China Asean Resources Limited
神州東盟資源有限公司

(Incorporated in Bermuda with limited liability)

(Stock Code: 08186)

ANNUAL RESULTS FOR THE YEAR ENDED 31 DECEMBER 2008

CHARACTERISTICS OF THE GROWTH ENTERPRISE MARKET (THE "GEM") OF THE STOCK EXCHANGE OF HONG KONG LIMITED (THE "STOCK EXCHANGE")

GEM has been established as a market designed to accommodate companies to which a high investment risk may be attached. In particular, companies may list on GEM with neither a track record of profitability nor any obligation to forecast future profitability. Furthermore, there may be risks arising out of the emerging nature of companies listed on GEM and the business sectors or countries in which the companies operate. Prospective investors should be aware of the potential risks of investing in such companies and should make the decision to invest only after due and careful consideration. The greater risk profile and other characteristics of GEM mean that it is a market more suited to professional and other sophisticated investors.

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The principal means of information dissemination on GEM is publication on the Internet website operated by the Stock Exchange. Listed companies are not generally required to issue paid announcements in gazetted newspapers. Accordingly, prospective investors should note that they need to have access to the GEM website in order to obtain up-to-date information on GEM-listed issuers.

HIGHLIGHTS FOR THE YEAR

- For the year ended 31 December 2008, the Group recorded a turnover of HK$47,927,000, representing an increase of 24.7% over the year 2007. Profit attributable to equity holders of the Company was approximately HK$68,665,000 (2007: loss of HK$21,989,000).

  Reference is made to the Company's circular and announcement on 9 May 2008 and 21 November 2008 respectively.

  Included in the result for the year were:

  (1) Sub-concession of 10% of the First Forest, the completion of which took place on 30 June 2008. The Group recorded a gain of HK$51,985,000 arising from the sub-concession; and

  (2) Initial service fee income of HK$78,000,000 (equivalent to US$10,000,000) upon signing an exclusive services agreement with Eastwood Link Limited ("ELL"), pursuant to which ELL agreed to pay the Group a consideration of US$10,000,000 for being appointed as the sole service provider in relation to the Designated Land of approximately 1,000 hectares in the First Forest.

- Reference is made to the Company's announcement on 26 March 2009 in relation to the Unauthorised Disposal. Unless otherwise defined herein, terms used in this result announcement shall have the same meanings as those defined in the announcement as referred.

  There is a potential dispute over the Company's ownership in a subsidiary, namely, Sinnowa Medical Science and Technology Co., Ltd. (the "Medical Equipment Subsidiary"), a medical equipment company incorporated in Nanjing, the PRC, of which the Company should own 65% equity interest. The Company has been consulting PRC lawyers as to the appropriate actions to take so as to protect its interest in the Medical Equipment Subsidiary and to implement the necessary steps to formally re-register the Company as a 65% shareholder of the Medical Equipment Subsidiary.

  In light of the uncertainties and for the sake of prudence, the Board has made a full provision of approximately HK$15.65 million on the Medical Equipment Subsidiary in the consolidated financial statements for the year ended 31 December 2008.

  Moreover, owing to the degree of seriousness of the matter, on 26 March 2009, the Board resolved to establish a Special Investigation Committee for the purpose of, inter alia, (i) investigating the Unauthorised Disposal and (ii) reviewing the internal control procedures and corporate governance policies of the Company.

  Because of the significance of the uncertainty about the outcome of the investigation of the Unauthorised Disposal, the independent auditor does not express an opinion on the consolidated financial statements.

- For the year ended 31 December 2008, earnings per share is 3.81 Hong Kong cents (2007: loss per share of 2.12 Hong Kong cents).

- The directors do not recommend the payment of final dividend in the year 2008 (2007: Nil).

FINAL RESULTS

The board of directors (the "Board") of China Asean Resources Limited (the "Company"), herein announces the consolidated results of the Company and its subsidiaries (collectively referred to as the "Group") for the year ended 31 December 2008, together with the comparative audited consolidated results for 2007, as follows:

CONSOLIDATED INCOME STATEMENT

	Notes	**2008** *HK$'000*	2007 *HK$'000*
Turnover	*4*	**47,927**	38,443
Cost of sales		**(21,836)**	(18,789)
Gross profit		**26,091**	19,654
Income from forestry exploitation business	*6*	**129,985**	–
Other income	*7*	**6,755**	4,114
Selling and distribution costs		**(13,421)**	(11,790)
Administrative expenses		**(40,276)**	(25,178)
Impairment loss recognised in respect of:			
Biological assets	*12*	**(93)**	(6,785)
Intangible assets	*13*	**(9,600)**	–
Other operating expenses		**(10,319)**	(1,645)
Provision for a potential loss of control of a subsidiary	*16*	**(15,655)**	–
Finance costs	*8*	**(972)**	(244)
Profit/(loss) before taxation	*8*	**72,495**	(21,874)
Taxation	*9*	**(1,500)**	(24)
Profit/(loss) for the year		**70,995**	(21,898)
Attributable to:			
Equity holders of the Company	*11*	**68,665**	(21,989)
Minority interests	*11*	**2,330**	91
		70,995	(21,898)
Earnings/(loss) per share (Hong Kong cents)	*10*		
Basic		**3.81**	(2.12)
Diluted		**3.81**	N/A

CONSOLIDATED BALANCE SHEET

	Notes	2008 HK$'000	2007 HK$'000
Non-current assets			
Property, plant and equipment		**30,385**	7,379
Biological assets	*12*	**–**	88
Construction in progress		**31,950**	18,189
Prepaid lease payments		**2,585**	2,563
Intangible assets	*13*		
Forest exploitation rights		**498,063**	259,203
Medical research project		**17,393**	26,860
Others		**763**	1,098
		581,139	315,380
Current assets			
Inventories		**13,575**	6,019
Trade and other receivables	*14*	**112,517**	54,016
Cash at bank and on hand		**48,414**	99,400
		174,506	159,435
Current liabilities			
Trade and other payables	*15*	**50,427**	69,391
Provision for a potential loss of control of a subsidiary	*16*	**15,655**	–
Bank borrowings		**13,040**	–
Taxation		**1,966**	284
		81,088	69,675
Net current assets		**93,418**	89,760
Total assets less current liabilities		**674,557**	405,140
Non-current liabilities			
Bonds	*17*	**70,000**	–
Net assets		**604,557**	405,140
Capital and reserves			
Share capital		**19,050**	17,050
Reserves	*11*	**575,856**	381,215
Total equity attributable to:			
Equity holders of the Company		**594,906**	398,265
Minority interests		**9,651**	6,875
Total equity		**604,557**	405,140

1. BACKGROUND OF THE COMPANY

The Company is incorporated in Bermuda as an exempted company with limited liability.

The Company acts as an investment holding company and the Group is principally engaged in forestry, wood processing and plantation business in Cambodia, provision of medical equipment and other services, sale of medical accessories and testing equipment in the People's Republic of China ("PRC").

The Company is a public limited liability company and its shares are listed on the Growth Enterprise Market ("GEM") of The Stock Exchange of Hong Kong Limited (the "Stock Exchange").

2. BASIS OF PREPARATION OF THE FINANCIAL STATEMENTS

Potential dispute over the ownership in Sinnowa Medical Science and Technology Co. Ltd. ("Medical Equipment Subsidiary")

As detailed in the announcement of the Company dated 26 March 2009, Medical Equipment Subsidiary is a 65% owned subsidiary of the Company established in September 2002 as a sino-foreign joint venture enterprise in the People's Republic of China (the "PRC"). Medical Equipment Subsidiary engages in the business of manufacture and sale of medical equipment. The remaining 35% equity interest of Medical Equipment Subsidiary is owned by a PRC company called Innova Science & Technology Co., Ltd. (南京英諾華科技有限公司) (the "Chinese Partner"). During the course of external audit of the consolidated financial statements for the year ended 31 December 2008, the Company discovered that the official records of the PRC governmental authorities on the shareholdings of Medical Equipment Subsidiary had been amended without the knowledge of the Company, and that the Company was no longer recorded as an equity owner of the Medical Equipment Subsidiary since 10 December 2007.

Under this circumstance, the Board had, through its Chinese legal advisers, made enquiries with the Bureau of Administration of Industry and Commerce in Nanjing, Jiangsu Province (江蘇省南京市工商行政管理局) ("Nanjing BAIC") and discovered that two unauthorised sale and purchase agreements (the "Unauthorised Sale and Purchase Agreements"), both dated 10 November 2007, were entered into in the name of the Company and executed by a Director, pursuant to which the Company agreed to dispose of its entire 65% equity interest in the Medical Equipment Subsidiary as to 30% to the Chinese Partner and as to 35% to the First New Shareholder, at a consideration of RMB14.00 million (equivalent to approximately HK$15.88 million) and RMB1.00 million (equivalent to approximately HK$1.13 million), respectively. The Unauthorised Sale and Purchase Agreements were duly registered with Nanjing BAIC to the effect that the Medical Equipment Subsidiary was owned as to 65% by the Chinese Partner and as to the remaining 35% by the First New Shareholder. The Director, whose signature was imprinted on the Unauthorised Sale and Purchase Agreements, has confirmed to the Board that he had no knowledge about the Unauthorised Disposal and he had never executed such agreements for and on behalf of the Company.

Despite the allegations of the Chinese Partner that the consideration stated in the SPAs had been fully settled by means of cash and telegraphic transfer, the Group reports only having received a sum of RMB2,000,000 from the Chinese Partner after checking all prior transactions in its bank accounts and accounting records. Since the Board was not aware of the SPAs, the Company recorded the said sum of RMB2,000,000 as a general advance from the Chinese Partner and it is classified as an amount due to minority interests in the consolidated balance sheet as at 31 December 2008.

Also, from the official records of the PRC government, the registered capital of Medical Equipment Subsidiary is reported to have been increased to RMB30,000,000 since late 2008, and the current shareholders of the Medical Equipment Subsidiary are the Chinese Partner (holding 62% of the equity interest), Great Profit Enterprises Limited, a company incorporated in the British Virgin Islands (holding 25% of the equity interest) and another PRC company (holding 13% of the equity interest).

The Company has been consulting PRC lawyers as to the appropriate actions to take to protect its equity interest in Medical Equipment Subsidiary and to implement appropriate steps to formally re-register the Company as a 65% shareholder of Medical Equipment Subsidiary. Moreover, the Board resolved on 26 March 2009 to establish a Special Investigation Committee for the purposes of, among others, investigating the matters related to the potential dispute as to the Company's ownership in Medical Equipment Subsidiary.

In the opinion of the directors of the Company, the transfer of the Group's 65% interest in Medical Equipment Subsidiary may be void under PRC law and the Company should have effective control over Medical Equipment Subsidiary since it became the 65% equity owner of Medical Equipment Subsidiary in 2002 and, therefore, consider that it is appropriate to include the balances, as set out below, relating to Medical Equipment Subsidiary in the consolidated financial statements of the Company.

Income and expenses:	**2008** ***HK$'000***	2007 *HK$'000*
Turnover	**47,692**	38,243
Cost of sales	**(20,925)**	(18,405)
Other income	**5,283**	1,158
Selling and distribution expenses	**(13,282)**	(11,596)
Administrative expenses	**(7,752)**	(7,939)
Other operating expenses	**(2,559)**	(1,339)
Finance costs	**(302)**	(155)
Taxation	**(1,500)**	–
Minority interests	**(2,330)**	(91)
Profit/(loss) attributable to the Group	**4,325**	(124)

Assets and liabilities:	**2008** ***HK$'000***	2007 *HK$'000*
Property, plant and equipment	**16,339**	6,642
Construction in progress	**–**	6,704
Prepaid lease payments	**1,132**	1,109
Intangible assets	**763**	1,097
Inventories	**12,452**	5,959
Trade and other receivables	**14,716**	6,700
Cash at bank and on hand	**9,775**	3,066
Amount due from/(to) minority interest	**5,840**	(2,335)
Trade and other payables	**(18,738)**	(9,497)
Bank borrowings	**(13,040)**	–
Taxation	**(1,665)**	–
Minority interests	**(9,651)**	(6,875)
Net assets attributable to the Group	**17,923**	12,570

3. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs")

In the current year, the Group has applied the following amendments and interpretations ("new HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") which are or have become effective.

HKAS 39 & HKFRS 7 (Amendments)	Reclassification of Financial Assets
HK(IFRIC)-Int 11	HKFRS 2: Group and Treasury Share Transactions
HK(IFRIC)-Int 12	Service Concession Arrangements
HK(IFRIC)-Int 14	HKAS 19 – The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction

The adoption of the new HKFRSs had no material effect on how the results and financial position for the current or prior accounting periods have been prepared and presented. Accordingly, no prior period adjustments have been required.

The Group has not early applied the following new and revised standards, amendments or interpretations that have been issued but are not yet effective.

HKFRSs (Amendments)	Improvements to HKFRSs[1]
HKAS 1 (Revised)	Presentation of Financial Statements[2]
HKAS 23 (Revised)	Borrowing Costs[2]
HKAS 27 (Revised)	Consolidated and Separate Financial Statements[3]
HKAS 32 & 1 (Amendments)	Puttable Financial Instruments and Obligations Arising on Liquidation[2]
HKAS 39 (Amendment)	Eligible hedged items[3]
HKFRS 1 & HKAS 27 (Amendments)	Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate[2]
HKFRS 2 (Amendment)	Vesting Conditions and Cancellations[2]
HKFRS 3 (Revised)	Business Combinations[3]
HKFRS 4	Improving Disclosures about Financial Statements[2]
HKFRS 8	Operating Segments[2]
HK(IFRIC) – Int 13	Customer Loyalty Programmes[4]
HK(IFRIC) – Int 15	Agreements for the Construction of Real Estate[2]
HK(IFRIC) – Int 16	Hedges of a Net Investment in a Foreign Operation[5]
HK(IFRIC) – Int 17	Distribution of Non-cash Assets to Owners[3]
HK(IFRIC) – Int 18	Transfer of Assets from Customers[6]

[1] Effective for annual periods beginning on or after 1 January 2009 except the amendments to HKFRS 5, which are effective for annual periods beginning on or after 1 July 2009

[2] Effective for annual periods beginning on or after 1 January 2009

[3] Effective for annual periods beginning on or after 1 July 2009

[4] Effective for annual periods beginning on or after 1 July 2008

[5] Effective for annual periods beginning on or after 1 October 2008

[6] Effective for transfers of assets from customers received on or after 1 July 2009

The application of HKFRS 3 (Revised) may affect accounting for business combinations for which the acquisition dates are on or after 1 January 2010. HKAS 27 (Revised) will affect the accounting treatment for changes in the Group's ownership interest in a subsidiary. The directors of the Company anticipate that the application of the other new and revised standards, amendments or interpretations will have no material impact on the results and the financial position of the Group.

4. TURNOVER

An analysis of the Group's turnover for the year is as follows:

	2008	2007
	HK$'000	*HK$'000*
Sales of medical equipment	**47,692**	38,243
Medical equipment service fees and sales of related accessories	**203**	112
Research and development service fees	**32**	88
	47,927	38,443

5. SEGMENT INFORMATION

(a) Business segments

	Medical services		Sale of medical equipment		Research and development		Natural resources business		Unallocated		Consolidated	
	2008	2007	**2008**	2007	**2008**	2007	**2008**	2007	**2008**	2007	**2008**	2007
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
Income statement:												
Revenue from external customers	**203**	112	**47,692**	38,243	**32**	88	**–**	–	**–**	–	**47,927**	38,443
Segment results	**(668)**	(770)	**(12,481)**	(1,036)	**(17,149)**	(1,153)	**113,504**	(5,501)	**–**	–	**83,206**	(8,460)
Unallocated operating income and expenses											**(9,739)**	(13,170)
Finance costs											**(972)**	(244)
Profit/(loss) before taxation											**72,495**	(21,874)
Taxation											**(1,500)**	(24)
Profit/(loss) for the year											**70,995**	(21,898)
Other information:												
Depreciation and amortisation	**73**	83	**1,309**	1,011	**64**	242	**7,645**	3,757	**206**	195	**9,297**	5,288
Impairment losses recognised on:												
Biological assets	**–**	–	**–**	–	**–**	–	**–**	–	**93**	6,785	**93**	6,785
Intangible assets	**–**	–	**–**	–	**9,600**	–	**–**	–	**–**	–	**9,600**	–
Bad debts written off	**–**	109	**1,566**	972	**–**	7	**–**	–	**–**	–	**1,566**	1,088
Provision for a potential loss of control of a subsidiary	**–**	–	**15,655**	–	**–**	–	**–**	–	**–**	–	**15,655**	–
Balance sheet:												
Segment assets	**8,682**	9,069	**61,017**	31,277	**22,540**	39,008	**599,861**	279,337	**–**	–	**692,100**	358,691
Unallocated assets											**63,545**	116,124
Total assets											**755,645**	474,815
Segment liabilities	**(2,846)**	(2,628)	**(51,365)**	(11,633)	**(580)**	(745)	**(128)**	(27,334)	**–**	–	**(54,919)**	(42,340)
Unallocated liabilities											**(96,169)**	(27,335)
Total liabilities											**(151,088)**	(69,675)
Capital expenditure incurred during the year	**3,402**	–	**10,179**	6,906	**17,064**	–	**280,337**	263,126	**34,114**	9,181	**345,096**	279,213

(b) **Geographical segments**

	The PRC		**Russia**		**Others**		**Consolidated**	
	2008	2007	**2008**	2007	**2008**	2007	**2008**	2007
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
Revenue from external customers	**31,074**	17,366	**276**	6,767	**16,577**	14,310	**47,927**	38,443

	The PRC		**Hong Kong**		**Cambodia**		**Consolidated**	
	2008	2007	**2008**	2007	**2008**	2007	**2008**	2007
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
Segment assets	**129,513**	112,506	**21,820**	82,972	**604,312**	279,337	**755,645**	474,815

6. INCOME FROM FORESTRY EXPLOITATION BUSINESS

	2008	2007
	HK$'000	*HK$'000*
Sub-concession of 10% of forest exploitation rights *(note 1)*	**51,985**	–
Initial services fee income *(note 2)*	**78,000**	–
	129,985	–

Note:

(1) As detailed in the Company's circular dated 9 May 2008, the Group entered into a cooperation agreement with an independent third party, Qiong Hai Xin Neng Agriculture Development Company Limited ("Qiong Hai Agriculture") on 20 March 2008 pursuant to which the Group agreed to sub-lease to Qiong Hai Agriculture approximately 1,000 hectares (equivalent to approximately 10 million sq.m.), representing approximately 10% of the total site area of its forest (the "First Forest") located in Kratie District, Kratie Province, the Kingdom of Cambodia. The forest exploitation rights were acquired by the Group pursuant to the sale and purchase agreement dated 25 July 2007 in which the Group secured the right to exploit the natural resources of the forest, for a term of approximately 70 years from 24 March 2008 to 11 November 2077, being the expiry date of the exclusive exploitation rights granted to the Group in respect of the First Forest, for a cash consideration of US$10 million (equivalent to approximately HK$78 million).

(2) As detailed in the Company's announcement dated 21 November 2008, the Group entered into a services agreement with an independent third party, Eastwood Link Limited ("Eastwood Link") pursuant to which, Eastwood Link paid the Group a consideration of US$10 million (equivalent to approximately HK$78 million) for being appointed as the sole provider of services to the Group in respect of an area of land of approximately 1,000 hectares (equivalent to approximately HK$10 million sq.m.) located in Kratie District, Kratie Province, the Kingdom of Cambodia. The forest exploitation rights were acquired by the Group pursuant to the sale and purchase agreement dated 25 July 2007 in which the Group has the right to exploit the natural resources of the forest (the "Designated Land"). Eastwood Link is entitled to receive the operating profits up to an aggregate amount of US$15 million (equivalent to approximately HK$117 million) generated from the sale of wood products manufactured from the trees currently standing on the Designated Land.

7. OTHER INCOME

	2008	2007
	HK$'000	*HK$'000*
Bad debts recovered	**3,246**	272
Write-back of accrued expenses	**787**	–
Bank interest income	**611**	2,279
Other	**2,111**	1,563
	6,755	4,114

8. PROFIT/(LOSS) BEFORE TAXATION

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

	2008	2007
	HK$'000	*HK$'000*
Finance costs:		
Interest on bank loan	**302**	155
Interest on bonds	**670**	89
Total borrowing costs	**972**	244
Staff costs:		
Staff costs (including directors' remuneration)		
Wages and salaries	**12,188**	8,657
Share based payments	**4,448**	1,875
Staff retirement benefits	**1,561**	795
	18,197	11,327
Other items:		
Cost of inventories	**20,965**	18,437
Depreciation	**1,432**	1,044
Bad debts written off	**1,790**	1,088
Auditors' remuneration	**1,726**	1,403
Operating lease charges in respect of office premises	**559**	415
Amortisation of prepaid lease payments	**135**	123
Amortisation of intangible assets:		
Forest exploitation rights	**7,332**	3,757
Other	**398**	364
Research and development costs	**10,043**	1,630

9. TAXATION

Taxation in the consolidated income statement represents:

	2008	2007
	HK$'000	*HK$'000*
Current tax – PRC Income Tax for the year	**1,500**	24

(i) Hong Kong Profits Tax

No provision for Hong Kong Profits Tax has been made as the Group did not have any assessable profits in Hong Kong during the year.

(ii) PRC Income Tax

The Company's subsidiary, Tat Lung Medical Treatment (shenzhen) Ltd. ("Tat Lung Treatment"), located in the Shenzhen Special Economic Zone, the PRC ("SSEZ"), is subject to PRC income tax at the reduced rate of 15% (2007: 15%). Another subsidiary, Sinnowa Medical Science & Technology Company Ltd. ("Sinnowa"), is subject to PRC income tax of 25% (2007: 33%). According to the relevant income tax rules and regulations in the PRC, Tat Lung Treatment and Sinnowa obtained approval from the state tax bureau that they are entitled to 100% relief from PRC Income Tax in the first and second years and 50% relief for the third to fifth years, commencing from the first profitable year after the offset of deductible losses incurred in prior years, if any.

Tat Lung Treatment started its first profitable year in 2004 and 2008 is the last year of 50% relief. Sinnowa started its first profitable year in 2006 and is now in its first year of 50% relief.

No provision for PRC Income Tax has been made for the Company's other subsidiaries as they did not have any assessable profits for the year determined in accordance with the relevant income tax rules and regulations in the PRC.

(iii) Cambodia Tax on Profits

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

10. EARNINGS/(LOSS) PER SHARE

The calculation of the basic and diluted earnings/(loss) per share attributable to the ordinary equity holders of the Company is based on the following data:

	2008	2007
	HK$'000	*HK$'000*
Earnings		
Earnings for the purpose of basic and diluted earnings/(loss) per share attributable to equity holders of the Company	**68,665**	(21,989)

Number of shares

	2008	2007
	'000	*'000*
Weighted average number of ordinary shares for the purpose of basic earnings/(loss) per share	**1,801,721**	1,035,036

The diluted earnings per share is the same as basic earnings per share for the year ended 31 December 2008 because the exercise price of the Company's share options was higher than the average market price of the shares. No diluted loss per share has been presented for the year ended 31 December 2007 because the exercise of share options would result in an anti-dilutive effect.

11. RESERVES

	Share premium HK$'000	Contributed surplus HK$'000	Share options reserve HK$'000	Exchange reserve HK$'000	Accumulated losses HK$'000	Total HK$'000	Minority interests HK$'000	Total HK$'000
	Attributable to equity holders of the Company							
At 1 January 2007	70,733	5,265	–	6,068	4,004	86,070	6,339	92,409
Exchange difference arising on translation of foreign operations and net income recognised directly in equity	–	–	–	6,209	–	6,209	445	6,654
Loss for the year	–	–	–	–	(21,989)	(21,989)	91	(21,898)
Total recognised income and expense for the year	–	–	–	6,209	(21,989)	(15,780)	536	(15,244)
Recognition of equity-settled share based payments	–	–	1,875	–	–	1,875	–	1,875
Issue of shares	71,200	–	–	–	–	71,200	–	71,200
Conversion of shares	12,460	–	–	–	–	12,460	–	12,460
New shares placement	113,560	–	–	–	–	113,560	–	113,560
Top-up placement	121,160	–	–	–	–	121,160	–	121,160
Transaction cost attributable to issue of shares	(9,330)	–	–	–	–	(9,330)	–	(9,330)
At 31 December 2007	379,783	5,265	1,875	12,277	(17,985)	381,215	6,875	388,090

	Share premium HK$'000	Contributed surplus HK$'000	Share options reserve HK$'000	Exchange reserve HK$'000	Retained profits HK$'000	Total HK$'000	Minority interests HK$'000	Total HK$'000
	Attributable to equity holders of the Company							
At 1 January 2008	379,783	5,265	1,875	12,277	(17,985)	381,215	6,875	388,090
Exchange difference arising on translation of foreign operations and net income recognised directly in equity	–	–	–	3,528	–	3,528	446	3,974
Profit for the year	–	–	–	–	68,665	68,665	2,330	70,995
Total recognised income and expense for the year	–	–	–	3,528	68,665	72,193	2,776	74,969
Recognition of equity-settled share based payments	–	–	4,448	–	–	4,448	–	4,448
Issue of shares	118,000	–	–	–	–	118,000	–	118,000
Lapsed of share options	–	–	(188)	–	188	–	–	–
At 31 December 2008	497,783	5,265	6,135	15,805	50,868	575,856	9,651	585,507

12. BIOLOGICAL ASSETS

	2008	2007
	HK$'000	*HK$'000*
Cost/Valuation		
At beginning of the year	**88**	2,426
Additions	**–**	4,534
Exchange adjustments	**5**	(87)
Impairment loss recognised	**(93)**	(6,785)
At end of the year	**–**	88

13. INTANGIBLE ASSETS

	Forest exploitation rights	**Medical research projects**	**Others**	**Total**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Cost				
At 1 January 2007	–	84,007	2,468	86,475
Additions				
– through acquisition of a subsidiary	208,360	–	–	208,360
– by the Group	54,600	–	–	54,600
Exchange adjustments	–	145	180	325
At 31 December 2007 and 1 January 2008	262,960	84,152	2,648	349,760
Additions				
– through acquisition of a subsidiary	270,000	–	–	270,000
– by the Group	2,207	–	–	2,207
Disposals	(26,391)	–	–	(26,391)
Exchange adjustments	–	133	162	295
At 31 December 2008	**508,776**	**84,285**	**2,810**	**595,871**
Accumulated amortisation				
At 1 January 2007	–	57,292	1,093	58,385
Charge for the year	3,757	–	364	4,121
Exchange adjustments	–	–	93	93
At 31 December 2007 and 1 January 2008	3,757	57,292	1,550	62,599
Impairment loss recognised	–	9,600	–	9,600
Charge for the year	7,332	–	398	7,730
Write-back on disposal	(376)	–	–	(376)
Exchange adjustments	–	–	99	99
At 31 December 2008	**10,713**	**66,892**	**2,047**	**79,652**
Net book value				
At 31 December 2008	**498,063**	**17,393**	**763**	**516,219**
At 31 December 2007	259,203	26,860	1,098	287,161

14. TRADE AND OTHER RECEIVABLES

	2008	2007
	HK$'000	*HK$'000*
Trade debtors	**8,940**	10,467
Less: Allowance for doubtful debts	**(4,228)**	(6,097)
	4,712	4,370
Other receivables, deposits and prepayments	**101,884**	14,771
Deposits paid	**82**	15,000
Amount due from Innova	**5,839**	–
Amount due from an officer	**–**	19,875
Loans and receivables	**112,517**	54,016

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

	2008	2007
	HK$'000	*HK$'000*
Within 3 months from the date of billing	**4,031**	3,518
3 to 6 months from the date of billing	**13**	322
6 to 12 months from the date of billing	**668**	530
	4,712	4,370

Receivables neither past due nor impaired relate to a wide range of customers who have no recent history of defaults. Receivables that were past due but not impaired relate to a number of independent customers that have good track records with the Group.

Other receivables mainly represented the balance of receivables for the service agreement and sub-concession of the 10% forest exploitation right.

As at 31 December 2007, deposits paid mainly represented earnest money paid to the vendor as a deposit for the acquisition of Agri-Industrial Crop. The acquisition was completed during the year ended 31 December 2008.

As at 31 December 2007, the amount due from an officer represented the amount due from Mr. Zhang Zhenzhong, the chief executive officer of (Cambodia) Tong Min who was subsequently appointed as an executive director of the Company on 23 May 2008. The amount represented general funding for preliminary operations in Cambodia and was fully settled on 15 March 2008.

15. TRADE AND OTHER PAYABLES

	2008	2007
	HK$'000	*HK$'000*
Trade payables	**8,120**	3,854
Other payables and accrued liabilities	**19,065**	40,092
Amount due to Innova	**2,267**	4,470
Amount due to other minority interest	**20,975**	20,975
Financial liabilities measured at amortised cost	**50,427**	69,391

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

Included in trade and other payables are trade creditors with the following ageing analysis as at the balance sheet date:

	2008	2007
	HK$'000	*HK$'000*
Due within 3 months or on demand	**6,590**	2,183
Due after 3 months but within 6 months	**118**	620
Due after 6 months but within 1 year	**1,412**	1,051
	8,120	3,854

16. PROVISION FOR A POTENTIAL LOSS OF CONTROL OF A SUBSIDIARY

	2008	2007
	HK$'000	*HK$'000*
Provision for the year and balance at end of the year	**15,655**	–

As detailed in note 2, the Company is having a potential dispute over the ownership in the Medical Equipment Subsidiary. The Company has been consulting PRC lawyers as to the appropriate actions to take so as to protect its interest in Medical Equipment Subsidiary and to implement the necessary steps to formally re-register the Company as a 65% shareholder of Medical Equipment Subsidiary.

The Board is of the opinion that full provision on the net assets value of Medical Equipment Subsidiary attributable to the Group amounting to approximately HK$17,923,000, less the amount of RMB2,000,000 (approximated to HK$2,268,000) as general advance from the Chinese Partner, is considered necessary.

17. ACQUISITION OF SUBSIDIARIES

On 22 October 2007, China Cambodia Resources Limited, a wholly-owned subsidiary of the Company, acquired the entire equity interest of (Cambodia) Tong Min for a total consideration of HK$208,360,000. The fair values of the net assets acquired were as follows:

	Fair value to the Group *HK$'000*
Intangible assets – Forest exploitation rights	208,360
Satisfied by:	
Cash	50,000
Bonds	70,000
Convertible bonds	13,160
Consideration shares	75,200
Total consideration	208,360

On 8 July 2008, Forest Glen Group Limited, a wholly-owned subsidiary of the Company, acquired the entire equity interest of Agri-Industrial Crop for a total consideration of HK$270,000,000. The fair values of the net assets acquired were as follows:

	Fair value to the Group *HK$'000*
Intangible assets – Forest exploitation rights	270,000
Satisfied by:	
Cash	80,000
Bonds	70,000
Consideration shares	120,000
Total consideration	270,000

Both of the above acquisitions have been accounted for as acquisitions of assets.

18. FINAL DIVIDEND

No dividend has been paid or declared by the Company since its incorporation. The directors do not recommend the payment of final dividend for the year ended 31 December 2008 (2007: Nil).

19. EVENTS AFTER THE BALANCE SHEET DATE

As mentioned in note 2 to the financial statements, the Company is having a potential dispute over the ownership in the Medical Equipment Subsidiary. Reference is made to the Company's announcements on 26 March 2009. Unless otherwise defined herein, terms used in this report shall have the same meanings as those defined in the announcements as referred.

EXTRACT OF THE INDEPENDENT AUDITOR'S REPORT

The Independent Auditor has issued a "Disclaimer of opinion: Disclaimer on view given by consolidated financial statements" in the independent auditor's report. Below is the extract of the independent auditor's report for the year ended 31 December 2008.

Extract of Independent Auditor's Report

Basis for disclaimer of opinion

As detailed in note 2 to the consolidated financial statements, the Group's 65% equity interest in Sinnowa Medical Science and Technology Co. Ltd. (the "Medical Equipment Subsidiary"), which is engaged in the manufacture and sale of medical equipment, was transferred to the minority shareholder of Medical Equipment Subsidiary and an independent third party without the consent and approval of the board of directors of the Company (the "Board"). The Company has been consulting PRC lawyers as to the appropriate action to take to protect its interest in Medical Equipment Subsidiary and to implement the necessary steps to formally re-register the Company as a 65% equity owner of Medical Equipment Subsidiary. Up to the date of this report, the PRC lawyers have been unable to form a view as to whether or not the transfer of the Group's 65% equity interest in Medical Equipment Subsidiary is valid under PRC law and/or whether the Group will be able to recover its ownership interest.

The Board resolved on 26 March 2009 to establish a special investigation committee for the purpose of, among others, investigating the matters related to this potential dispute as to the Company's ownership in Medical Equipment Subsidiary. In the opinion of the directors of the Company, the transfer of the Group's 65% equity interest in Medical Equipment Subsidiary should be void under PRC law and the Company is deemed to have effective control over Medical Equipment Subsidiary throughout the current and prior years when it was the 65% equity owner of Medical Equipment Subsidiary. Accordingly, the Board considers it is appropriate to include the following balances related to Medical Equipment Subsidiary in the consolidated financial statements of the Company:

	2008	2007
	HK$'000	*HK$'000*
Income and expenses:		
Turnover	**47,692**	38,243
Cost of sales	**(20,925)**	(18,405)
Other income	**5,283**	1,158
Selling and distribution expenses	**(13,282)**	(11,596)
Administrative expenses	**(7,752)**	(7,939)
Other operating expenses	**(2,559)**	(1,339)
Finance costs	**(302)**	(155)
Taxation	**(1,500)**	–
Minority interests	**(2,330)**	(91)
Profit/(loss) attributable to the Group	**4,325**	(124)

	2008	2007
	HK$'000	*HK$'000*
Assets and liabilities:		
Property, plant and equipment	**16,339**	6,642
Construction in progress	**–**	6,704
Prepaid lease payments	**1,132**	1,109
Intangible assets	**763**	1,097
Inventories	**12,452**	5,959
Trade and other receivables	**14,716**	6,700
Cash at bank and on hand	**9,775**	3,066
Amount due from/to minority interest	**5,840**	(2,335)
Trade and other payables	**(18,738)**	(9,497)
Bank borrowings	**(13,040)**	–
Taxation	**(1,665)**	–
Minority interests	**(9,651)**	(6,875)
Net assets attributable to the Group	**17,923**	12,570

In view of the significance of the uncertainty about the outcome of the investigation, we were unable to satisfy ourselves as to whether the inclusion of the above financial information of Medical Equipment Subsidiary in the consolidated financial statements of the Group is in accordance with the requirements of Hong Kong Accounting Standard 27 "Consolidated and Separate Financial Statements". We were also unable to obtain sufficient reliable evidence to satisfy ourselves as to whether the provision for a potential loss of control of a subsidiary amounting to HK$15,655,000 in relation to this potential dispute is a reliable estimate of the financial impact to the Group as at 31 December 2008 and in accordance with the requirements of Hong Kong Accounting Standard 37 "Provision, Contingent Liabilities and Contingent Assets". There were no other satisfactory audit procedures that we could adopt to obtain sufficient evidence regarding the abovementioned matters. Accordingly, we have not been able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion. Any adjustment to these figures may have a consequential significant effect on the state of affairs of the Group as at 31 December 2008 and profit for the year then ended.

Disclaimer of opinion: Disclaimer on view given by consolidated financial statements

Because of the significance of the matters described in the basis for disclaimer of opinion paragraph, we do not express an opinion on the consolidated financial statements as to whether they give a true and fair view of the state of affairs of the Group as at 31 December 2008 and of its profit and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards and as to whether the consolidated financial statements have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL REVIEW

The Group's turnover for the year ended 31 December 2008 amounted to approximately HK$47,927,000, representing an increase of 24.7% as compared with the corresponding year in 2007. For the year ended 31 December 2008, the Group recorded a profit attributable to equity holders of the Company of approximately HK$68,665,000 (2007: loss at HK$21,898,000).

Other income for forestry exploitation business for the year ended 31 December 2008 amounted to approximately HK129,985,000. Included in this was service income of HK$78,000,000 (equivalent to US$10,000,000) recorded in connection with the signing of the exclusive services agreement with Eastwood Link Limited ("ELL"). Also included was a gain of HK$51,985,000 from the Sub-concession of 10% of the First Forest.

Selling, distribution and administrative expenses for the year ended 31 December 2008 increased by 45.3% to HK$53,697,000 from HK$36,968,000 as compared with that of the corresponding period last year. The significant increase was primarily due to: (1) an increase in overheads associated with the Cambodian businesses of HK$8,542,000; (2) an increase in amortization expenses for the forest exploitation rights of HK$3,481,000; and (3) an increase in professional fees associated primarily with the acquisition of the First and Second Forest and the Sub-concession of the First Forest of HK$1,426,000.

An impairment loss of HK$9,600,000 was charged to the anti-cancer drug candidate currently in pre-clinical development.

The basic earning per share for the year ended 31 December 2008 was 3.81 Hong Kong cents (2007: loss per share 2.12 Hong Kong cents).

At 31 December 2008, the outstanding bank loan of the Group was HK$13,040,000 (2007: Nil).

Reference is made to the announcement of 26 March 2009 on Potential Dispute over the Group's ownership of the Medical Equipment Subsidiary. In light of the uncertainties of the potential dispute and in the interest of prudence, the Board has made a full provision of approximately HK$15.65 million for the Medical Equipment Subsidiary in the Group's consolidated financial statements for the year ended 31 December 2008.

Based on the Company's financial statements for the year ended 31 December 2008, the Medical Equipment Subsidiary recorded net profit after taxation of approximately HK$6.66 million, representing approximately 9.38% of the Group's consolidated net profit after taxation and full provision of the above-mentioned HK$15.65 million. As at 31 December 2008, the net asset value of the Medical Equipment Subsidiary attributable to the Company amounted to approximately HK$17.92 million, representing approximately 3.01% of the Group's consolidated net asset value. The management of the Company estimated that up to 31 December 2008, the Company's total investment in the Medical Equipment Subsidiary amounted to approximately HK$7.61 million.

Guaranteed profit of First Forest

For the year ended 31 December 2008, the net profit after tax and minority interests of the First Forest was approximately HK$123,000,000, which is equivalent to 72% of the guaranteed profit of HK$170,000,000 provided by the vendors of the First Forest when the Group acquired it from the vendors. As this is above the floor of 70% at which point the compensation mechanism kicks in, no compensation will accrue to the Group.

CAPITAL STRUCTURE

As at 31 December 2008, the total number of issued ordinary shares and the issued share capital of the Company were 1,905,000,000 (2007: 1,705,000,000) and HK$19,050,000 (2007: HK$17,050,000) respectively. During the year, the Company increased its issued share capital by the allotment of 200,000,000 new Consideration Shares in connection with the acquisition of the Second Forest.

CAPITAL MANAGEMENT

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

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

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

Our gearing ratio was 13.6% and 0% as at 31 December 2008 and 31 December 2007, respectively. The capital base was increased by HK$120,000,000 with share capital and share premium at HK$2,000,000 and HK$118,000,000 upon the completion of acquisition of the Second Forest in Cambodia on 8 July 2008. The increase in gearing ratio in the financial year under review was due to bank loans taken out by the Group to fund the completion of the new pharmaceutical factory in Nanjing and the Bonds issued by the Group to fund the said acquisition during the year. Under the new banking facility, the Group was granted general banking facility of HK$7,937,000, payable on demand, with interest at 6.9% per annum as at 31 December 2008 so charged. Together with the existing facility granted by China Merchant Bank, both facilities are pledged by buildings and leasehold land assets of the Group in the balance sheet with an aggregate carrying value of HK$16,408,000 at 31 December 2008 (2007: HK$6,974,000). The Bonds issued by the Group had a principal value of HK$70,000,000, 2% coupon per annum, payable on a semi-annual basis. The Bonds maturity date is 8 July 2010. Undrawn bank facility as at 31 December 2008 amounted is nil compared to HK$4,806,000 as at 31 December 2007.

The Board believes the existing gearing ratio of 13.6% is reasonable considering the cost of capital and the risks associated with each class of capital.

FINANCIAL RESOURCES, BORROWINGS, BANKING FACILITIES AND LIQUIDITY

As at 31 December 2008, the Group had total assets of approximately HK$753,378,000 (2007: HK$474,815,000) which were financed by current liabilities of approximately HK$63,166,000 (2007: HK$69,675,000), total equity of the Company of approximately HK$620,212,000 (2007: HK$405,140,000), and bonds of HK$70,000,000 (2007: Nil).

The current assets of the Group amounted to approximately HK$172,239,000 (2007: HK$159,435,000) of which approximately HK$48,414,000 (2007: HK$99,400,000) were cash and bank deposits. The current liabilities of the Group amounted to approximately HK$63,166,000 (2007: HK$69,675,000) of which approximately HK$48,160,000 (2007: HK$69,391,000) were trade and other payables and HK$1,966,000 (2007: HK$284,000) was provision for income tax. There is outstanding bank loan of the Group of HK$13,040,000 at 31 December 2008 (2007: Nil). During the year, the Group negotiated new banking facility from 南京市區農村信用合作聯社 of HK$7,937,000, with an effective interest rate of 6.9% per annum as at 31 December 2008. The existing banking facility from China Merchant Bank of HK$5,103,000, payable on demand, with an effective interest rate of 7.3% as at year end. Both facilities were secured by the Group's buildings and leasehold land assets of the Group in the balance sheet with an aggregate carrying value of HK$16,173,000 at 31 December 2008 (2007: HK$6,974,000).

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

The net assets value per share as at 31 December 2008 was HK$0.32 (2007: HK$0.24).

CAPITAL COMMITMENT, SIGNIFICANT INVESTMENTS AND MATERIAL ACQUISITIONS AND DISPOSALS

During the year ended 31 December 2008, the Company acquired the entire share capital of Agri-Industrial Crop with the approval by shareholders in the SGM on 28 May 2008. Following completion of the acquisition of Agri-Industrial Crop, the Group increased its total concession area in Cambodia to approximately 19,500 hectares with estimated timber reserves in excess of 5 million cubic metres. The Group is expected to receive the economic benefit derived from the initial clearing up of the forest area and the subsequent cultivation of rubber tree and jatropha caucas plantations during the 70-year concession period.

There was no disposals of subsidiaries and affiliated companies during the year.

As at 31 December 2008, the Group had outstanding capital commitment of approximately HK$5,568,000 (2007: HK$13,693,000).

FOREIGN EXCHANGE EXPOSURE AND HEDGING INSTRUMENTS

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

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

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

As at 31 December 2008, the Group had no outstanding hedging instruments (2007: HK$Nil).

EMPLOYEES' INFORMATION AND BENEFIT SCHEME FOR THE EMPLOYEES

As at 31 December 2008, the Group has 324 (2007: 227) employees. The total amounts of employees remuneration, including that of the directors, for the years ended 31 December 2008 and 2007 were approximately HK$23,482,000 and HK$11,327,000 respectively.

On 31 March 2008, the Company granted Share Options for 36,000,000 shares to employees of the Group at an exercise price of HK$0.21 per share during the period from 31 March 2010 to 31 March 2012 under its Share Option Scheme. The total share options granted included 18,000,000 to two directors, Mr. Leung Sze Yuan, Alan and Mr. Zhang Zhenzhong.

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

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

CONTINGENT LIABILITIES

As at 31 December 2008, the Group and the Company did not have any material outstanding contingent liabilities.

BUSINESS REVIEW

Forestry, wood product manufacturing and plantation

The two forests in Cambodia have a total site area of approximately 19,500 hectares with estimated timber reserves in excess of 5 million cubic metres. During the year, the Group completed most of the access roads measuring in excess of 150 kilometres, drainage systems, and river bridges of the two forests, as well as a sawn timber factory with an annual capacity of 10,000 cubic metres.

Forest clearing began in the first half of 2008 and over 300 hectares were cleared in 2008. We established a timber yard measuring 120 hectares and have in storage logs in excess of 5,000 cubic metres as at year end. Production of sawn timber from salvage logs began in the second half of 2008.

Cultivation of rubber tree and jatropha curcas plantations commenced in the second half of 2008. As at year end, we have planted 5,500 rubber trees and 1,800 jatropha curcas plants.

We signed an exclusive services agreement with ELL in November 2008 to provide services including the logging of trees, processing of logs into wood products, and the selling of such wood products on a designated piece of land measuring approximately 1,000 hectares in the First Forest. This will speed up the tree logging and the development pace of forest exploitation.

I am pleased to report that permits for the domestic and export sale of wood products have been received from the Cambodian Government and revenue from the sale of wood products will start from 2009.

Development of the market and application of RFAS in the PRC

The Group's RFAS radio frequency treatment business experienced a reduction in revenue as the number of co-operation contracts with the PRC hospitals declined.

Manufacturing and sales of medical equipment

The sales of medical equipment made good progress during the year. Sales of medical equipment increased by 24.7% to HK$47,692,000 as compared to the previous year.

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

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

Research, development and sales of drugs

The Group decided to focus our pharmaceutical research and development efforts on a principal anti-cancer product. In March 2008, final application to commence Phase I clinical trials were submitted to the SFDA. In July 2008, the SFDA experts' panel discussed the Group's application, and final determination is expected in first half 2009.

Manufacturing and sales of drugs and medicines

The construction of the new pharmaceutical factory in Nanjing was completed and the factory passed GMP certification during the year. We will prepare applications to manufacture a number of generic drugs in 2009.

Plantation development in Guilin

The Group's plantation development in Guilin suffered losses due to the heavy snow storms in southern China in first quarter 2008. The Board reassessed the plantation development plan and have decided to write off the remaining investment in the plantation. The Group has leased out unutilised farm land to local farmers.

OUTLOOK

The Group plans to increase the pace of development of its forestry, wood manufacturing and plantation businesses in Cambodia. We plan to begin production of sawn timber and wood flooring materials in significant volume in 2009 through manufacturing subcontractors. The first sawn timber and flooring material factory built by subcontractors with an annual capacity of 15,000 cubic metres is expected to be ready for production in the second quarter of 2009. To facilitate the expected increase in sale of wood products, the Group plans to set up a sales office in Shanghai, the PRC. The Group expects to generate substantial wood product revenue from the second half of 2009.

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

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

OTHER INFORMATION

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

As at 31 December 2008, the interests and short positions of the Directors and the Chief Executive of the Company in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance ("SFO")) as recorded in the register required to be kept under Section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the minimum standards of dealings by directors as referred to in Rules 5.46 to 5.67 of the GEM Listing Rules were as follows:

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

Save as disclosed above, as at 31 December 2008, none of the Directors or Chief Executive of the Company had any interests or short positions in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which were required, pursuant to Section 352 of the SFO, to be entered in the register referred to therein or were required, pursuant to Rules 5.46 to 5.67 of the GEM Listing Rules relating to the minimum standards of dealings by Directors, to be notified to the Company and the Stock Exchange.

SHARE OPTION SCHEME

Pursuant to a written resolution passed by all the shareholders of the Company on 14 December 2001, the Company had conditionally approved and adopted a share option scheme (the "Share Option Scheme").

The principal terms of the Share Option Scheme are set out in the Company's prospectus dated 19 December 2001.

Pursuant to a resolution passed at a meeting of all Independent Non-Executive Directors on 31 March 2008, the Group granted share option of 36,000,000 shares to Directors and employees of the Group under the Share Option Scheme. As at 31 December 2008, no share option was exercised.

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBT SECURITIES

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

Save as disclosed above, as at 31 December 2008, no other Directors or the Chief Executive or their associates had any interests or rights to subscribe for any securities of the Company or any of its associated corporations as defined in the SFO.

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

INTERESTS DISCLOSEABLE UNDER THE SFO AND SUBSTANTIAL SHAREHOLDERS

At 31 December 2008, so far as is known to any of the Directors or the Chief Executive of the Company, the following persons (other than a Director or the Chief Executive of the Company) had an interest or short positions in the shares or underlying shares of the Company as recorded in the register required to be kept under Section 336 of the SFO:

Name of substantial shareholder	Number of shares held	Capacity	Percentage of interest
Li Wo Hing	37,470,000	Personal	1.96%
	193,360,000	Corporate *(Note)*	10.15%
	230,830,000		12.11%
Zhang Jie	222,666,667	Personal	11.68%
Greatest Luck International Limited	200,000,000	Beneficial owner	10.49%
PMM *(Note)*	193,360,000	Beneficial owner	10.15%
Pen Sophal	107,333,333	Personal	5.63%

Note: As at 30 December 2008, PMM owned 193,360,000 shares, representing approximately 10.15% of the issued share capital of the Company. The issued share capital of PMM is owned as to 70.58% by Mr. Li Wo Hing, as to 19.61% by Dr. Li Nga Kuk, James, as to 9.81% by Mr. Li Tai To, Titus. Accordingly, Mr. Li Wo Hing holds indirect interest in the 193,360,000 shares through PMM.

Save as disclosed above, as at 31 December 2008, so far as is known to any of the Directors or the Chief Executive of the Company, no other person (other than a Director or the Chief Executive of the Company) had any interest or short position in the shares or underlying shares of the Company as recorded in the register required to be kept under Section 336 of the SFO.

DIRECTORS' INTEREST IN CONTRACTS

No contract, commitment or agreement of significance in relation to the Company's business, to which the Company or any of its subsidiaries was a party and in which any of the directors of the Company had a material interest, either directly or indirectly, subsisted during the year ended 31 December 2008.

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

During the year ended 31 December 2008, neither the Company nor any of its subsidiaries purchased, redeemed or sold any of the Company's listed securities.

COMPETING INTERESTS

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

CODE ON CORPORATE GOVERNANCE PRACTICES

The board of Directors is committed to achieving and maintaining high standards of corporate governance in managing the business and affairs of the Group as guided by the principles and best practices as set out in the Hong Kong Code on Corporate Governance (the "Code") in Appendix 15 of the GEM Listing Rules of the Stock Exchange of Hong Kong Limited and developments of recognized best governance practices. These practices are instilled throughout the Group's operations. Further details are set out in the Corporate Governance Report.

In the opinion of the Board, the Company has complied with the Code and adopted the required standards on dealings as set out in Rules 5.48 to 5.67 of the GEM Listing Rules as the code of conduct regarding directors' transactions in securities of the Company throughout the year ended 31 December 2008. Having made specific enquiry of all directors of the Company, the Company's directors confirmed that they have complied with such code of conduct and required standards of dealings throughout the year ended 31 December 2008.

AUDIT COMMITTEE

The Audit Committee was established with written terms of reference in compliance with Rules 5.28 to 5.33 of the GEM Listing Rules. The Audit Committee's primary duties include reviewing Company's annual reports and quarterly financial reports and providing advice and comments thereon to the Board. The Audit Committee is also responsible for reviewing and supervising the Company's financial reporting and internal control procedures.

The Audit Committee comprises the three independent non-executive directors, namely, Messrs. Fan Wan Tat, Tam Wai Leung, Joseph and Chan Kim Chung, Daniel, and has held 4 meetings during the year under review.

The Audit Committee has reviewed the Company's audited annual report for the year ended 31 December 2008 and was of the opinion that the preparation of such results complied with the applicable accounting standards and requirements and that adequate disclosure have been made.

By order of the Board
Leung Sze Yuan, Alan
Chairman

Hong Kong, 26 March 2009

As at the date of this announcement, the Board comprises two executive directors, namely Mr. Leung Sze Yuan, Alan, and Mr. Zhang Zhenzhong; two non-executive Directors, namely Mr. Li Nga Kuk, James, and Mr. Li Tai To, Titus; and three independent non-executive Directors, namely Mr. Fan Wan Tat, Mr. Tam Wai Leung, Joseph, and Mr. Chan Kim Chung, Daniel.

This announcement will remain on the "Latest Company Announcement" page of the GEM website at http://hkgem.com for at least 7 days from the date of the publication.