.

SHAREHOLDERS' RIGHTS

Convening a Special General Meeting ("SGM") by Shareholders

Bye-laws of the Company

1.1 Bye-law 55 sets out the position under the Bye-laws of the Company where a requisition is made by shareholders of the Company (the "Shareholders" and each a "Shareholder"). Bye-law 55 provides that a SGM shall be convened on requisition, as provided by the Companies Act (as defined therein), or, in default, may be convened by the requisitionists.

Companies Act 1981 (as amended) of Bermuda ("Companies Act")

1.2 Pursuant to section 74 of the Companies Act, a Shareholder or Shareholders holding at the date of the deposit of the requisition not less than one-tenth of the paid-up capital of the Company as at the date of the deposit carries the right of voting at general meetings of the Company may make requisition to the directors of the Company (the "Directors" and each a "Director") to forthwith proceed duly to convene a SGM by depositing a written requisition at the registered office of the Company.

1.3 The written requisition must state the purposes of the meeting (including the resolutions to be considered at the meeting) , signed by the requisitionists, deposited at the registered office of the Company at Canon's Court, 22 Victoria Street, Hamilton HM 12, Bermuda and may consist of several documents in like form each signed by one or more requisitionists.

1.4 If the Directors do not within twenty-one days from the date of the deposit of the requisition proceed duly to convene a SGM, the requisitionists, or any of them representing more than one half of the total voting rights of all of them, may themselves convene a SGM, but any SGM so convened shall not be held after the expiration of three months from the date of deposit of the requisition.

1.5 A SGM so convened by the requisitionists shall be convened in the same manner, as nearly as possible, as that in which meetings are to be convened by the Directors.

Putting Forward Proposals at General Meetings

Companies Act

2.1 Sections 79 and 80 of the Companies Act allow certain Shareholder(s) to make requisition to the Company to give notice to the shareholders in respect of any resolution which is intended to be moved at an annual general meeting ("AGM") of the Company or circulate a statement in respect of any proposed resolution or business to be considered at a general meeting of the Company. Under section 79 of the Companies Act, at the expense of the requisitionists unless the Company otherwise resolves, it shall be the duty of the Company on the requisition in writing by such number of Shareholders:–

(a) to give to the Shareholders entitled to receive notice of the next AGM notice of any resolution which may properly be moved and is intended to be moved at that meeting;

(b) to circulate to the Shareholders entitled to have notice of any general meeting sent to them any statement of not more than one thousand words with respect to the matter referred to in any proposed resolution or the business to be dealt with at that meeting.

2.2 The number of Shareholders necessary to make the above-mentioned requisitions to the Company shall be:–

(i) either any number of Shareholders representing not less than one-twentieth of the total voting rights of all the Shareholders having at the date of the requisition a right to vote at the meeting to which the requisition relates; or

(ii) not less than one hundred Shareholders.

2.3 Notice of any such intended resolution shall be given, and any such statement shall be circulated, to Shareholders entitled to have notice of the meeting sent to them by serving a copy of the resolution or statement on each such Shareholder in any manner permitted for service of notice of the meeting, and notice of any such resolution shall be given to any other Shareholder by giving notice of the general effect of the resolution in any manner permitted for giving him notice of meetings of the Company, provided that the copy shall be served, or notice of the effect of the resolution shall be given, as the case may be, in the same manner and, so far as practicable, at the same time as notice of the meeting and, where it is not practicable for it to be served or given at that time, it shall be served or given as soon as practicable thereafter.

2.4 Section 80 of the Companies Act sets out the conditions to be met before the Company is bound to give any notice of resolution or to circulate any statement. Pursuant to section 80 of the Companies Act, the Company shall not be bound to give notice of any resolution or to circulate any statement as mentioned in paragraph 2.1 above unless:–

(a) a copy of the requisition signed by the requisitionists, or two or more copies which between them contain the signatures of all the requisitionists, is deposited at the registered office of the Company:–

(i) in the case of a requisition requiring notice of a resolution, not less than six weeks before the meeting; and

(ii) in the case of any other requisition, not less than one week before the meeting; and

(b) there is deposited or tendered with the requisition a sum reasonably sufficient to meet the Company's expense in giving effect to the procedures in paragraph 2.1 above (i.e. the giving of notice of resolution and/or circulation of statement).

Provided that if, after a copy of the requisition requiring notice of a resolution has been deposited at the registered office of the Company, an AGM is called for a date six weeks or less after the copy has been deposited, the copy though not deposited within the above-mentioned time shall be deemed to have been properly deposited for the purposes thereof.

With respect to proposing a person for election as a Director, the procedures can be accessible on the Company's website at www.greenheartgroup.com.

Making Enquiry to the Board

Shareholders may send written enquiries, either by post, by facsimiles or by email, together with his/her/its contact details, such as postal address, email or fax, addressing to the head office of the Company at the following address or facsimile number or via email:

Address: 16/F., Dah Sing Financial Centre, 108 Gloucester Road, Wanchai, Hong Kong
Fax: (852) 2511 8998
Email: investor@greenheartgroup.com

Shareholders may also make enquiries with the Board at the general meetings of the Company.

COMMUNICATION WITH SHAREHOLDERS

The Company has a shareholders' communication policy to provide the shareholders with detailed information about the communication channels with the shareholders in order to maintain an ongoing dialogue with them and the investment community. These include general meetings, financial reports, notices, announcements and circulars etc..

The Company encourages its 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 meetings.

The directors present their report and the audited financial statements of the Company and the Group for the Year.

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 DIVIDENDS

The Group's loss for the Year and the state of affairs of the Company and the Group at that date are set out in the financial statements on pages 46 to 136.

The Directors do not recommend the payment of any dividend for the Year (2011: Nil).

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 published audited financial statements and the annual report of the Company and restated/reclassified as appropriate, is set out below. This summary does not form part of the audited financial statements.

	Year ended 31 December				
	2012	2011	2010	2009	2008
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
			(Restated)		
Results					
Revenue	**495,226**	326,984	17,031	11,226	10,500
Loss for the year	**(144,377)**	(105,887)	(86,648)	(96,380)	(115,069)
Attributable to:					
Equity holders of the Company	**(76,777)**	(74,343)	(67,606)	(86,247)	(103,783)
Non-controlling interests	**(67,600)**	(31,544)	(19,042)	(10,133)	(11,286)
	(144,377)	(105,887)	(86,648)	(96,380)	(115,069)

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

SUMMARY FINANCIAL INFORMATION *(continued)*

	31 December				
	2012	2011	2010	2009	2008
	HK$'000	HK$'000	HK$'000 (Restated)	HK$'000	HK$'000
Assets and liabilities and non-controlling interests					
Total assets	**2,006,240**	2,031,201	2,000,832	849,847	911,439
Total liabilities	**(813,343)**	(706,444)	(715,814)	(339,585)	(332,050)
Non-controlling interests	**(184,762)**	(252,362)	(256,231)	(275,273)	(285,406)
	1,008,135	1,072,395	1,028,787	234,989	293,983

PROPERTY, PLANT AND EQUIPMENT

Details of movements in the property, plant and equipment of the Group during the Year are set out in note 14 to the financial statements.

SHARE CAPITAL AND SHARE OPTIONS

There were no movements in either the Company's authorised or issued share capital during the Year. Details of movements in the Company's share options during the Year are set out in note 31 to the financial statements.

CONVERTIBLE BONDS

Details of movements in the Company's convertible bonds during the Year are set out in note 28 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 32(b) to the financial statements and in the consolidated statement of changes in equity, respectively.

DISTRIBUTABLE RESERVES

As at 31 December 2012, the Company had no reserves available for distribution in accordance with the Companies Act. However, the Company's share premium account, in the amount of HK$1,451,590,000 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 52.0% of the total gross revenue before export tax for the Year and sales to the largest customer included therein amounted to 12.9%. Purchases, which mainly in relation to diesel, spare parts, daily supplies etc but excluding fees paid to subcontractors, from the Group's five largest suppliers accounted for 5.2% of the total purchases for the Year.

Save as disclosed above, 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.

Report of the Directors

DIRECTORS

The Directors of the Company during the Year were:

Mr. William Judson Martin *
Mr. Hui Tung Wah, Samuel*
Mr. Simon Murray#
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.

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 12 to 14 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 the recommendation from the Remuneration Committee of the Company based on the Directors' duties, responsibilities and performance and the results of the Group.

DIRECTORS' INTERESTS IN CONTRACTS

Save for Mr. William Judson Martin and Mr. Simon Murray who have interests in Sino-Forest as disclosed in the paragraph headed "Directors' and chief executive's interests and short positions in shares, underlying shares and debentures" below with which the Group had various transactions as disclosed in the paragraph headed "Connected transactions" below and note 37 to the financial statements, 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 continuing connected transactions:

Continuing connected transactions

i. Provision of facility by Silver Mount Group Limited ("Silver Mount") to Greenheart Resources Holdings Limited ("Greenheart Resources")

On 14 May 2008, Greenheart Resources, a 60.39% indirect subsidiary of the Company, and Silver Mount, an indirect wholly-owned subsidiary of the Company, 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"). The Facility is unsecured, bears interest at prime rate for Hong Kong dollars per annum from time to time as quoted by The Hongkong and Shanghai Banking Corporation Limited (or such other bank as may be designated by Silver Mount) and was due on 14 May 2011 or such later day as Silver Mount and Greenheart Resources may agree in writing. Sino-Forest became a substantial shareholder of the Company since 2007 until January 2013. 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 has therefore become 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 continuing connected transactions of the Company under Chapter 14A of the Listing Rules.

CONNECTED TRANSACTIONS *(continued)*

Continuing connected transactions (continued)

i. Provision of facility by Silver Mount to Greenheart Resources *(continued)*

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 to 22 November 2013 or such later day as Silver Mount and Greenheart Resources may agree in writing. As at 31 December 2012, a total of HK$205,374,000 has been drawn down by Greenheart Resources from the Facility.

ii. Master sales and purchase agreement

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 (the "Master Sale and Purchase Agreement") with Sino-Wood Trading Limited ("Sino-Wood") for the supply of logs, standing timbers, agri-forest, timber related and agri-related products (the "Products") by Green Source (or any of its subsidiaries) to Sino-Wood (or any of its subsidiaries).

Sino-Wood is an indirect wholly-owned subsidiary of Sino-Forest, being a substantial shareholder of the Company until 30 January 2013 (Toronto time) and is therefore a connected person of the Company under the Listing Rules. The provision of the Products between Green Source (and its subsidiaries) and Sino-Wood (and its subsidiaries) pursuant to the Master Sale and Purchase Agreement therefore constitutes continuing connected transactions of the Company.

As mentioned in the circular of the Company dated 11 March 2011, the proposed annual caps under the Master Sale and Purchase Agreement for the three financial years ending 31 December 2013 are US$30 million, US$80 million and US$100 million respectively. For the Year, there was no purchase of the Products by Sino-Wood (and its subsidiaries) under the Master Sale and Purchase Agreement.

The provision of Products between Green Source (and its subsidiaries) and Sino-Wood (and its subsidiaries) pursuant to the Master Sale and Purchase Agreement constitutes a related party transaction as disclosed in note 37(a)(iii) to the financial statements.

CONNECTED TRANSACTIONS *(continued)*

Continuing connected transactions (continued)

iii. Master agreement

On 27 September 2011, a master agreement (the "Master Agreement") was entered into between two non-wholly owned subsidiaries of the Company, namely Greenheart (Suriname) N.V. ("Greenheart Suriname") and Caribbean Pallet Company N.V. ("CPC") in respect of the sale and purchase of round logs and sawn timber between Greenheart Suriname as vendor and CPC as purchaser. Given that Greenheart Suriname is indirectly owned as to 39.61% by Sino-Capital and that CPC is indirectly owned as to 40% by Mr. Ty Wilkinson (who is a director of certain subsidiaries of the Company), both Greenheart Suriname and CPC are connected persons of the Company and the transactions contemplated under the Master Agreement are continuing in nature, the Master Agreement constitutes continuing connected transaction of the Company under the Listing Rules.

As announced by the Company on 27 September 2011, the aggregate annual caps of purchases for each of the two years of purchase of the products by CPC for each of the two years ending 31 December 2012 shall not exceed HK$4,000,000 and HK$4,000,000 respectively. For the Year, the aggregate consideration for the purchase of the products by CPC from Greenheart Suriname amounted to approximately HK$1,418,000.

The INEDs have reviewed the continuing connected transactions set out above and have confirmed that each of the continuing connected transactions 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 and on terms that are fair and reasonable and in the interests of the shareholders of the Company as a whole.

Moore Stephens, 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. Moore Stephens 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.

CONNECTED TRANSACTIONS *(continued)*

Continuing connected transactions (continued)

In respect of each related party transaction disclosed in note 37 to the financial statements, the Company confirms that it has complied with the relevant requirements under the Listing Rules (if applicable). Save as disclosed above and the following two continuing connected transactions which are exempt from the reporting, annual review, announcement and independent shareholders' approval requirements under Chapter 14A of the Listing Rules, the related party transactions set out in note 37 to the financial statements do not constitute connected transactions or continuing connected transactions under the Listing Rules.

(i) Pursuant to a loan agreement between a wholly owned subsidiary of the Company, namely Mega Harvest International Limited and the ultimate holding company of the Company at the time of the loan agreement, namely Sino-Forest, a loan facility of aggregate principal amount of US$40,000,000 was granted by Sino-Forest to Mega Harvest International Limited. As the loan facility is on normal commercial terms and no security over the assets of the Group was granted in respect of the loan facility, the grant of the loan facility by Sino-Forest to Mega Harvest International Limited is exempt from the reporting, annual review, announcement and independent shareholders' approval requirements under Chapter 14A of the Listing Rules. The transaction contemplated thereunder constitutes a related party transaction as disclosed in note 37(a)(i) to the financial statements.

(ii) Pursuant to a loan agreement between a non-wholly owned subsidiary of the Company, namely Greenheart Resources and the immediate holding company of the Company, namely Sino-Capital, a loan facility of aggregate principal amount of US$8,000,000 was granted by Sino-Capital to Greenheart Resources. As the loan facility is on normal commercial terms and no security over the assets of the Group was granted in respect of the loan facility, the grant of the loan facility by Sino-Capital to Greenheart Resources is exempt from the reporting, annual review, announcement and independent shareholders' approval requirements under Chapter 14A of the Listing Rules. The transaction contemplated thereunder constitutes a related party transaction as disclosed in note 37(a)(ii) to the financial statements.

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

As at 31 December 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 Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong (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, were as follows:

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

Name of Director	Capacity	Number of Shares and underlying shares interested	Approximate percentage of the total issued share capital of the Company
		(Note 2)	%
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"

DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS AND SHORT POSITIONS IN SHARES, 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	Number of shares held *(Note 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 the 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
17/05/2011 – 17/05/2016	CAD21.67	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 31 December 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 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, 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 31 December 2012, there were options for 31,792,070 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 (the "Old Share Option Scheme"), which were valid and outstanding. 3,290,000 options granted under the Old Share Option Scheme were lapsed for the Year. The Old Share Option Scheme expired on 22 March 2012. No further options could thereafter be granted under the Old Share Option Scheme but provisions of the Old Share Option Scheme have in all other respects remained 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 have continued to be valid and exercisable in accordance with the Old Share Option Scheme.

SHARE OPTION SCHEME *(continued)*

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 (the "New Share Option Scheme"), which is valid and effective for a period of 10 years commencing on 28 June 2012. As at 31 December 2012, there were options for 14,430,000 ordinary shares of HK$0.01 each in the share capital of the Company granted by the Company pursuant to the New Share Option Scheme, which were valid and outstanding. 280,000 options granted under the New Share Option Scheme were lapsed during the Year.

Due to the unconditional mandatory general cash offer ("Option Offer") made to the Company's option holders by EPGL (please refer to the offer document from EPGL relating to, among other things, the Option Offer dated 21 February 2013 for further details) for the cancellation of all the outstanding options granted under the Old Share Option Scheme and the New Share Option Scheme, pursuant to the terms of the Old Share Option Scheme and the New Share Option Scheme, (i) all unvested options have been vested when the Option Offer was made on 21 February 2013; (ii) each option holder (or his personal representative(s)) may exercise all options (in whole or in part) at any time within 14 days after the Option Offer was made ("Change of Control Period"); and (iii) any vested option not exercised during the Change of Control Period would automatically lapse. The option holders may accept the Option Offer whereby the options involved would be cancelled. For the number of acceptance of the Option Offer, please refer to the Company's announcement dated 21 March 2013.

Accordingly, as at the date of this Report of the Directors, there is no outstanding option granted by the Company as a result of the Option Offer.

Further details of the Old Share Option Scheme and New Share Option Scheme are disclosed in note 31 to the financial statements.

SHARE OPTION SCHEME *(continued)*

Movements of the share options of the Company during the Year are as follows:–

Name or category of participant	Number of share options: At 1 January 2012	Granted during the Year	Exercised during the Year	Lapsed during the Year	At 31 December 2012	Exercise period of share options	Exercise price of share options HK$	Date of grant of share options	Closing price of the Company's shares immediately before the date of grant of share options HK$	Weighted average closing price of the Company's 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	–
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	–	–	1,450,000	3,590,000	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	–
	–	14,710,000	–	280,000	14,430,000	25% on or after 11 Apr 2013 25% on or after 11 Oct 2013 25% on or after 11 Apr 2014 25% on or after 11 Oct 2014	0.501 –	11 Oct 2012 *(note 3)*	0.49	–
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	–
	35,082,070	14,710,000	–	3,570,000	46,222,070					

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

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

Note 3: The share options granted will be vested to each Grantee in four equal tranches every six months over a period of two years from the date of grant.

SHARE OPTION SCHEME *(continued)*

Details of the valuation of the share options granted during the Year are set out in note 31 to the financial statements.

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 31 December 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 Holdings Limited ("Greater Sino")	Beneficial owner *(Note 4)*	–	97,077,922	12.45

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

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 Holdings Limited are interested by virtue of Part XV 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 Part XV of the 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 the 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 31 December 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.

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 15 to 26.

TAX RELIEF

The Company is not aware of any relief from taxation available to shareholders by reason of their holding of the Company's shares.

Report of the Directors

EVENTS AFTER THE REPORTING PERIOD

Details of the significant events after the reporting period of the Group are set out in note 40 to the financial statements.

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.

AUDITORS

During the Year, Moore Stephens had been appointed as the auditors of the Company following the retirement of Ernst & Young in Hong Kong ("EYHK") at the annual general meeting of the Company in 2012. Before the appointment of Moore Stephens as the auditors of the Company in 2012, EYHK was the auditors of the Company since December 2010. Moore Stephens had been the auditors of the Company for the financial year ended 31 December 2000 to 2009. Save as aforesaid, there has been no change of auditors of the Company in any of the three preceding years.

A resolution for the reappointment of Moore Stephens as auditors of the Company will be proposed at the forthcoming annual general meeting.

PAST PERFORMANCE AND FORWARD LOOKING STATEMENTS

The performance and the results of operations of the Group during the past years as contained in this annual report are historical in nature and past performance can be no guarantee of future results of the Group. This annual report contains forward looking statements and opinions with respect to the financial conditions, results of operations and business of the Group. These forward looking statements represent the Company's expectations or beliefs concerning future events and involve known and unknown risks and uncertainty that could cause actual results, performance or events to differ materially from those expressed or implied in such statements. Neither the Group nor the Directors, employees or agents of the Group assume (a) any obligation to correct or update the forward-looking statements or opinions contained in this annual report; and (b) any liability in the event that any of the forward-looking statements or opinions does not materialize or turns out to be incorrect.

APPRECIATION

Our Group's success depends 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.

ON BEHALF OF THE BOARD
GREENHEART GROUP LIMITED

William Judson Martin
Chairman

Hong Kong
5 April 2013

Independent Auditors' Report

MOORE STEPHENS
CERTIFIED PUBLIC ACCOUNTANTS

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

Tel: (852) 2375 3180
Fax: (852) 2375 3828
E-mail: ms@ms.com.hk
Website: www.ms.com.hk

馬施雲
會計師事務所

To the shareholders of Greenheart Group 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 46 to 136, which comprise the consolidated and company statements of financial position as at 31 December 2012, 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 requirement 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 and to report our opinion solely to you, as a body, in accordance with Section 90 of the Bermuda Companies Act 1981, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

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 2012, 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.

EMPHASIS OF MATTER

Without qualifying our opinion, we draw attention to note 2 to the financial statements which indicates that the Group incurred a consolidated net loss attributable to the equity shareholders of the Company of HK$76,777,000 for the year ended 31 December 2012 and, as of that date, the Group's current liabilities exceeded its current assets by HK$311,335,000. These conditions indicate the existence of a material uncertainty that may cast significant doubt about the Group's ability to continue as a going concern. As further detailed in note 2 to the financial statements, the Group is still in the process of seeking agreement to extend the repayment date of the loan from the Company's ultimate holding company in the amount of HK$312,000,000 (the "Holding Company Loan") from 17 August 2013 to 31 March 2014. The consolidated financial statements have been prepared on a going concern basis, the validity of which is dependent on the Group extending the repayment date of the Holding Company Loan or obtaining other financial resources as detailed in note 2 to the financial statements. The consolidated financial statements do not include any adjustments that would result should the Group be unable to operate as a going concern.

Moore Stephens
Certified Public Accountants

Hong Kong, 5 April 2013

Consolidated Statement of Comprehensive Income

Year ended 31 December 2012

	Notes	2012 HK$'000	2011 HK$'000
REVENUE	6	**495,226**	326,984
Cost of goods sold		**(308,810)**	(172,200)
Gross profit		**186,416**	154,784
Other income and gains	6	**10,948**	8,414
Fair value gain on plantation forest assets		**94,764**	45,641
Selling and distribution costs		**(169,708)**	(129,767)
Administrative expenses		**(79,489)**	(91,100)
Other operating expenses		**(132,324)**	(46,038)
Non-cash share option expenses		**(1,361)**	(4,934)
Finance costs	7	**(39,966)**	(30,949)
LOSS BEFORE TAX	8	**(130,720)**	(93,949)
Tax	11	**(13,657)**	(11,938)
LOSS FOR THE YEAR		**(144,377)**	(105,887)
OTHER COMPREHENSIVE INCOME			
Exchange differences on translation of foreign operations		**8,544**	2,408
Revaluation gain on forestry land		**2,612**	4,057
OTHER COMPREHENSIVE INCOME FOR THE YEAR, NET OF TAX OF NIL		**11,156**	6,465
TOTAL COMPREHENSIVE LOSS FOR THE YEAR		**(133,221)**	(99,422)
LOSS FOR THE YEAR ATTRIBUTABLE TO:			
Equity holders of the Company	12	**(76,777)**	(74,343)
Non-controlling interests		**(67,600)**	(31,544)
		(144,377)	(105,887)
TOTAL COMPREHENSIVE LOSS FOR THE YEAR ATTRIBUTABLE TO:			
Equity holders of the Company		**(65,621)**	(67,878)
Non-controlling interests		**(67,600)**	(31,544)
		(133,221)	(99,422)
LOSS PER SHARE ATTRIBUTABLE TO EQUITY HOLDERS OF THE COMPANY			
Basic and diluted	13	**HK$(0.098)**	HK$(0.098)

Consolidated Statement of Financial Position

31 December 2012

	Notes	2012 HK$'000	2011 HK$'000
NON-CURRENT ASSETS			
Property, plant and equipment	14	**407,489**	286,950
Prepaid land lease payments	15	**15,128**	15,572
Goodwill	16	**7,624**	7,624
Timber concessions and cutting rights	17	**738,128**	800,201
Other intangible assets	18	**3,409**	–
Plantation forest assets	19	**500,738**	489,568
Prepayments, deposits and other receivables	23	**11,663**	57,640
Total non-current assets		**1,684,179**	1,657,555
CURRENT ASSETS			
Inventories	21	**42,271**	7,822
Trade receivables	22	**35,263**	34,533
Prepayments, deposits and other receivables	23	**98,333**	26,155
Tax recoverable		**1,909**	–
Pledged deposits	24	**–**	20,118
Cash and cash equivalents	24	**144,285**	285,018
Total current assets		**322,061**	373,646
CURRENT LIABILITIES			
Trade payables	25	**31,961**	18,513
Other payables and accruals	26	**32,617**	27,548
Finance lease payables	27	**7,472**	6,208
Loan from the ultimate holding company	37(a)(i)	**312,000**	–
Due to the ultimate holding company	37(a)(i)	**132**	141
Deposit received from a fellow subsidiary	37(b)	**22,565**	22,565
Convertible bonds	28	**214,658**	–
Tax payable		**11,991**	662
Total current liabilities		**633,396**	75,637
NET CURRENT (LIABILITIES)/ASSETS		**(311,335)**	298,009
TOTAL ASSETS LESS CURRENT LIABILITIES		**1,372,844**	1,955,564

Consolidated Statement of Financial Position

31 December 2012

	Notes	2012 HK$'000	2011 HK$'000
NON-CURRENT LIABILITIES			
Loan from the ultimate holding company	37(a)(i)	**–**	312,000
Loan from the immediate holding company	37(a)(ii)	**62,400**	–
Convertible bonds	28	**–**	201,553
Finance lease payables	27	**23,669**	27,500
Deferred tax liabilities	29	**93,878**	89,754
Total non-current liabilities		**179,947**	630,807
NET ASSETS		**1,192,897**	1,324,757
EQUITY			
Equity attributable to equity holders of the Company			
Issued capital	30	**7,797**	7,797
Reserves	32(a)	**1,000,338**	1,064,598
		1,008,135	1,072,395
Non-controlling interests		**184,762**	252,362
Total equity		**1,192,897**	1,324,757

William Judson MARTIN
Director

HUI Tung Wah, Samuel
Director

Consolidated Statement of Changes in Equity

Year ended 31 December 2012

		Attributable to equity holders of the Company												
	Notes	Issued capital HK$'000	Share premium account HK$'000	Contributed surplus HK$'000	Share option reserve HK$'000 note 32(a)(ii)	Convertible bond equity reserve HK$'000	Capital reserve HK$'000	Forestry land revaluation reserve HK$'000	Merger reserve HK$'000 (note 32(a)(iii))	Exchange fluctuation reserve HK$'000	Accumulated losses HK$'000	Total HK$'000	Non-controlling interests HK$'000	Total equity HK$'000
At 1 January 2011		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 year		–	–	–	–	–	–	–	–	–	(74,343)	(74,343)	(31,544)	(105,887)
Other comprehensive income for the year:														
Exchange differences on translation of foreign operations		–	–	–	–	–	–	–	–	2,408	–	2,408	–	2,408
Revaluation gain on forestry land		–	–	–	–	–	–	4,057	–	–	–	4,057	–	4,057
Total comprehensive income/(loss) for the year		–	–	–	–	–	–	4,057	–	2,408	(74,343)	(67,878)	(31,544)	(99,422)
Assumption of certain liabilities of a subsidiary acquired pursuant to a business combination under common control		–	–	–	–	–	–	–	103,161	–	–	103,161	–	103,161
Issue of new shares for a business combination under common control	30(a)	965	257,931	–	–	–	–	–	(258,896)	–	–	–	–	–
Exercise of share options	30(a)	21	4,442	–	(977)	–	–	–	–	–	–	3,486	–	3,486
Equity-settled share option arrangements	31(a)	–	–	–	4,934	–	–	–	–	–	–	4,934	–	4,934
Share options lapsed		–	–	–	(4,856)	–	–	–	–	–	4,856	–	–	–
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 31 December 2011 and 1 January 2012		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 Year		–	–	–	–	–	–	–	–	–	(76,777)	(76,777)	(67,600)	(144,377)
Other comprehensive income for the Year:														
Exchange differences on translation of foreign operations		–	–	–	–	–	–	–	–	8,544	–	8,544	–	8,544
Revaluation gain on forestry land		–	–	–	–	–	–	2,612	–	–	–	2,612	–	2,612
Total comprehensive income/(loss) for the Year		–	–	–	–	–	–	2,612	–	8,544	(76,777)	(65,621)	(67,600)	(133,221)
Equity-settled share option arrangements	31(a)	–	–	–	1,361	–	–	–	–	–	–	1,361	–	1,361
Share options lapsed		–	–	–	(1,945)	–	–	–	–	–	1,945	–	–	–
At 31 December 2012		7,797	1,451,590*	83,274*	25,953*	7,328*	846*	11,664*	265*	23,100*	(603,682)*	1,008,135	184,762	1,192,897

* These reserve accounts comprise the consolidated reserves of HK$1,000,338,000 (2011: HK$1,064,598,000) in the consolidated statement of financial position.

Consolidated Statement of Cash Flows

Year ended 31 December 2012

	Notes	2012 HK$'000	2011 HK$'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Loss before tax		**(130,720)**	(93,949)
Adjustments for:			
Finance costs	7	**39,966**	30,949
Bank interest income	6	**(460)**	(3,617)
Government grant	6	**(5,840)**	–
Loss on disposal of items of property, plant and equipment	8	**32**	2,426
Depreciation	8	**16,588**	7,979
Amortisation of:			
Depletion cost	5	**85,972**	39,821
Harvest roading	5	**7,662**	2,080
Prepaid land lease payment	5	**444**	297
Timber concessions and cutting rights	5	**6,287**	4,589
Other intangible assets	5	**92**	–
Recovery of insurance claim	6	**–**	(586)
Write-down of inventories to net realizable value	5	**2,958**	5,874
Provision for a short term loan to a potential investment	8	**–**	7,410
Impairment of:			
Other intangible assets	5	**3,882**	–
Goodwill	5	**–**	1,301
Property, plant and equipment	5	**632**	–
Timber concessions and cutting rights	5	**63,601**	–
Equity-settled share option expense	31(a)	**1,361**	4,934
Fair value gain on plantation forest assets	5	**(94,764)**	(45,641)
Write-back of other payables	6	**–**	(2,190)
		(2,307)	(38,323)
(Increase)/decrease in inventories		**(29,490)**	4
Increase in trade receivables		**(730)**	(31,066)
Increase in prepayment, deposits and other receivables		**(30,434)**	(19,498)
Increase in trade payables		**13,448**	12,112
Increase in other payables		**10,648**	2,564
Increase in amount due to affiliated companies		**–**	178
Cash used in operations		**(38,865)**	(74,029)
Interest received		**460**	3,617
Overseas taxes paid		**–**	(8,625)
Interest paid		**(24,130)**	(18,832)
Net cash flows used in operating activities		**(62,535)**	(97,869)

Consolidated Statement of Cash Flows

Year ended 31 December 2012

	Notes	2012 HK$'000	2011 HK$'000
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchases of items of property, plant and equipment		**(119,927)**	(105,088)
Purchases of prepaid land lease payments		**–**	(5,467)
Increase in prepayment for the purchase of of items of property, plant and equipment		**(9,208)**	(12,936)
Proceeds from disposal of property, plant and equipment		**83**	23
Additions of plantation forest assets	19	**(6,415)**	(2,044)
Acquisition of assets	33	**(11,700)**	(41,499)
Acquisition of subsidiaries		**–**	(1,160)
Decrease/(increase) in pledged deposits		**20,118**	(20,118)
Addition to other intangible assets	18	**(1,069)**	–
Increase in other receivables	23(b)	**(4,435)**	(51,607)
Net cash flows used in investing activities		**(132,553)**	(239,896)
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from issue of shares		**–**	3,486
Capital element of finance lease rental payment		**(6,373)**	–
Interest paid on finance lease		**(2,965)**	–
Repayment of a interest-bearing bank loan		**–**	(9,598)
Loan from the ultimate holding company		**–**	15,196
Loan from the immediate holding company		**62,400**	–
Net cash flows from financing activities		**53,062**	9,084
NET DECREASE IN CASH AND CASH EQUIVALENTS		**(142,026)**	(328,681)
Cash and cash equivalents at beginning of year		**285,018**	613,704
Effect of foreign exchange rate change, net		**1,293**	(5)
CASH AND CASH EQUIVALENTS AT END OF YEAR	24	**144,285**	285,018
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS			
Cash and bank balances		**112,627**	126,583
Non-pledged time deposits with original maturity of less than three months when acquired		**31,658**	158,435
Cash and cash equivalents as stated in the statement of cash flows		**144,285**	285,018

During the Year, the Group entered into hire purchase arrangements in respect of certain plant and equipment for its forestry business in Suriname with a total capital value at the inception of the leases amounted to HK$5,773,000 (2011: HK$33,708,000) (note 27).

Statement of Financial Position

31 December 2012

	Notes	2012 HK$'000	2011 HK$'000
NON-CURRENT ASSETS			
Investments in subsidiaries	20	**1,171,041**	1,066,569
CURRENT ASSETS			
Prepayments, deposits and other receivables	23	**72**	2,040
Cash and cash equivalents	24	**45,990**	186,685
Total current assets		**46,062**	188,725
CURRENT LIABILITIES			
Other payables and accruals	26	**2,830**	4,167
Convertible bonds	28	**214,658**	–
Total current liabilities		**217,488**	4,167
NET CURRENT (LIABILITIES)/ASSETS		**(171,426)**	184,558
TOTAL ASSETS LESS CURRENT LIABILITIES		**999,615**	1,251,127
NON-CURRENT LIABILITIES			
Convertible bonds	28	**–**	201,553
Net assets		**999,615**	1,049,574
EQUITY			
Issued capital	30	**7,797**	7,797
Reserves	32(b)	**991,818**	1,041,777
Total equity		**999,615**	1,049,574

William Judson MARTIN
Director

HUI Tung Wah, Samuel
Director

1. CORPORATE INFORMATION

Greenheart Group 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").

As at 31 December 2012, the immediate holding company of the Company was Sino-Capital, which is incorporated in the British Virgin Islands ("BVI") and held 495,519,102 shares, representing approximately 63.55% of the issued share capital of the Company, and the ultimate holding company of the Company was Sino-Forest, which is incorporated in Canada.

Subsequent to the end of the reporting period, on 30 January 2013, Sino-Forest announced that it has implemented its plan of compromise and reorganization as approved by the creditors of Sino-Forest on 3 December 2012 and sanctioned by the Ontario Superior Court of Justice on 10 December 2012 pursuant to the Companies' Creditors Arrangement Act (the "Plan") and under which, among other things, all of the shares held by Sino-Forest in its directly owned subsidiaries, including the entire issued share capital of Sino-Capital were transferred to Emerald Plantation Group Limited ("EPGL"), a newly formed entity which is ultimately owned by Emerald Plantation Holdings Limited ("EPHL" or "the New Ultimate Holding Company"), a company incorporated in the Cayman Islands with limited liability.

As at the date of these financial statements, the ultimate holding company of the Company is EPHL.

2. BASIS OF PRESENTATION

The Group had net current liabilities of approximately HK$311,335,000 as at 31 December 2012, of which HK$312,000,000 represented the Holding Company Loan which is repayable on 17 August 2013. Notwithstanding the foregoing, up to the date of these financial statements, the Group is still in discussion with the New Ultimate Holding Company, the parent company of EPGL which has assumed all the rights and benefits of the Holding Company Loan from the Ultimate Holding Company pursuant to the Plan, for the extension of the repayment date of the Holding Company Loan from 17 August 2013 to 31 March 2014, in the opinion of the Directors, the Group will have 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 of the following:

(i) As at 31 December 2012, the Group had unutilized banking facility ("Bank Loan Facilities") of a total of US$30 million from the Bank of New Zealand, of which US$5 million overdraft facility is repayable on demand and the remaining US$25 million is cash advance facility maturing on 30 November 2015;

(ii) the Group has prioritized its funding and efforts to focus on the operation of its new sawmill in West Suriname which the Directors expect can generate adequate returns to the Group upon its full scale operation;

(iii) the Group is actively exploring different options to obtain alternative sources of funding, in particular to finance the Group's capital expenditure by way of lease and long term loans;

(iv) the Group may consider to sell off certain of its non-current assets to meet its financial obligations; and

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

Accordingly, the consolidated financial statements have been prepared on the going concern basis.

Should the Group be unable to continue as a going concern, adjustments would have to be made to restate the values of assets to their recoverable amounts, to provide for any further liabilities which might arise and to reclassify non-current assets and liabilities as current assets and liabilities, respectively. The effects of these adjustments have not been reflected in the consolidated financial statements.

3.1 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 plantation forest assets and forestry land which are measured at fair value less cost to sell and fair value, respectively, as further explained in note 3.4. These financial statements are presented in Hong Kong dollars and all values are rounded to the nearest thousand except when otherwise indicated.

Basis of consolidation

The consolidated financial statements include the financial statements of the Company and its subsidiaries for the Year. The financial statements of the subsidiaries are prepared for the same reporting period as the Company. Other than subsidiaries acquired under business combinations under common control which are consolidated from the date when the combining entities or business first come under the control of the controlling party, the results of other 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, unrealized 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.

Total comprehensive income within a subsidiary is attributed to the non-controlling interest even if it 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 derecognizes (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 recognizes (i) the fair value of the consideration received, (ii) the fair value of any investment retained and (iii) any resulting surplus or deficit in the income statement. The Group's share of components previously recognized in other comprehensive income is reclassified to the income statement or retained profits/accumulated losses, as appropriate.

3.2 CHANGES IN ACCOUNTING POLICY AND DISCLOSURES

The Group has adopted the following revised HKFRSs for the first time for the current Year's financial statements:

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 effect on these financial statements.

3.3 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 Amendments	Amendments to HKFRS 1 *First Time Adoption of Hong Kong Financial Reporting Standards – Government Loans*[2]
HKFRS 7 Amendments	Amendments to HKFRS 7 *Financial instruments: Disclosures – Offsetting Financial Assets and Financial Liabilities*[2]
HKFRS 9	*Financial Instruments*[4]
HKFRS 10	*Consolidated Financial Statements*[2]
HKFRS 11	*Joint Arrangements*[2]
HKFRS 12	*Disclosure of Interests in Other Entities*[2]
HKFRS 10, HKFRS 11 and HKFRS 12 Amendments	Amendments to HKFRS 10, HKFRS 11 and HKFRS 12 – *Transition Guidance*[2]
HKFRS 10, HKFRS 12 and HKAS 27(2011) Amendments	Amendments to HKFRS 10, HKFRS 12 and HKAS 27 (2011) – *Investment Entities*[3]
HKFRS 13	*Fair Value Measurement*[2]
HKAS 1 Amendments	Amendments to HKAS 1 *Presentation of Financial Statements – Presentation of Items of Other Comprehensive Income*[1]
HKAS 19 (2011)	*Employee Benefits*[2]
HKAS 27 (2011)	*Separate Financial Statements*[2]
HKAS 28 (2011)	*Investments in Associates and Joint Ventures*[2]
HKAS 32 Amendments	Amendments to HKAS 32 *Financial Instruments: Presentation – Offsetting Financial Assets and Financial Liabilities*[3]
HK(IFRIC)-Int 20	*Stripping Costs in the Production Phase of a Surface Mine*[2]
Annual improvements 2009-2011 Cycle	Amendments to a number of HKFRSs issued in June 2012[2]

1 Effective for annual periods beginning on or after 1 July 2012
2 Effective for annual periods beginning on or after 1 January 2013
3 Effective for annual periods beginning on or after 1 January 2014
4 Effective for annual periods beginning on or after 1 January 2015

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

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 amortized 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.

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 the income statement, 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 the income statement. However, loan commitments and financial guarantee contracts which have been designated under the FVO are scoped out of the Additions.

(b) 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 2015. The Group will quantify the effect in conjunction with other phases, when the final standard including all phases is issued.

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

(c) HKFRS 10 establishes a single control model that applies to all entities including special purpose entities or structured entities. It includes a new definition of control which is used to determine which entities are consolidated. The changes introduced by HKFRS 10 require management of the Group to exercise significant judgement to determine which entities are controlled, compared with the requirements in HKAS 27 and HK(SIC)-Int 12 *Consolidation – Special Purpose Entities*. HKFRS 10 replaces the portion of HKAS 27 *Consolidated and Separate Financial Statements* that addresses the accounting for consolidated financial statements. It also addresses the issues raised in HK(SIC)-Int 12. Based on the preliminary analysis performed, HKFRS 10 is not expected to have any impact on the currently held investment of the Group.

HKFRS 11 replaces HKAS 31 Interests *in Joint Ventures and HK(SIC)-Int 13 Jointly Controlled Entities – Non-Monetary Contributions by Venturers*. It describes the accounting for joint arrangements with joint control. It addresses only two forms of joint arrangements, i.e., joint operations and joint ventures, and removes the option to account for joint ventures using proportionate consolidation.

HKFRS 12 includes the disclosure requirements for subsidiaries, joint arrangements, associates and structured entities previously included in HKAS 27 Consolidated *and Separate Financial Statements*, HKAS 31 *Interests in Joint Ventures* and HKAS 28 *Investments in Associates*. It also introduces a number of new disclosure requirements for these entities.

In July 2012, the HKICPA issued amendments to HKFRS 10, HKFRS 11 and HKFRS 12 which clarify the transition guidance in HKFRS 10 and provide further relief from full retrospective application of these standards, limiting the requirement to provide adjusted comparative information to only the preceding comparative period. The amendments clarify that retrospective adjustments are only required if the consolidation conclusion as to which entities are controlled by the Group is different between HKFRS 10 and HKAS 27 or HK(SIC)-Int 12 at the beginning of the annual period in which HKFRS 10 is applied for the first time. Furthermore, for disclosures related to unconsolidated structured entities, the amendments will remove the requirement to present comparative information for periods before HKFRS 12 is first applied.

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

(c) *(continued)*

The amendments to HKFRS 10 issued in December 2012 include a definition of an investment entity and provide an exception to the consolidation requirement for entities that meet the definition of an investment entity. Investment entities are required to account for subsidiaries at fair value through profit or loss in accordance with HKFRS 9 rather than consolidate them. Consequential amendments were made to HKFRS 12 and HKAS 27 (2011). The amendments to HKFRS 12 also set out the disclosure requirements for investment entities. The Group expects that these amendments will not have any impact on the Group as the Company is not an investment entity as defined in HKFRS 10.

Consequential amendments were made to HKAS 27 and HKAS 28 as a result of the issuance of HKFRS 10, HKFRS 11 and HKFRS 12. The Group expects to adopt HKFRS 10, HKFRS 11, HKFRS 12, HKAS 27 (2011), HKAS 28 (2011), and the subsequent amendments to these standards issued in July and December 2012 from 1 January 2013.

(d) HKFRS 13 provides a precise definition of fair value and a single source of fair value measurement and disclosure requirements for use across HKFRSs. The standard does not change the circumstances in which the Group is required to use fair value, but provides guidance on how fair value should be applied where its use is already required or permitted under other HKFRSs. The Group expects to adopt HKFRS 13 prospectively from 1 January 2013.

(e) The HKAS 1 Amendments change the grouping of items presented in OCI. Items that could be reclassified (or recycled) to the income statement at a future point in time (for example, net gain on hedge of a net investment, exchange differences on translation of foreign operations, net movement on cash flow hedges and net loss or gain on available-for-sale financial assets) would be presented separately from items which will never be reclassified (for example, actuarial gains and losses on defined benefit plans and revaluation of land and buildings). The amendments will affect presentation only and have no impact on the financial position or performance. The Group expects to adopt the amendments from 1 January 2013.

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

(f) The HKAS 32 Amendments clarify the meaning of "currently has a legally enforceable right to setoff" for offsetting financial assets and financial liabilities. The amendments also clarify the application of the offsetting criteria in HKAS 32 to settlement systems (such as central clearing house systems) which apply gross settlement mechanisms that are not simultaneous. The amendments are not expected to have any impact on the financial position or performance of the Group upon adoption on 1 January 2014.

(g) The Annual Improvements to HKFRSs 2009-2011 Cycle issued in June 2012 sets out amendments to a number of HKFRSs. The Group expects to adopt the amendments from 1 January 2013. 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:

- HKAS 1 Presentation of Financial Statements: Clarifies the difference between voluntary additional comparative information and the minimum required comparative information. Generally, the minimum required comparative period is the previous period. An entity must include comparative information in the related notes to the financial statements when it voluntarily provides comparative information beyond the previous period. The additional comparative information does not need to contain a complete set of financial statements.

  In addition, the amendment clarifies that the opening statement of financial position as at the beginning of the preceding period must be presented when an entity changes its accounting policies; makes retrospective restatements or makes reclassifications, and that change has a material effect on the statement of financial position. However, the related notes to the opening statement of financial position as at the beginning of the preceding period are not required to be presented.

- HKAS 32 Financial Instruments: Presentation: Clarifies that income taxes arising from distributions to equity holders are accounted for in accordance with HKAS 12 Income Taxes. The amendment removes existing income tax requirements from HKAS 32 and requires entities to apply the requirements in HKAS 12 to any income tax arising from distributions to equity holders.

3.4 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 its activities.

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

Business combinations and goodwill

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 Group elects whether to measure the non-controlling interests in the acquiree that are present ownership interests and entitle their holders to a proportionate share of net assets in the event of liquidation either at fair value or at the proportionate share of the acquiree's identifiable net assets. All other components of non-controlling interests are measured at fair value. Acquisition-related 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 previously held equity interest in the acquiree is remeasured at its acquisition date fair value and any resulting gain or loss is recognized in the income statement.

Any contingent consideration to be transferred by the acquirer is recognized at fair value at the acquisition date. Contingent consideration classified as an asset or liability that is a financial instrument and within the scope of HKAS 39 is measured at fair value with changes in fair value either recognized in the income statement or as a change to other comprehensive income. If the contingent consideration is not within the scope of HKAS 39, it is measured in accordance with the appropriate HKFRS. Contingent consideration that is classified as equity is not remeasured and subsequent settlement is accounted for within equity.

3.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Business combination and goodwill (continued)

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

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 recognized. An impairment loss recognized for goodwill is not reversed in a subsequent period.

Where goodwill has been allocated to a cash-generating unit (or 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 the disposal. Goodwill disposed in these circumstances is measured based on the relative value of disposed operation and the portion of the cash-generating unit retained.

3.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

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.

An impairment loss is recognized only if the carrying amount of an asset exceeds its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. An impairment loss is charged to the income statement in the period in which it arises in those expense categories consistent with the function of the impaired asset.

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

3.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Related parties

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

(a) the party is a person or a close member of that person's family and that person

(i) has control or joint control over the Group;

(ii) has significant influence over the Group; or

(iii) is a member of the key management personnel of the Group or of a parent of the Group; or

(b) the party is an entity where any of the following conditions applies:

(i) the entity and the Group are members of the same group;

(ii) one entity is an associate or joint venture of the other entity (or of a parent, subsidiary or fellow subsidiary of the other entity);

(iii) the entity and the Group are joint ventures of the same third party;

(iv) one entity is a joint venture of a third entity and the other entity is an associate of the third entity;

(v) the entity is a post-employment benefit plan for the benefit of employees of either the Group or an entity related to the Group;

(vi) the entity is controlled or jointly controlled by a person identified in (a); and

(vii) a person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).

3.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Plantation forest assets

Plantation forest assets predominately consist of standing trees in a forest on which the Group undertakes agricultural activities to transform the standing trees into agricultural produce for sale. The forest establishment and maintenance expenses are charged to the income statement in the period in which they are incurred.

Plantation forest assets are stated at fair value less costs to sell at the end of each reporting period and the gain or loss arising from the changes in the fair value less costs to sell of the plantation forest assets is recognized in the income statement in the period in which it arises.

If an active market exists for standing trees with reference to the distribution of the forest area by age-class, land tenure, forest health, expected growth and yield of the tree crops are adopted for determining the fair value of these assets. If an active market does not exist, the Group uses the most recent market transaction price, provided that there has not been a significant change in economic circumstances between the transaction date and the end of reporting period, or the market prices for similar assets adjusted to reflect differences to determine fair values or as determined by independent professional valuers.

At the time the tree is harvested, the agricultural produce is measured at its fair value less costs to sell at the point of harvest. It is taken out of the plantation forest assets (non-current assets) and accounted for under inventories (current assets). Depletion of plantation forest assets is calculated based on the net present value of the harvest in the current year from the most recent forest revaluation, spread over the planned harvest volume for the current year.

3.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Property, plant and equipment and depreciation

Forestry land

Forestry land of the Group is freehold land, which is measured initially at cost, including transaction costs. Subsequent to initial recognition, forestry land is stated at fair value and is not depreciated.

Valuations are performed frequently enough to ensure that the fair value of the forestry land does not differ materially from its carrying amount. Changes in the values of the forestry land are dealt with as movements in the forestry land revaluation reserve. If the total of this reserve is insufficient to cover a deficit, on an individual asset basis, the excess of the deficit is charged to the income statement. Any subsequent revaluation surplus is credited to the income statement to the extent of the deficit previously charged. On disposal of the forestry land, the relevant portion of the forestry land revaluation reserve realized in respect of previous valuations is transferred to retained profits/accumulated losses as a movement in reserves.

Forestry land is derecognized upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss on disposal or retirement recognized in the income statement in the period the forestry land is derecognized is the difference between the net sales proceeds and its then carrying amount.

Other property, plant and equipment

Other 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 the income statement in the period in which it is incurred. In situations where the recognition criteria are satisfied, the expenditure for a major inspection is capitalized 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 recognizes such parts as individual assets with specific useful lives and depreciates them accordingly.

3.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Property, plant and equipment and depreciation (continued)

Other property, plant and equipment (continued)

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

Buildings and capital roadings	2.5% to 10%
Leasehold improvements	Over the shorter of the lease terms and 10%
Plant and machinery	
Sawmill	Over the land lease terms
Others	10% – 20%
Furniture, fixtures and office equipment	20% – 33.3%
Motor vehicles	10% to 20%

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 including any significant part initially recognized is derecognized upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss on disposal or retirement recognized in the income statement in the year the asset is derecognized is the difference between the net sales proceeds and the carrying amount of the relevant asset.

Construction in progress represents buildings and capital roadings under construction and forestry heavy equipments under installation, which is stated at cost less any impairment losses, and is not depreciated. Cost comprises the direct costs of construction during the period of construction. Construction in progress is reclassified to the appropriate category of property, plant and equipment when completed and ready for use.

3.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

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 amortization 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"). Amortization is charged on a unit-of-production basis, whereby the annual amortization 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 are assessed for impairment. The amortization period and the amortization method for timber concessions and cutting rights with a finite useful life are reviewed at least at each financial year end.

Other intangible assets (other than goodwill)

Intangible assets acquired separately are measured on initial recognition at cost. The cost of intangible assets granted to the Group is the fair value at the date of grant. The useful lives of intangible assets are assessed to be either finite or indefinite. Intangible assets with finite lives are subsequently amortized over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortization period and the amortization method for an intangible asset with a finite useful life are reviewed at least at each financial year end.

Intangible assets with indefinite useful lives are tested for impairment annually either individually or at the cash-generating unit level. Such intangible assets are not amortized. The useful life of an intangible asset with an indefinite life is reviewed annually to determine whether the indefinite life assessment continues to be supportable. If not, the change in the useful life assessment from indefinite to finite is accounted for on a prospective basis.

Carbon credits

Carbon credits with indefinite useful life are stated at cost less any impairment losses.

3.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Other intangible assets (other than goodwill) (continued)

FSC certification

All research costs are charged to the income statement as incurred.

Expenditure incurred on projects for FSC certification is capitalized and deferred only when the Group can demonstrate the technical feasibility of completing the intangible asset so that it will be available for use or sale, its intention to complete and its ability to use or sell the asset, how the asset will generate future economic benefits, the availability of resources to complete the project and the ability to measure reliably the expenditure during the development. Development expenditure which does not meet these criteria is expensed when incurred. Directly attributable costs that are capitalized as part of the certification include an appropriate portion of relevant overheads.

Deferred development costs are stated at cost less any impairment losses and are amortized using the straight-line basis over the commercial lives of the underlying certification not exceeding five years.

Leases

Leases that transfer substantially all the rewards and risks of ownership of assets to the Group, other than legal title, are accounted for as finance leases. At the inception of a finance lease, the cost of the leased asset is capitalized at the present value of the minimum lease payments and recorded together with the obligation, excluding the interest element, to reflect the purchase and financing. Assets held under capitalized finance leases, under finance leases, are included in property, plant and equipment, and depreciated over the shorter of the lease terms and the estimated useful lives of the assets. The finance costs of such leases are charged to the income statement so as to provide a constant periodic rate of charge over the lease terms.

Assets acquired through hire purchase contracts of a financing nature are accounted for as finance leases, but are depreciated over their estimated useful lives.

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

3.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Leases (continued)

Prepaid land lease payments under operating lease are initially stated at cost and subsequently amortized 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 loans and receivables. The Group determines the classification of its financial assets at initial recognition. When financial assets are recognized initially, they are measured at fair value plus transaction costs, except in the case of financial assets recorded at fair value through profit or loss.

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

Subsequent measurement

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 amortized cost using the effective interest rate method less any allowance for impairment. Amortized 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 amortization is included in other income and gains in the income statement. The loss arising from impairment is recognized in finance costs for loans and in other expenses for receivables.

3.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Derecognition of financial assets

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is derecognized 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, it evaluates if and to what extent it has retained the risk and rewards of ownership of the asset. When it has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the asset is recognized to the extent of the Group's continuing involvement in the asset. In that case, the Group also recognizes 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.

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 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 reorganization 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.

3.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Impairment of financial assets (continued)

Financial assets carried at amortized cost

For financial assets carried at amortized 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, recognized 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 recognized in the income statement. 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 and all collateral has been realized or has been transferred to the Group.

If, in a subsequent period, the amount of the estimated impairment loss increases or decreases because of an event occurring after the impairment was recognized, the previously recognized 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 the income statement.

3.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Financial liabilities

Initial recognition and measurement

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

The Group's financial liabilities include trade and other payables, amounts due to and loan from the ultimate holding company, loan from the immediate holding company, deposit received, financial lease payable and liability component of convertible bonds.

Subsequent measurement

After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortized 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 recognized in the income statement when the liabilities are derecognized as well as through the effective interest rate method amortization process.

Amortized 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 amortization is included in finance costs in the income statement.

Convertible bonds

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

3.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Financial liabilities (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 recognized in the income statement. 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 recognized in the income statement upon conversion or expiration of the conversion option.

Derecognition of financial liabilities

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

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

Offsetting of financial instruments

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

3.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

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 option pricing models.

Inventories

Inventories are stated at the lower of cost and net realizable value.

Cost for the Group's logs and timber products in Suriname 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 amortization of timber concessions and cutting rights.

Cost for the Group's logs in New Zealand is determined on the first-in, first-out basis. In respect of felled trees harvested from the plantation forest assets, their costs are measured on initial recognition at their fair value less costs to sell at the point of harvest.

Net realizable value is based on estimated selling prices less any estimated costs to be incurred to completion and disposal.

Cash and cash equivalents

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

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

3.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Provisions

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

When the effect of discounting is material, the amount recognized for a provision is the present value at the end of 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 the income statement.

Income tax

Income tax comprises current and deferred tax. Income tax relating to items recognized outside the income statement is recognized outside the income statement, 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.

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 recognized for all taxable temporary differences, except:

- when 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, when 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.

3.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Income tax (continued)

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

- when 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, deferred tax assets are only recognized 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 utilized.

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 utilized. Unrecognized deferred tax assets are reassessed at the end of each reporting period and are recognized 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 realized 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.

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.

3.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Government grants

Government grants are recognised at their fair value where there is reasonable assurance that the grant will be received and all attaching conditions will be complied with. Where the Group receives a non-monetary grant, the asset and the grant are recorded at the fair value of the non-monetary asset and recognized in the income statement.

Revenue recognition

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

(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; and

(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

Share-based payments

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").

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 a binomial model, further details of which are given in note 31 to the consolidated financial statements.

3.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Share-based payments (continued)

The cost of equity-settled transactions is recognized, 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 recognized for equity-settled transactions at the end of each reporting date until the vesting date reflects the extent to which the vesting period has expired and the Group's best estimate of the number of equity instruments that will ultimately vest. The charge or credit to the income statement for a period represents the movement in the cumulative expense recognized as at the beginning and end of that period.

Share-based payment transactions

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

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

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

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

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 recognized in the share option reserve will be transferred to the share premium account.

3.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Share-based payments transactions (continued)

Options which are cancelled prior to their exercise date or lapse 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 recognized 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") under the Mandatory Provident Fund Schemes Ordinance for all of its employees in Hong Kong. Contributions are made based on a percentage of the employees' basic salaries and are charged to the income statement as they become payable in accordance with the rules of the MPF Scheme. The assets of the MPF Scheme are held separately from those of the Group in an independently administered fund. The Group's employer contributions vest fully with the employees when contributed into the MPF Scheme.

Borrowing costs

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

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 arising on settlement or transaction of monetary items are taken to the income statement.

3.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Foreign currencies (continued)

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 and certain overseas subsidiaries are currencies other than the Hong Kong dollars. 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 recognized 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 recognized in the income statement.

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

4. 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. 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 recognized 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) Fair value of forestry land and plantation forest assets

The Group's forestry land and plantation forest assets are stated at fair value and at fair value less costs to sell, respectively. In determining the fair value of the plantation forest assets, the professional valuer has applied the net present value approach which requires a number of key assumptions and estimates to be made such as discount rate, land cost, log price, harvest profile, plantation costs, growth, harvesting and establishment, whereas, with respect to the fair value of the forestry land, the professional valuer has applied market value approach which is the estimated amount for which a property should exchange on the date of valuation between a willing buyer and a willing seller in an arm's-length transaction after proper marketing wherein the parties have each acted knowledgeably, prudently, and without compulsion. Any change in the estimates may affect the fair value of the forestry land and the plantation forest assets significantly.

The management reviews the assumptions and estimates periodically to identify any significant change in the fair value of the forestry land and the plantation forest assets. The carrying amounts of the Group's forestry land and plantation forest assets as at 31 December 2012 were HK$109,608,000 and HK$500,738,000 (2011: HK$100,337,000 and HK$489,568,000), respectively. Further details of which are set out in note 14 and 19 to the financial statements, respectively.

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

(a) Fair value of forestry land and plantation forest assets (continued)

The following table demonstrates the sensitivity at the end of the reporting period to a reasonable possible change in production cost, transport cost, log price and discount rate, with all other variables held constant, of the Group's loss before tax (due to changes in the fair value of plantation forest assets).

Change in production cost	**Increase/(decrease) in production cost**	**(Increase)/decrease in loss before tax**
	%	**HK$'000**
If the production cost increases	5	(45,181)
If the production cost decreases	(5)	45,181

Change in transport cost	**Increase/(decrease) in transport cost**	**(Increase)/decrease in loss before tax**
	%	**HK$'000**
If the transport cost increases	5	(26,680)
If the transport cost decreases	(5)	26,680

Change in log price	**Increase/(decrease) in log price**	**(Increase)/decrease in loss before tax**
	%	**HK$'000**
If the log price increases	5	105,652
If the log price decreases	(5)	(105,652)

Change in discount rate	**Increase/(decrease) in discount rate**	**(Increase)/decrease in loss before tax**
	%	**HK$'000**
If the discount rate increases	1	(19,271)
If the discount decreases	(1)	21,165

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

(b) 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.

(c) Amortization of timber concessions and cutting rights

Amortization is charged to the income statement 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 3.4 to the consolidated 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.

(d) 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.

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

(e) Impairment of goodwill

The Group determines whether goodwill is impaired at least on an annual basis. This requires an estimation of the recoverable amount of the cash-generating units to which the goodwill is allocated. Estimating the recoverable amount requires the Group to make an estimate of the expected future cash flows from the cash-generating units and also to choose a suitable discount rate in order to calculate the present value of those cash flows. The carrying amount of goodwill at 31 December 2012 was HK$7,624,000 (2011: HK$7,624,000). Further details are given in note 16 to the financial statements.

(f) Net realizable value of inventories

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

(g) Deferred tax liabilities

The accounting for deferred tax required judgements in assessing the likely future tax consequence of events that have been recognized 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 2012, the Group had total deferred tax liabilities of HK$93,878,000 (2011: HK$89,754,000), of which HK$72,680,000 (2011: HK$72,680,000) mainly arising 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.

5. 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 geographical 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

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 "Adjusted EBITDA"). The Adjusted EBITDA is measured consistently with the Group's loss before tax except that fair value gain or plantation forest assets, government grant, finance costs, forest depletion costs as a result of harvesting, amortization, depreciation, impairment losses, as well as head office and corporate income and expenses are excluded from such measurement.

Segment assets exclude unallocated head office and corporate assets as these assets are managed on a group basis.

Segment liabilities exclude unallocated head office and corporate liabilities as these liabilities are managed on a group basis.

5. OPERATING SEGMENT INFORMATION *(continued)*

The following table presents the revenue, profit/(loss), assets and liabilities information regarding the Group's operating segments for the Year:

Year ended 31 December 2012

	Suriname HK$'000	New Zealand HK$'000	Elsewhere HK$'000	Total HK$'000
SEGMENT REVENUE	42,489	450,280	2,457	495,226
SEGMENT RESULTS				
Adjusted EBITDA	(57,254)	95,019	385	38,150
Reconciliation of the segment results:				
Fair value gain on plantation forest assets	–	94,764	–	94,764
Government grant	–	5,840	–	5,840
Finance costs	(4,570)	(12,574)	–	(17,144)
Forest depletion cost as a result of harvesting	–	(85,972)	–	(85,972)
Amortization of harvest roading	–	(7,662)	–	(7,662)
Amortization of timber concessions and cutting rights	(6,287)	–	–	(6,287)
Amortization of prepaid land lease payments	(444)	–	–	(444)
Amortization of other intangible assets	(92)	–	–	(92)
Depreciation	(12,829)	(1,348)	–	(14,177)
Written down of inventories, net	(2,958)	–	–	(2,958)
Impairment of property, plant and equipment	(632)	–	–	(632)
Impairment of timber concessions and cutting rights	(63,601)	–	–	(63,601)
Impairment of other intangible assets	–	(3,882)	–	(3,882)
Corporate and other unallocated expenses, net				(66,623)
LOSS BEFORE TAX				(130,720)
SEGMENT ASSETS	1,159,375	787,747	–	1,947,122
Corporate and other unallocated assets				59,118
Total assets				2,006,240
SEGMENT LIABILITIES	222,966	372,475	–	595,441
Corporate and other unallocated liabilities				217,902
Total liabilities				813,343

5. OPERATING SEGMENT INFORMATION *(continued)*

Year ended 31 December 2012 (continued)

	Suriname HK$'000	New Zealand HK$'000	Elsewhere HK$'000	Total HK$'000
Other segment information				
Interest income*	**2,244**	**56**	**–**	**2,300**
Capital expenditures#	**(119,661)**	**(41,980)**	**–**	**(161,641)**

* Included in the "Segment Results" disclosed above.

\# Capital expenditure consists of additions to property, plant and equipment, prepaid land lease payments, timber concessions and cutting rights, harvest roading and plantation forest assets.

Year ended 31 December 2011

	Suriname HK$'000	New Zealand HK$'000	Elsewhere HK$'000	Total HK$'000
SEGMENT REVENUE	25,501	300,655	828	326,984
SEGMENT RESULTS				
Adjusted EBITDA	(45,368)	57,735	251	12,618
Fair value gain on plantation forest assets	–	45,641	–	45,641
Finance costs	(267)	(9,215)	–	(9,482)
Forest depletion cost as a result of harvesting	–	(39,821)	–	(39,821)
Amortization of harvest roading	–	(2,080)	–	(2,080)
Amortization of timber concessions and cutting rights	(4,589)	–	–	(4,589)
Amortization of prepaid land lease payments	(297)	–	–	(297)
Depreciation	(5,337)	(701)	–	(6,038)
Written down of inventories, net	(5,874)	–	–	(5,874)
Impairment of goodwill	(1,301)	–	–	(1,301)
Corporate and other unallocated expenses, net				(82,726)
LOSS BEFORE TAX				(93,949)

5. OPERATING SEGMENT INFORMATION *(continued)*

Year ended 31 December 2011 (continued)

	Suriname HK$'000	New Zealand HK$'000	Elsewhere HK$'000	Total HK$'000
SEGMENT ASSETS	1,102,946	729,599	–	1,832,545
Corporate and other unallocated assets				198,656
Total assets				2,031,201
SEGMENT LIABILITIES	152,100	347,812	–	499,912
Corporate and other unallocated liabilities				206,532
Total liabilities				706,444
Other segment information				
Interest income*	337	48	–	385
Capital expenditures#	(129,345)	(27,125)	–	(156,470)

* Included in the "Segment Results" disclosed above.

\# Capital expenditure consists of additions to property, plant and equipment, prepaid land lease payments, timber concessions and cutting rights, harvest roading and plantation forest assets and excluding assets from the acquisition of subsidiaries.

5. OPERATING SEGMENT INFORMATION *(continued)*

Geographical Information

Revenue is attributed to the following geographical regions of the customers:

	2012 HK$'000	2011 HK$'000
Mainland China	**357,727**	246,340
India	**77,200**	–
New Zealand	**26,064**	48,322
Suriname	**14,929**	2,543
Netherlands	**10,260**	2,308
South Korea	**6,225**	–
Hong Kong	**2,167**	650
Denmark	**293**	–
Belgium	**260**	–
United Kingdom	**101**	–
Singapore	**–**	26,821
	495,226	326,984

Information of major customers

During the Year, the Group had transactions with 3 (2011: 4) customers who each contributed over 10% of the Group's total gross revenue before export tax for the Year. A summary of revenue earned from each of these major customers is set out below:

	2012 HK$'000	2011 HK$'000
Customer 1	**63,908**	N/A*
Customer 2	**56,335**	N/A*
Customer 3	**53,847**	N/A*
Customer 4	**N/A***	73,194
Customer 5	**N/A***	33,618
Customer 6	**N/A***	32,589
Customer 7	**N/A***	31,790
	174,090	171,191

* The corresponding revenue of the related customers did not contribute over 10% of the Group's total gross revenue before export tax.

6. 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.

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

	2012 HK$'000	2011 HK$'000
Revenue		
Sales of logs and timber products	**495,226**	326,984
Other income and gains		
Bank interest income	**460**	3,617
Other interest income	**2,145**	241
Rental income for lease of plant and machinery	**2,257**	861
Government grant	**5,840**	–
Write-back of other payables	**–**	2,190
Recovery of insurance claim	**–**	586
Waive of charge on early loan repayment	**–**	222
Others	**246**	697
	10,948	8,414

7. FINANCE COSTS

An analysis of finance costs is as follows:

	Group	
	2012 HK$'000	2011 HK$'000
Interest on convertible bonds	**22,822**	21,467
Interest on a loan from the ultimate holding company	**12,574**	9,215
Interest on a loan from the immediate holding company	**1,830**	–
Interest on finance leases	**2,740**	225
Interest on bank loans	**–**	42
	39,966	30,949

8. LOSS BEFORE TAX

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

	Notes	2012 HK$'000	2011 HK$'000
Cost of inventories sold#		**216,551**	127,790
Depreciation	14	**16,588**	7,979
Amortization of timber concessions and cutting rights	17	**10,167**	5,400
Less: Amount capitalized in inventories		**(3,880)**	(811)
Current year expenditure#		**6,287**	4,589
Forest harvested as agricultural produce	19	**90,009**	38,597
Less: Amount (capitalized in)/reversed from inventories		**(4,037)**	1,224
Forest depletion cost as a result of harvesting#		**85,972**	39,821
Loss on disposal of items of property, plant and equipment*		**32**	2,426
Provision for a short term loan to a potential investee*		**–**	7,410
Minimum lease payments under operating leases for land and building		**8,164**	7,677
Auditors' remuneration		**1,550**	2,290
Employee benefit expense (including directors' remuneration (note 9)):			
Wages and salaries		**76,452**	37,169
Equity-settled share option expense		**1,361**	4,934
Pension scheme contributions (defined contribution scheme)		**393**	298
		78,206	42,401
Gross rental income		**(2,257)**	(861)
Less: outgoings		**1,363**	539
Net rental income		**(894)**	(322)
Foreign exchange differences, net		**(1,134)**	(1,224)

Included in "Cost of goods sold" of the consolidated statement of comprehensive income.
* Included in "Other operating expenses" in the consolidated statement of comprehensive income.

9. DIRECTORS' REMUNERATION

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

	Group 2012 HK$'000	Group 2011 HK$'000
Fees	**480**	480
Other emoluments:		
Salaries, allowances and benefits in kind	**1,300**	1,300
Equity-settled share option expense	**–**	–
Pension scheme contributions	**–**	–
	1,300	1,300
	1,780	1,780

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 2012					
Executive directors:					
Mr. William Judson Martin	–	–	–	–	–
Mr. Hui Tung Wah, Samuel	–	1,300	–	–	1,300
	–	1,300	–	–	1,300
Non-executive directors:					
Mr. Simon Murray	–	–	–	–	–
	–	–	–	–	–
Independent non-executive directors:					
Mr. Wong Che Keung, Richard	120	–	–	–	120
Mr. Tong Yee Yung, Joseph	120	–	–	–	120
Mr. Wong Kin Chi	240	–	–	–	240
	480	–	–	–	480
Total	480	1,300	–	–	1,780

9. 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 2011					
Executive directors:					
Mr. William Judson Martin	–	–	–	–	–
Mr. Hui Tung Wah, Samuel	–	1,300	–	–	1,300
	–	1,300	–	–	1,300
Non-executive directors:					
Mr. Chan Tak Yuen, Allen*	–	–	–	–	–
Mr. Simon Murray	–	–	–	–	–
	–	–	–	–	–
Independent non-executive directors:					
Mr. Wong Che Keung, Richard	120	–	–	–	120
Mr. Tong Yee Yung, Joseph	120	–	–	–	120
Mr. Wong Kin Chi	240	–	–	–	240
	480	–	–	–	480
Total	480	1,300	–	–	1,780

* Mr. Chan resigned as a director of the Company on 29 August 2011.

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

10. FIVE HIGHEST PAID EMPLOYEES

The five highest paid employees during the Year included nil (2011: one) director, details of whose remuneration are set out in note 9 above. Details of the remuneration of the remaining five (2011: four) non-director, highest paid employees for the year are as follows:

	Group	
	2012	2011
	HK$'000	HK$'000
Salaries, allowances and benefits in kind	**14,084**	9,351
Equity-settled share option expense	**2,086**	3,355
Pension scheme contributions	**41**	24
	16,211	12,730

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

	Number of employees	
	2012	2011
HK$1,000,001 to HK$1,500,000	**–**	1
HK$1,500,001 to HK$2,000,000	**1**	1
HK$2,000,001 to HK$2,500,000	**1**	–
HK$2,500,001 to HK$3,000,000	**–**	1
HK$3,000,001 to HK$3,500,000	**1**	–
HK$3,500,001 to HK$4,000,000	**1**	–
HK$5,000,001 to HK$5,500,000	**1**	–
HK$7,000,001 to HK$7,500,000	**–**	1
	5	4

During the current and prior years, share options with or without a vesting period were granted to the five (2011: four) non-director, highest paid employees in respect of their services to the Group, further details of which are included in the disclosures in note 31 to the financial statements. The fair values of the options without a vesting period have been recognized in the income statement in the year in which such share options were granted; and those of the options with a vesting period have been recognized in the income statement over the vesting period. The amounts of the fair values of the options recognized in the income statement are included in the above non-director, highest paid employees' remuneration disclosures.

11. TAX

Hong Kong profits tax has been provided at the rate of 16.5% (2011:16.5%) on the estimated assessable profits arising in Hong Kong during the Year.

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

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% (2011: 36%) and 28% (2011: 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's tax authority, may be renewable or extended for a further period upon expiry. During the Year, the effective tax rate, calculated on the basis of total current and deferred tax expenses to its operating results, of the Group's New Zealand operation is 16.2% (2011: 24.1%).

	2012 **HK$'000**	2011 HK$'000
Current – Hong Kong		
Charge for the year	**9,524**	2,467
Current – Elsewhere		
Overprovision in prior year	**–**	(2,527)
Foreign exchange difference on income tax payable	**9**	(51)
Deferred (note 29)	**2,824**	12,338
Foreign exchange difference on deferred tax liabilities (note 29)	**1,300**	(289)
	13,657	11,938

11. 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 expense at the effective tax rate, is as follows:

	2012 HK$'000	2011 HK$'000
Loss before tax	**(130,720)**	(93,949)
Tax credit at the Hong Kong statutory tax rate of 16.5% (2011: 16.5%)	**(21,569)**	(15,502)
Difference in tax rates of subsidiaries operating in other jurisdictions	**(9,287)**	5,980
Overprovision in prior year	**–**	(2,527)
Expenses not deductible for tax	**36,248**	25,974
Income not subject to tax	**(7,190)**	(3,351)
Tax losses not recognized	**14,703**	749
Others	**752**	615
Tax expense at the Group's effective rate of 20.5% (2011: 12.7%)	**13,657**	11,938

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

The consolidated loss attributable to equity holders of the Company for the Year includes a loss of HK$39,281,000 (2011: HK$36,781,000) that has been dealt with in the financial statements of the Company.

A reconciliation of the amount of consolidated loss for the year attributable to equity holders of the Company dealt with in the financial statements of the Company to the Company's loss for the year is as follows:

	2012 **HK$'000**	2011 HK$'000
Amount of consolidated loss for the year attributable to equity holders of the Company dealt with in the financial statements of the Company	**39,281**	36,781
Impairment loss on amount due from a subsidiary	**12,039**	70,355
Company's loss for the year (Note 32(b))	**51,320**	107,136

13. 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 779,724,104 (2011: 755,920,294) 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 2012 and 2011 as the impact of the share options and convertible bonds outstanding during these years either had no dilutive effect or had an anti-dilutive effect on the basic loss per share amounts presented.

14. PROPERTY, PLANT AND EQUIPMENT

Group

	Forestry land HK$'000 (notes (a))	Buildings and capital roadings HK$'000	Leasehold improve-ments HK$'000	Plant and machinery HK$'000 (notes (b))	Furniture, fixtures and office equipment HK$'000	Motor vehicles HK$'000	Construction in progress HK$'000 (notes (b))	Total HK$'000
Year ended 31 December 2012								
At 1 January 2012:								
Cost or valuation	100,337	44,133	4,052	31,453	7,966	5,440	106,683	300,064
Accumulated depreciation	–	(1,854)	(1,173)	(6,930)	(1,710)	(1,447)	–	(13,114)
Net carrying amount	100,337	42,279	2,879	24,523	6,256	3,993	106,683	286,950
Net carrying amount:								
At 1 January 2012	100,337	42,279	2,879	24,523	6,256	3,993	106,683	286,950
Additions	–	24,764	88	9,951	4,256	3,084	86,455	128,598
Surplus on revaluation	2,612	–	–	–	–	–	–	2,612
Transfers	–	16,655	724	91,183	3	4,071	(112,636)	–
Impairment during the Year recognized in the income statement (note 5)	–	(297)	–	–	–	–	(335)	(632)
Depreciation provided during the Year (note 8)	–	(2,287)	(1,393)	(9,224)	(2,171)	(1,513)	–	(16,588)
Disposals	–	–	–	–	(12)	(103)	–	(115)
Exchange realignment	6,659	3	–	2	–	–	–	6,664
At 31 December 2012	109,608	81,117	2,298	116,435	8,332	9,532	80,167	407,489
At 31 December 2012:								
Cost or valuation	109,608	85,258	4,864	132,589	12,177	12,353	80,167	437,016
Accumulated depreciation	–	(4,141)	(2,566)	(16,154)	(3,845)	(2,821)	–	(29,527)
Net carrying amount	109,608	81,117	2,298	116,435	8,332	9,532	80,167	407,489

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

	Forestry land HK$'000 (note (a))	Buildings and capital roadings HK$'000	Leasehold improve-ments HK$'000	Plant and machinery HK$'000 (note (b))	Furniture, fixtures and office equipment HK$'000	Motor vehicles HK$'000	Construction in progress HK$'000 (note (b))	Total HK$'000
Year ended 31 December 2011								
At 1 January 2011:								
Cost or valuation	93,756	12,988	71	22,750	1,275	3,673	1,169	135,682
Accumulated depreciation	–	(473)	(9)	(5,838)	(507)	(1,607)	–	(8,434)
Net carrying amount	93,756	12,515	62	16,912	768	2,066	1,169	127,248
Net carrying amount:								
At 1 January 2011	93,756	12,515	62	16,912	768	2,066	1,169	127,248
Additions	–	25,664	4,051	8,765	6,617	3,398	109,498	157,993
Acquisition of subsidiaries	–	5,244	–	159	149	–	–	5,552
Surplus on revaluation	4,057	–	–	–	–	–	–	4,057
Transfers	–	222	–	3,762	–	–	(3,984)	–
Depreciation provided during the year (note 8)	–	(1,366)	(1,171)	(3,367)	(1,231)	(844)	–	(7,979)
Disposals	–	–	(63)	(1,712)	(47)	(627)	–	(2,449)
Exchange realignment	2,524	–	–	4	–	–	–	2,528
At 31 December 2011	100,337	42,279	2,879	24,523	6,256	3,993	106,683	286,950
At 31 December 2011:								
Cost or valuation	100,337	44,133	4,052	31,453	7,966	5,440	106,683	300,064
Accumulated depreciation	–	(1,854)	(1,173)	(6,930)	(1,710)	(1,447)	–	(13,114)
Net carrying amount	100,337	42,279	2,879	24,523	6,256	3,993	106,683	286,950

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

Notes:

(a) The forestry land represents approximately 13,000 hectares of freehold land in New Zealand, of which approximately 66 hectares are subject to the restrictions as set out in relevant New Zealand regulations. The Group uses the revaluation model of HKAS 16 to account for the forestry land, which requires that revaluation should be performed with sufficient regularity to ensure that the carrying amount does not differ materially from that which would be determined using fair value at the end of the year.

The Group's forestry land was revalued on 31 December 2012 by Telfer Young (Northland) Limited, independent professionally qualified valuers, with reference to the market price transactions on arm's length terms for land comparable in size and location to that held by the Group.

Had the forestry land been carried under the cost model, the carrying amount of the forestry land of the Group would have been approximately HK$88,761,000 (equivalent to approximately US$11,380,000) as at 31 December 2012 and 2011.

At 31 December 2012, all the Group's forestry land with net carrying amount of approximately HK$109,608,000 was secured for Bank Loan Facilities granted to the Group (note 34).

(b) The net carrying amounts of the Group's property, plant and equipment held under finance leases included in the total amounts of plant and machinery and construction in progress as at 31 December 2012 amounted to HK$54,117,000 (2011: HK$4,128,000) and nil (2011: HK$47,882,000), respectively.

15. PREPAID LAND LEASE PAYMENTS

	Group	
	2012	2011
	HK$'000	HK$'000
Carrying amount at beginning of year	**16,016**	1,412
Additions during the year	**–**	14,901
Amortization provided during the year (note 5)	**(444)**	(297)
Carrying amount at end of year	**15,572**	16,016
Current portion included in current portion of prepayments, deposits and other receivables (note 23)	**(444)**	(444)
Non-current portion	**15,128**	15,572

The leasehold land of the Group are situated in Suriname and are held under medium term leases.

15. PREPAID LAND LEASE PAYMENTS *(continued)*

As disclosed in the Company's 2011 annual report, the Group was in the process of obtaining the land use right certificate for two parcels of land located in Suriname from the local government authority of which the registration of one parcel of land was completed during the Year. According to the legal advisor in Suriname, the whole process of the transfer of land, including the approval and registration with the government authority will normally take around one year to complete. However, a delay has occurred in handling the requests due to several changes in the management of the government authority during the Year. The Directors of the Company consider that the relevant land use right certificate of the remaining land parcel will be obtained in due course.

16. GOODWILL

		Group	
	Notes	**2012 HK$'000**	2011 HK$'000
At beginning of year:			
Cost and net carrying amount		**7,624**	7,624
Net carrying amount:			
At beginning of year		**7,624**	7,624
Acquisition of a subsidiary		**–**	1,301
Impairment during the year	5	**–**	(1,301)
At end of year		**7,624**	7,624
At end of year:			
Cost		**8,925**	8,925
Accumulated impairment		**(1,301)**	(1,301)
Net carrying amount		**7,624**	7,624

16. GOODWILL *(continued)*

Impairment testing of goodwill

The gross carrying amount of the goodwill, which arose on the acquisitions of subsidiaries, has been allocated to the relevant cash-generating units of the Group for impairment testing, which is summarised as follows:

	2012 HK$'000	2011 HK$'000
Logs and timber products business	**7,624**	7,624
Pallets business	**–**	1,301
	7,624	8,925
Less: Impairment for pallets business	**–**	(1,301)
	7,624	7,624

Notes:

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 subsidiaries of the Company.

The Directors allocated the goodwill of HK$7,624,000 to the cash-generating unit of the forestry and timber business in West Suriname segment for the purpose of testing its impairment. The recoverable amount of the cash-generating unit is determined based on fair value less costs to sell. The key assumptions are based upon the discount rates, budgeted profit margin and revenue during the forecast period. The projections (including profit margin, revenue and the growth rates) are based on the anticipations of the most likely actions which will be taken in the operation of the business with reference to sustainable annual allowable cut and expectations for future market development.

Key assumptions on which management has based its cash flow projections for the fair value less cost to sell calculations are as follows:

Revenue and budgeted gross margins – The basis used to determine the value assigned is based on benchmarking data 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.

Discount rates – The discount rates used are before tax and reflect specific risks relating to the relevant units. The discount rate applied to cash flow projections is 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 fair value less costs to sell calculations prepared in accordance with the above key assumptions, no impairment loss provision against the goodwill as at 31 December 2012 is considered necessary (2011: Nil).

17. TIMBER CONCESSIONS AND CUTTING RIGHTS

	Notes	Group 2012 HK$'000	2011 HK$'000
At beginning of 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 year		**800,201**	741,435
Acquisition of subsidiary	33	**11,695**	64,166
Impairment during the year recognized in the income statement	5	**(63,601)**	–
Amortization provided during the year	8	**(10,167)**	(5,400)
At the end of year		**738,128**	800,201
At end of year:			
Cost		**826,873**	815,178
Accumulated amortization and impairment		**(88,745)**	(14,977)
Net carrying amount		**738,128**	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 timbers on parcels of land in Suriname of approximately 230,000 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.

On 3 April 2013, the Group was informed by the licence holder, an independent third party (the "License Holder") that the Suriname government had withdrawn, on 21 December 2012, the concession right of the License Holder of a forest concession of a gross area of approximately 128,000 hectares in East Suriname of which the Group has the right to harvest, transport and sell timber from that concession pursuant to a subcontracting agreement between the Licence Holder and the Group. Accordingly, impairment of timber concessions and cutting rights of HK$63,601,000 was recognized in the income statement during the Year. Further details of which are set out in the Company's announcement dated 5 April 2013.

As at 31 December 2012, the Group's total forest concessions and cutting rights under management in Suriname covered land area of approximately 322,000 hectares (2011: 405,000 hectares).

18. OTHER INTANGIBLE ASSETS

Group

	Notes	Carbon credits HK$'000	Deferred development costs HK$'000	Total HK$'000
At 1 January 2011, 31 December 2011 and 1 January 2012:				
Cost and net carrying amount		–	–	–
Net carrying amount:				
At 1 January 2012		–	–	–
Additions		5,840	1,069	6,909
Amortization of other intangible assets	5	–	(92)	(92)
Impairment during the Year recognized in the income statement	5	(3,882)	–	(3,882)
Exchange realignment		474	–	474
At 31 December 2012		2,432	977	3,409
At 31 December 2012:				
Cost		6,314	1,069	7,383
Accumulated amortization and impairment		(3,882)	(92)	(3,974)
Net carrying amount		2,432	977	3,409

During the Year, 151,000 New Zealand Carbon Credits ("NZUs") were granted by the New Zealand Ministry for Primary Industries and the fair value as at the grant date was recognized in the income statement. In view that the NZUs have indefinite useful lives, they are not amortized but are tested for impairment annually.

Deferred development costs represent direct costs incurred in preparations for FSC certification whereby the Group has now successfully achieved FSC controlled wood status in the West Suriname and full FSC certification in Central Suriname.

19. PLANTATION FOREST ASSETS

	2012 HK$'000	2011 HK$'000
At beginning of year	**489,568**	480,480
Additions	**6,415**	2,044
Harvested as agricultural produce (note 8)	**(90,009)**	(38,597)
Changes in fair value less costs to sell	**94,764**	45,641
At end of year	**500,738**	489,568

As at 31 December 2012, the Group intensively managed radiata pine 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. All the productive area was owned as freehold, except for approximately 66 hectares are subject to the restrictions as set out in relevant New Zealand regulations.

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 independently valued by Indufor Asia Pacific Limited as at 31 December 2012. In view of the non-availability of market value for tree plantation in New Zealand, the professional valuers 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 rates of 8.5% (2011: 11%) for the plantation forest assets, to arrive at the fair value of the plantation forest assets.

The discount rates used in the valuation of the plantation forest assets in New Zealand as at 31 December 2012 were 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. A discount rate adjustment was made in the current year reflecting the reduced uncertainty of the underlying assumptions in the valuation, as a result of the availability of actual operating data achieved in 2012.

A sensitivity analysis to a reasonably possible changes in certain assumptions and estimates underlying the calculation, to the Group's loss before tax was set out in note 4(a) to the financial statements.

All the Group's plantation forest assets were secured for Bank Loan Facilities granted to the Group which were unutilized as at 31 December 2012 (note 34).

20. INTERESTS IN SUBSIDIARIES

		Company	
	Notes	**2012** **HK$'000**	2011 HK$'000
Unlisted shares, at cost		**1**	1
Due from subsidiaries	(a)	**1,777,414**	1,660,903
		1,777,415	1,660,904
Impairment	(b)	**(606,374)**	(594,335)
		1,171,041	1,066,569

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. In the opinion of the Directors, these advances are considered as quasi-equity loans to the subsidiaries.

(b) An impairment was recognized for amounts due from subsidiaries of HK$1,777,414,000 (before deducting the impairment loss) (2011: HK$1,660,903,000) because these subsidiaries have been loss-making for some time.

The movement in provision for impairment of the amount due from subsidiaries during the year is as follows:

	Company	
	2012 **HK$'000**	2011 HK$'000
At beginning of year	**594,335**	523,980
Impairment loss recognized	**12,039**	70,355
At end of year	**606,374**	594,335

20. INTERESTS IN SUBSIDIARIES *(continued)*

Notes: (continued)

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

Company 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
Silver Mount Group Limited	BVI/Hong Kong	US$1	100	–	Investment holding
Greenheart Resources Holdings Limited	BVI/Hong Kong	–	–	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
Topwood Holdings Limited	BVI/Hong Kong	US$1	–	60.39	Provision of administrative and management services
Greenheart (Suriname) N.V.	Suriname	Surinamese dollar ("SRD") 200	–	60.39	Timber concession holding, harvesting and sale of logs and timber products
Epro N.V.	Suriname	SRD500	–	60.39	Timber concession holding
Dynasty Forestry Industry N.V.	Suriname	SRD3,000	–	60.39	Timber concession holding
Beach Paradise N.V.	Suriname	SRD1,000	–	60.39	Investment holding

20. INTERESTS IN SUBSIDIARIES *(continued)*

Notes: (continued)

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

Company name	Place of incorporation/ registration and operation	Nominal value of issued ordinary/ registered share capital	Percentage of equity attributable to the Company Direct	Indirect	Principal activities
Greenheart Grand Forest Limited	BVI/Hong Kong	US$1	–	60.39	Sale of logs and timber products
Greenheart (Overseas) Company Limited	BVI/Hong Kong	US$1	–	100	Sale of logs
Mega Harvest International Limited	BVI/Hong Kong	–	–	100	Investment holding
Greenheart MFV Limited	New Zealand	–	–	100	Investment in commercial forestry and investment holding
Greenheart Mangakahia Forest Land Limited	New Zealand	–	–	100	Forestry land holding and investment holding
Greenheart Mangakahia Forest Maori Land Limited	New Zealand	–	–	100	Forestry land holding
Greenheart Forest Technologies N.V.	Suriname	SRD1,000	–	60	Administration of forestry operations
Forest Technologies N.V.	Suriname	SRD10,000	–	60	Timber cutting right holding
Caribbean Pallet Company N.V.	Suriname	SRD1,000	–	60	Manufacturing and sale of pallet
Greenheart Forest Suriname Suma Limited	BVI/Hong Kong	US$1	–	100	Investment holding

20. INTERESTS IN SUBSIDIARIES *(continued)*

Notes: (continued)

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

Company name	Place of incorporation/ registration and operation	Nominal value of issued ordinary/ registered share capital	Percentage of equity attributable to the Company Direct	Indirect	Principal activities
Greenheart Forest Central N.V.	Suriname	SRD2,000	–	100	Administration of forestry operations
Greenheart Forest Technology Limited	BVI/Hong Kong	USD1	–	100	Sale of logs
Greenheart Forest Suma Limited	BVI/Hong Kong	USD1	–	100	Sale of logs and timber products
Greenheart Forest Central Limited	BVI/Suriname	USD201	–	100	Investment and timber concession holding

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.

21. INVENTORIES

	Group	
	2012	2011
	HK$'000	HK$'000
Logs	**31,964**	4,944
Timber products	**10,307**	2,878
	42,271	7,822

22. TRADE RECEIVABLES

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 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. The Group does not hold any collateral or other credit enhancements over its trade receivable balances. Trade receivables are non-interest-bearing.

None of the trade receivables is impaired as at 31 December 2012 and 2011.

(a) An aged analysis of the trade receivables as at the end of the reporting period, based on the invoice date, is as follows:

	Group	
	2012	2011
	HK$'000	HK$'000
Within 1 month	**32,496**	33,697
1 to 3 months	**2,267**	749
Over 3 months	**500**	87
	35,263	34,533

22. TRADE RECEIVABLES *(continued)*

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

	Group	
	2012	2011
	HK$'000	HK$'000
At beginning of year	**–**	310
Amount written off as uncollectible	**–**	(310)
At end of year	**–**	–

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

	Group	
	2012	2011
	HK$'000	HK$'000
Neither past due nor impaired	**32,496**	33,697
Less than 3 months past due	**2,767**	836
	35,263	34,533

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

Receivables that were past due but not impaired relate to a number of independent customers that have a good track record with the Group 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.

23. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

Non-current portion	Group		Company	
	2012	2011	**2012**	2011
	HK$'000	HK$'000	**HK$'000**	HK$'000
Deposits paid for the purchase of items of property, plant and equipment	**11,283**	12,939	**–**	–
Rental deposits	**–**	1,906	**–**	–
Prepayments	**380**	548	**–**	–
Other receivables (note (b))	**–**	42,247	**–**	–
	11,663	57,640	**–**	–

Current portion	Group		Company	
	2012	2011	**2012**	2011
	HK$'000	HK$'000	**HK$'000**	HK$'000
Current portion of prepaid land lease payments (note 15)	**444**	444	**–**	–
Prepayments	**37,127**	13,402	**–**	–
Deposits	**2,294**	2,274	**40**	2,040
Other receivables (note (b))	**58,468**	10,035	**32**	–
	98,333	26,155	**72**	2,040

Notes:

(a) 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.

(b) Included in the Group's other receivables under non-current portion and current portion of nil (2011: HK$42,247,000) and HK$56,042,000 (2011: HK$9,360,000), respectively, with respect to a loan of approximately US$7,185,000 (2011: US$6,616,000) granted by the Group to an independent third party pursuant to a loan agreement date 8 December 2011. The loan is secured by the borrower's major assets and entire issued share capital and interest-bearing at the rate of 3.9% per annum. Further details of which are set out in the Company's announcement dated 8 December 2011.

24. CASH AND CASH EQUIVALENTS

	Group		Company	
	2012	2011	**2012**	2011
	HK$'000	HK$'000	**HK$'000**	HK$'000
Cash and bank balances other than time deposits	**112,627**	126,583	**15,351**	9,064
Time deposits with original maturity of less than three months when acquired	**31,658**	178,553	**30,639**	177,621
Total cash and cash balances	**144,285**	305,136	**45,990**	186,685
Less: Pledged deposits for banking facilities	**–**	(20,118)	**–**	–
Cash and cash equivalents	**144,285**	285,018	**45,990**	186,685

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 one day and three months depending on the immediate cash requirements of the Group, and earn interest at the respective short term time deposit rates. The bank deposits are deposited with creditworthy banks with no recent history of default.

25. TRADE PAYABLES

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

	Group	
	2012	2011
	HK$'000	HK$'000
Within 1 month	**30,746**	17,940
1 to 3 months	**795**	238
Over 3 months	**420**	335
	31,961	18,513

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

26. OTHER PAYABLES AND ACCRUALS

	Group		Company	
	2012	2011	**2012**	2011
	HK$'000	HK$'000	**HK$'000**	HK$'000
Other payables	**21,982**	19,576	**–**	–
Deposits received	**3,552**	38	**–**	–
Accruals	**7,083**	7,934	**2,830**	4,167
	32,617	27,548	**2,830**	4,167

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

27. FINANCE LEASE PAYABLES

The Group leases certain of its plant and machinery under a hire purchase arrangement for its forestry business in Suriname. These hire purchases are classified as finance lease with hire purchase terms of five years.

At 31 December 2012, the total future minimum lease payments under finance leases and their present values were as follows:

Group

	Minimum lease payments 2012 HK$'000	Minimum lease payments 2011 HK$'000	**Present value of minimum lease payments 2012 HK$'000**	Present value of minimum lease payments 2011 HK$'000
Amounts payable:				
Within one year	**9,667**	8,661	**7,472**	6,208
In the second year	**9,115**	8,202	**7,494**	6,227
In the third to fifth years, inclusive	**17,508**	23,921	**16,175**	21,273
Total minimum finance lease payments	**36,290**	40,784	**31,141**	33,708
Future finance charges	**(5,149)**	(7,076)		
Total net finance lease payables	**31,141**	33,708		
Portion classified as current liabilities	**(7,472)**	(6,208)		
Non-current portion	**23,669**	27,500		

28. CONVERTIBLE BONDS

In August 2010, the Company issued US$ denominated convertible notes with an aggregate principal amount of US$25,000,000 (the "CN") to Greater Sino ("Noteholder"), 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 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 in whole or in part of the CN following the occurrence of a "Change of Control". One of the "Change of Control" events is where Sino-Forest and its subsidiaries as a group disposes, directly or indirectly, any beneficial interest in the shareholding in the Company to the effect that such group ceases to be the single largest shareholder which owns more than 30% of the then issued share capital of the Company for more than a consecutive of 30 days.

In view that the Noteholder may require the Company to redeem in whole or in part of the CN on 17 August 2013, being the third anniversary, the CN were classified as current liabilities as at 31 December 2012.

As mentioned in note 1 to these financial statements, subsequent to the end of the reporting period, the implementation of the Plan has triggered the "Change of Control" provisions. Accordingly, the Noteholder had become entitled to require the Company to redeem the CN in whole or in part and on 20 February 2013, the Company redeemed US$8,000,000 (equivalent to approximately HK$62,400,000) of the principal amount of the CN at a redemption amount of approximately US$9,542,000 (equivalent to approximately HK$74,426,000) upon the partial exercise by the Noteholder of its redemption right following the occurrence of a "Change of Control" event. As a result, the outstanding principal amount of the CN was reduced to US$17,000,000 (equivalent to approximately HK$132,600,000) as at the date of these financial statements. Under the terms and conditions of the CN, following such partial redemption, the Noteholder may subsequently exercise its redemption right (in whole or in part of its outstanding CN), by giving an exercise notice of at least 30 days prior to such further redemption, at any time prior to the maturity of the CN.

28. CONVERTIBLE BONDS *(continued)*

As at the date of these financial statements, the Group has not received any further notice from the Noteholder with regard to its intention over the remaining outstanding principal amount of the CN of US$17,000,000.

The summarized information of the CN as at 31 December 2012 is set out as follows:

Group and Company

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 summarize the movements in the principal amounts, liability and equity components of the Company's CN during the year:

	HK$'000
Principal amount outstanding	
At January 2011, 31 December 2011, 1 January 2012 and 31 December 2012	195,000
Liability component	
At 1 January 2011	189,804
Interest expense	21,467
Interest paid and payable	(9,718)
At 31 December 2011 and 1 January 2012	201,553
Interest expense	22,822
Interest paid and payable	(9,717)
At 31 December 2011	214,658
Equity component (included in convertible bonds equity reserve)	
At 1 January 2011, 31 December 2011, January 2012 and 31 December 2012	7,328

29. DEFERRED TAX

The movements in deferred tax liabilities of the Group during the year are as follows:

Group

	Attributable to						
	Fair value adjustments arising from acquisition of subsidiaries HK$'000	Revaluation of plantation forest assets HK$'000	Tax losses HK$'000	Deprecation allowance in excess of related depreciation HK$'000	Fair value of interest-bearing loan HK$'000	Others HK$'000	Total HK$'000
At 1 January 2011	73,220	4,485	–	–	–	–	77,705
Deferred tax charge/(credited) to the income statement during the year (note 11)	(540)	5,968	(3,705)	3,084	7,446	85	12,338
Exchange difference credited to the income statement during the year (note 11)	–	(289)	–	–	–	–	(289)
At 31 December 2011 and 1 January 2012	72,680	10,164	(3,705)	3,084	7,446	85	89,754
Deferred tax charge/(credited) to the income statement during the Year (note 11)	–	(123)	(6,661)	2,438	7,460	(290)	2,824
Exchange difference credited to the income statement during the Year (note 11)	–	1,300	–	–	–	–	1,300
As at 31 December 2012	72,680	11,341	(10,366)	5,522	14,906	(205)	93,878

As at 31 December 2012, the Group had aggregate tax losses arising in Hong Kong of approximately HK$85,168,000 (2011: HK$58,987,000) that are available indefinitely for offsetting future taxable profits of the companies in which the losses arose. The Group also had tax losses arising in Suriname of HK$52,386,000 (2011: HK$12,710,000) that will expire in one to five years for offsetting against future taxable profits. Deferred tax assets have not been recognized 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 utilized. These tax losses are subject to agreement with the tax authorities of aforementioned jurisdictions.

30. SHARE CAPITAL

Shares

	2012 HK$'000	2011 HK$'000
Authorized:		
15,000,000,000 ordinary shares of HK$0.01 each	**150,000**	150,000
Issued and fully paid:		
779,724,104 (2011: 779,724,104) ordinary shares of HK$0.01 each	**7,797**	7,797

A summary of the movements in the Company's issued share capital during the years ended 31 December 2012 and 2011 is as follows:

	Notes	Number of shares in issue	Issued capital HK$'000	Share premium account HK$'000	Total HK$'000
At 1 January 2011		681,149,152	6,811	1,189,217	1,196,028
Issue of new shares	(a)	96,494,952	965	257,931	258,896
Shares issued upon exercise of share options	(a)	2,080,000	21	4,442	4,463
At 31 December 2011, 1 January 2012 and 31 December 2012		779,724,104	7,797	1,451,590	1,459,387

Note:

(a) Detail of the movement in the Company's issued capital during the year ended 31 December 2011 are set out in note 29 to the financial statements of the Company for the year ended 31 December 2011, which were included in the Company's annual report for that year.

Share options

Details of the Company's share option scheme and the share options issued under the scheme are included in note 31 to these financial statements.

31. SHARE OPTION SCHEME

The Company has a share option scheme (the "Old Share Option Scheme") which was adopted on 22 March 2002, valid and effective for a period of 10 years from that date. The Old Share Option Scheme was 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 (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 whereby the Directors of the Company are authorized, at their discretion, to invite employees, executives or officers of the Group, including executive and non-executive directors of any company in the Group, and any suppliers, consultants, advisers, agents, shareholders, customers, partners or business associates of the Group, to take up 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 New Share Option Scheme shall be valid and effective for a period of 10 years ending on 28 June 2022, 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.

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.

31. SHARE OPTION SCHEME *(continued)*

The following share options were outstanding under the Company's share option schemes during the year:

		2012		2011	
	Notes	**Weighted average exercise price HK$ per share**	**Number of options '000**	Weighted average exercise price HK$ per share	Number of options '000
At beginning of year		**2.18**	**35,082**	2.04	**38,344**
Granted during the year	(a)	**0.50**	**14,710**	2.56	**7,800**
Lapsed/forfeited during the year		**1.94**	**(3,570)**	2.03	**(8,982)**
Exercised during the year	(b)	**–**	**–**	1.68	**(2,080)**
At end of the year	(c)	**1.66**	**46,222**	2.18	**35,082**

Notes:

(a) The fair values of the options granted during the year on 11 October 2012 were calculated using the Binomial Option Pricing Model. The inputs to the model are as follows:

	11 October 2012
Share price at the date of grant	HK$0.49
Exercise price per share	HK$0.50
Expected volatility (%)	87.00
Risk-free interest rate (%)	0.326

The fair value of the share options granted during the Year was HK$3,836,000 (HK$0.26 each) (2011: HK$5,591,000, HK$0.72 each), and the Group recognized a share option expense of HK$1,361,000 (2011: HK$4,934,000) during the Year.

(b) No share option was exercised during the Year. In 2011, 2,080,000 share options were exercised resulted in the issue of 2,080,000 ordinary shares of the Company and new share capital of HK$21,000 and share premium of HK$4,442,000 (before issue expenses), as further detailed in note 30 to the financial statements.

31. SHARE OPTION SCHEME *(continued)*

Notes: (continued)

(c) Due to the unconditional mandatory general cash offers ("MGO") to the Company's shareholders, option holders and convertible note holder by EPGL (please refer to the offer document from EPGL relating to the MGO dated 21 February 2013 for further details), (i) all unvested options have been vested when the MGO was made on 21 February 2013; (ii) each option holder (or his personal representative(s)) may exercise all options (in whole or in part) at any time within 14 days after the MGO was made ("Change of Control Period"); and (iii) any vested option not exercised during the Change of Control Period would automatically lapse. The option holders may accept the option offer under the MGO whereby the options involved would be cancelled. For the number of acceptance of the option offer, please refer to the Company's announcement dated 21 March 2013.

Accordingly, as at the date of these financial statements, there is no outstanding option granted by the Company as the result of the MGO.

(d) Subsequent to the end of the reporting period, no additional share option had been granted to the employee of the Group.

32. RESERVES

(a) Group

(i) 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.

(ii) The share option reserve comprises the fair value of share options granted which are yet to be exercised, as further explained in the accounting policy for share-based payment transactions in note 3.4 to these financial statements. The amount will either be transferred to the share premium account when the related options are exercised, or be transferred to retained profits/accumulated losses should the related options expire or be forfeited.

(iii) The merger reserve represents the difference between the fair value of the consideration given for the acquisition of a subsidiary pursuant to a business combination under common control and the total amount of the historical carrying amount of the consolidated net assets of the acquiree at the date of acquisition and the amount of certain liabilities of the acquiree assumed by the Group in connection with the business combination.

32. 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 2011		1,189,217	125,376	27,436	7,328	(466,774)	882,583
Loss and total comprehensive loss for the year		–	–	–	–	(107,136)	(107,136)
Issue of new shares as consideration for a business combination under common control	30(a)	257,931	–	–	–	–	257,931
Exercise of share options	30(a)	4,442	–	(977)	–	–	3,465
Equity-settled share option arrangements	31(a)	–	–	4,934	–	–	4,934
Share options lapsed		–	–	(4,856)	–	4,856	–
At 31 December 2011 and 1 January 2012		1,451,590	125,376	26,537	7,328	(569,054)	1,041,777
Loss and total comprehensive loss for the Year		–	–	–	–	(51,320)	(51,320)
Equity-settled share option arrangements	31(a)	–	–	1,361	–	–	1,361
Share options lapsed		–	–	(1,945)	–	1,945	–
At 31 December 2012		1,451,590	125,376	25,953	7,328	(618,429)	991,818

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

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

33. ACQUISITION OF SUBSIDIARIES

Acquisition of assets and liabilities

On 28 November 2012, Greenheart Forest Suriname Suma Limited, an indirect wholly owned subsidiary of the Company entered into a sale and purchase agreement with certain parties, pursuant to which Greenheart Forest Suriname Suma Limited agreed to acquire from an independent third party 100% equity interest in a special purpose entity (and is now renamed as Greenheart Forest Central Limited), a company incorporated in the British Virgin Islands, which controls certain harvesting rights to approximately 44,000 hectares of tropical hardwood concession in Suriname. The acquisition was completed on 17 December 2012 upon the settlement of consideration of US$1,500,000 (equivalent to approximately HK$11,700,000).

At the time of the acquisition, Greenheart Forest Central Limited and its subsidiary (the "Greenheart Forest Central Group") had not actively engaged in commercial forestry business and accordingly, in the opinion of the Directors of the Company, the acquisition of the Greenheart Forest Central Group does not constitute a business combination but an acquisition of assets and liabilities.

For accounting purposes, the cost of acquisition of HK$11,700,000 has been allocated to the following identifiable assets and liabilities of the Greenheart Forest Central Group as at the date of acquisition:

	Notes	**2012** **HK$'000**
Net assets acquired:		
Timber concessions and cutting rights	17	11,695
Prepayments, deposits and other receivables		5
Total identifiable net assets at fair value		11,700

An analysis of the cash flows in respect of the acquisition of Greenheart Forest Central Group is as follows:

	HK$'000
Cash consideration paid for the acquisition	(11,700)

34. SECURITY OVER ASSETS

As at 31 December 2012, the Group's Bank Loan Facilities are secured by:

(i) All the present and after-acquired property (the "Personal Property") of certain indirect wholly owned subsidiaries of the Company (the "Selected Group Companies"); and

(ii) A Fixed Charge over

a. the Group's forestry land with the net carrying amount of approximately HK$109,608,000 ("Forestry Land") (note 14(a));

b. the Group's plantation forest assets with the net carrying amount of approximately HK$500,738,000 (note 19) and all other estates and interests in the Forestry Land and all buildings, structures and fixtures on the Forestry Land; and

c. all other present and after-acquired property that is not Personal Property of the Selected Group Companies.

As at 31 December 2012, the Group's Bank Loan Facilities have not been utilized.

35. 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 2012, the Group had total future minimum lease receivables under non-cancellable operating leases with its subcontractors falling due as follows:

	Group	
	2012	2011
	HK$'000	HK$'000
Within one year	**749**	899
In the second to fifth years, inclusive	**–**	524
	749	1,423

At 31 December 2012, the Company did not have any non-cancellable operating lease arrangements as lessor (2011: Nil).

35. 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 and staff quarters are negotiated for terms of one to three years.

At 31 December 2012, the Group had total future minimum lease payments under non-cancellable operating leases falling due as follows:

	Group	
	2012	2011
	HK$'000	HK$'000
Within one year	**4,703**	5,328
In the second to fifth years, inclusive	**306**	4,211
	5,009	9,539

At 31 December 2012, the Company did not have any non-cancellable operating lease arrangements as lessee (2011: Nil).

36. CAPITAL COMMITMENTS

In addition to the operating lease commitments detailed in note 35(b) above, the Group had the following capital commitments at the end of reporting period:

	Group	
	2012	2011
	HK$'000	HK$'000
Contracted, but not provided for:		
Plant and machinery	**13,960**	31,375
Land and buildings	**19,284**	22,734
	33,244	54,109

37. 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	2012 HK$'000	2011 HK$'000
The ultimate holding company	Interest expenses paid and payable on a loan	(i)	**12,574**	9,215
The immediate holding company	Interest expenses paid and payable on a loan	(ii)	**1,830**	–
Fellow subsidiary	Sales of logs	(iii)	**–**	73,194
Noteholder	Interest expenses paid and payable on the CN	(iv)	**22,822**	21,467

Notes:

(i) The interest expenses were charged based on the London Interbank Offered Rate plus 3.5% per annum on the Holding Company Loan, which is unsecured and repayable on 17 August 2013. The interest payable as at 31 December 2012 was HK$132,000 (2011: HK$141,000).

(ii) The interest expenses were charged based on the Hong Kong Prime Rate on a loan with principal amount of HK$62,400,000 (i.e. US$8 million) granted by Sino-Capital during the Year. The loan is unsecured and repayable on 26 March 2015.

(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. No such transaction was recorded during the Year.

(iv) The amount disclosed above represents the imputed interest expenses charged to the income statement for accounting purpose for the CN. The actual coupon paid to the Noteholder, which is calculated based on the coupon rate of 5% per annum as set out in the terms and conditions of the CN is HK$9,718,000 (2011: 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.

37. RELATED PARTY DISCLOSURES *(continued)*

(c) Compensation of key management personnel of the Group

	2012 **HK$'000**	2011 HK$'000
Short term employee benefits	**15,864**	11,131
Equity-settled share option	**2,086**	3,355
Pension scheme contributions	**41**	24
Total	**17,991**	14,510

Further details of directors' remuneration and remuneration of the five highest paid employees are included in notes 9 and 10 to the financial statements, respectively.

The related party transactions in respect of notes 37(a) (i), (ii) and (iii) above also constitute connected transactions or continuing connected transactions as defined in Chapter 14A of the Listing Rules in which the related party transactions in respect of note 37(a) (i) and (ii) are exempt from reporting, annual review, announcement and independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

38. 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 summarized below.

Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Group's exposure to the risk of changes in market interest rates relates primarily to the Group's debt obligations with a floating interest rate, i.e. loan from the ultimate holding company (note 37(a)(i)) and loan from the immediately holding company (note 37(a)(ii)).

Convertible bonds with fixed interest rates are the only interest-bearing financial liabilities of the Group. Changes in interest rate would not affect the income statement of the Group.

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

Interest rate risk (continued)

The following table demonstrates the sensitivity to a reasonably possible change in interest rates, with all other variables held constant, of the Group's loss before tax (through the impact on floating rate borrowings).

	Group	
	Increase/ (decrease) in basis points	**Increase/ (decrease) in loss before tax HK$'000**
Year ended 31 December 2012	100	3,573
	(100)	(3,573)
Year ended 31 December 2011	100	2,418
	(100)	(2,418)

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

Most of the Group's sales are denominated in the United States dollar, 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 New Zealand operation are denominated in New Zealand dollars which can help to partly offset the Group's operating expenses payable in New Zealand dollars. 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 2012. However, the Directors will continue to closely monitor 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(s) to mitigate any significant foreign exchange exposure.

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

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 an 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.

Concentrations of credit risk are managed by customer/counterparty and by geographical region. At the end of the reporting period, the Group had certain concentrations of credit risk as 24.7% (2011: Nil) and 39.4% (2011: 47.0%) of the Group's trade receivables were due from the Group's largest customer and the five largest customers, respectively, within the New Zealand segment.

Further quantitative data in respect of the Group's exposure to credit risk arising from trade receivables are disclosed in note 22 to these financial statements.

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.

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:

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

Liquidity risk (continued)

Group

	2012			
	On demand HK$'000	**Within one year HK$'000**	**In the second to fifth years, inclusive HK$'000**	**Total HK$'000**
Convertible bonds	**–**	**224,376***	**–**	**224,376**
Trade payables	**–**	**31,961**	**–**	**31,961**
Other payables	**11,306**	**10,676**	**–**	**21,982**
Loan from the ultimate holding company	**–**	**319,454**	**–**	**319,454**
Loan from the immediate holding company	**–**	**3,120**	**66,811**	**69,931**
Due to the ultimate holding company	**–**	**132**	**–**	**132**
Finance lease payables	**–**	**9,667**	**26,623**	**36,290**
	11,306	**599,386**	**93,434**	**704,126**

	2011			
	On demand HK$'000	Within one year HK$'000	In the second to fifth years, inclusive HK$'000	Total HK$'000
Convertible bonds	–	9,750	220,648*	230,398
Trade payables	2,459	16,054	–	18,513
Other payables	15,208	4,368	–	19,576
Loan from the ultimate holding company	–	12,727	319,454	332,181
Due to the ultimate holding company	–	141	–	141
Finance lease payables	–	8,661	32,123	40,784
	17,667	51,701	572,225	641,593

* The maturity profile of convertible bonds disclosed above are based on the contractual undiscounted payments, however, the noteholder would have the right to request the Company to early redeem the convertible bonds before their maturity. Further details are set out in note 28 to the financial statements.

As explained in note 2 to the financial statements, the Directors have adopted or plan to adopt certain measures in order to improve the Group's financial and cash flow positions and to maintain the Group's as a going concern.

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

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	
	2012 **HK$'000**	2011 HK$'000	**2012** **HK$'000**	2011 HK$'000
Financial assets:				
Non-current prepayments, deposits and other receivables	**11,663**	15,393	**11,663**	15,393
Financial liabilities:				
Convertible bonds	**214,658**	201,553	**221,986**	208,881
Loan from the ultimate holding company	**312,000**	312,000	**312,000**	312,000
Loan from the immediate holding company	**62,400**	–	**62,400**	–
Finance lease payables	**31,141**	33,708	**31,141**	33,708
	631,862	562,654	**639,190**	569,982

Note: The carrying amount 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.

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

Capital risk 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 maximize shareholders' value.

The Group manages its capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of the underlying assets. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares. No changes were made in the objectives, policies or processes for managing capital during the years ended 31 December 2012 and 2011.

The Group monitors capital using a ratio, which is the consolidated total debts shall not at any time exceed 1.2 times of the consolidated tangible net worth. The consolidated total debts includes interest-bearing bank and other borrowings, convertible bonds and finance lease payables. The consolidated tangible net worth includes equity attributable to equity holders of the Company, but excludes goodwill. During the years ended 31 December 2012 and 2011, such covenant is met as the aforementioned ratio is at all time below 1.2 times.

In addition to the abovementioned capital ratio, the Group also monitors third party debts ratio and debt service cover ratio as required by the Bank Loan Facilities. For the third party debts ratio, it is the total third party debts in New Zealand business unit shall not at any time exceed 40% of its aggregate value of plantation forest assets and forestry land. For the debt service cover ratio, it is the ratio of free cash flow from the New Zealand business unit shall exceed 1.5 times of the debt service requirements. As at 31 December 2012, these covenants are not applicable as no third party debts were drawn in New Zealand business unit.

39. FINANCIAL INSTRUMENTS BY CATEGORY

All financial assets and liabilities of the Group and the Company as at 31 December 2012 and 2011 are loans and receivables, and financial liabilities stated at amortised cost, respectively.

40. EVENTS AFTER THE REPORTING PERIOD

The following significant events occurred subsequent to the reporting period:

(a) The implementation of the Plan required EPGL to make unconditional mandatory general offers (the "Offers") in cash for all the issued shares of the Company (other than the shares already owned or controlled by EPGL and its parties acting in concert) and put appropriate proposals to the respective holders of the Company's convertible securities and share options pursuant to Rule 26 of the Hong Kong Code on Takeovers and Mergers. Details of the Offers were set out in the announcement and the offer document of EPGL dated 31 January 2013 and 21 February 2013 respectively.

The Offers were completed on 21 March 2013 and were not revised or extended. The results of the Offers were set out in the Company's announcement dated 21 March 2013.

(b) The implementation of the Plan as mentioned above constituted a "Change of Control" event under the CN. In connection with this, on 20 February 2013, the Company has redeemed US$8,000,000 of the principal amount of the CN in accordance with the terms and conditions of CN at a redemption amount of US$9,542,000, upon the partial exercise by the Noteholder of its redemption right following the occurrence of a "Change of Control" event.

Under the terms and conditions of the CN, following such partial redemption, the Noteholder may subsequently exercise its redemption right (in whole or in part of its outstanding CN), by giving an exercise notice of 30 days prior to such further redemption, at any time prior to the maturity of the CN.

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

(c) On 3 April 2013, a notification was given to the Group by a licence holder (the "License Holder") of the forest concession with gross area of approximately 128,000 hectares in East Suriname (the "Concession"), whereas the Group has the right to harvest, transport and sell timber from the Concession (the "Cutting Right"), that on 21 December 2012, the Suriname Ministry of Environmental Planning, Land and Forest Management had withdrawn the Concession Right of the License Holder under the relevant Suriname laws and regulations (the "Withdrawal"). Accordingly, the License Holder has been prohibited to exploit any timber from the Concession. Since the holding of the Concession by the License Holder is essential and as a result of the Withdrawal, the Cutting Right has been frustrated and has ceased to be of effect. Despite the notification was received in April 2013, the Withdrawal was effective in December 2012 which constituted as an adjusting event under HKAS 10 *Events after the Reporting Period*, accordingly, impairment of timber concessions and cutting rights of HK$63,601,000 and impairment of property, plant and equipment of HK$632,000 were recognized to the consolidated income statement during the Year.

Further details of which are set out in the Company's announcement dated 5 April 2013.

41. COMPARATIVE AMOUNTS

During the Year, the measurement methods used to determine reportable segment profit/(loss) have been revised. Accordingly, certain comparative amounts have been reclassified and restated to conform to the presentation of the Year.

42. APPROVAL OF THE FINANCIAL STATEMENTS

The financial statements were approved and authorised for issue by the board of Directors on 5 April 2013.