China Asean Resources Limited
神 州 東 盟 資 源 有 限 公 司

(Incorporated in Bermuda with limited liability)

(Stock Code: 8186)

ANNUAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 31 DECEMBER 2009

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

SUMMARY FOR THE YEAR

- Reference is made to the Company's announcements on 26 March 2009 and 9 June 2009 in relation to the unauthorized disposal (the "Unauthorized Disposal") of the Company's ownership in a subsidiary, namely, Sinnowa Medical Science and Technology Co., Ltd. ("Sinnowa"), a medical equipment company incorporated in Nanjing, the PRC, of which the Company should own 65% equity interest. Unless otherwise defined herein, terms used in this result announcement shall have the same meanings as those defined in the announcement as referred.

  The Company lodged a request for administrative review for reviewing the governmental approval of the Unauthorised Disposal and registration of the unauthorised sale and purchase agreements. In the midst of the administrative review, the Company was notified in October 2009 that one of the current registered owners of Sinnowa filed a civil claim against the Group in the courts of Nanjing, PRC so as to seek the court's declaration that the transfer of the Company's 65% interest in Sinnowa is legal and valid. Both the administrative review lodged by the Company and the civil claim against the Company are in progress, but no judgment has been issued by the relevant PRC authorities or courts yet.

  The Company has been unable to obtain the management financial statements of Sinnowa since 31 December 2008. As such, the financial result of Sinnowa has been deconsolidated as from 1 January 2009.

  The Company engaged an independent consultancy company (the "Consultant") to conduct a review on the internal control system of the Group and the report thereof was issued in September 2009. The Board and the Special Investigation Committee of the Company agreed with the recommendations made by the Consultant and appointed the Consultant to oversee the implementation of an internal control enhancement program, and the major recommendations have been implemented.

  Because of the significance of the uncertainty about the outcome of the investigation of the Unauthorised Disposal together with whether the deconsolidation of Sinnowa is appropriate, the independent auditor does not express an opinion on the consolidated financial statements.

- Reference is made to the Company's announcement on 2 March 2010 in relation to disposal of subsidiaries engaged in research and medical businesses in the PRC, namely the entire registered capital of CB Pharmaceutical (Nanjing) Co., Ltd. (南京神州佳美製藥有限公司) and 75% of the entire issued capital of Medical China Technology Limited (the "Disposal Group"). Unless otherwise defined herein, terms used in this result announcement shall have the same meanings as those defined in the announcement as referred.

  In view of the Disposal Group represented a single segment of the Group, the financial result of the Disposal Group has been classified as discontinued operations for the year ended 31 December 2009. The assets and liabilities of the Disposal Group will be presented as a single line under "Assets/liabilities classified as held for sale" at 31 December 2009.

- For the year ended 31 December 2009, the Group recorded a turnover of approximately HK$343,000, representing a decrease of 99% over the year 2008, primarily as a result of the deconsolidation of Sinnowa. Loss attributable to equity holders of the Company was approximately HK$49,763,000 (2008: Profit of HK$68,665,000) due to the following reasons:

  (a) Deconsolidation of the results of Sinnowa;

  (b) The fact that there was no income generated from the one off initial service fee and sub-concession of its forest in Cambodia for the year ended 31 December 2009, as compared to the income of approximately HK$129,985,000 from such business during the year ended 31 December 2008; and

  (c) Loss for the year from discontinued operations of approximately HK$19,747,000 resulting from the fair value remeasurement on the Disposal Group.

- For the year ended 31 December 2009, loss per share is 2.61 Hong Kong cents (2008: earnings per share of 3.81 Hong Kong cents).

- The directors do not recommend the payment of final dividend for the year 2009 (2008: 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 2009, together with the comparative audited consolidated results for 2008, as follows:

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Note	**2009** *HK$'000*	2008 *HK$'000*
CONTINUING OPERATIONS			
Turnover	*5*	**343**	47,895
Cost of sales		**(890)**	(21,781)
Gross profit/(loss)		**(547)**	26,114
Net effect of deconsolidation of a subsidiary	*2*	**1,044**	–
Provision for a potential loss of control of a subsidiary	*2*	**–**	(15,655)
Income from forestry exploitation business	*7*	**–**	129,985
Other income	*8*	**18**	5,763
Selling and distribution costs		**(104)**	(13,421)
Administrative expenses		**(26,446)**	(38,212)
Impairment loss recognised in respect of:			
Biological assets		**–**	(93)
Construction in progress		**(2,600)**	–
Other operating expenses	*9*	**–**	(3,558)
Finance costs	*9*	**(1,381)**	(972)
Profit/(loss) before taxation		**(30,016)**	89,951
Taxation	*10*	**–**	(1,500)
Profit/(loss) for the year from continuing operations		**(30,016)**	88,451
DISCONTINUED OPERATIONS			
Loss for the year from discontinued operations	*11*	**(19,747)**	(17,456)
PROFIT/(LOSS) FOR THE YEAR		**(49,763)**	70,995
Other comprehensive income for the year			
Exchange differences on translation of financial statements of overseas subsidiaries		**(424)**	3,974
Other comprehensive income for the year, net of tax		**(424)**	3,974
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		**(50,187)**	74,969

	Note	2009 HK$'000	2008 HK$'000
Profit/(loss) attributable to:			
Equity holders of the Company		**(49,763)**	68,665
Non-controlling interests		**–**	2,330
		(49,763)	70,995
Total comprehensive income attributable to:			
Equity holders of the Company		**(50,187)**	72,193
Non-controlling interests		**–**	2,776
		(50,187)	74,969

	Note	2009 HK Cents	2008 HK Cents
Basic earnings/(loss) per share	*12*		
From continuing operations		**(1.58)**	4.78
From discontinued operations		**(1.03)**	(0.97)
		(2.61)	3.81
Diluted earnings/(loss) per share			
From continuing operations	*12*	**(1.58)**	4.78
From discontinued operations		**(1.03)**	(0.97)
		(2.61)	3.81

CONSOLIDATED BALANCE SHEET

	Note	**2009**	2008
		HK$'000	*HK$'000*
Non-current assets			
Property, plant and equipment		**22,454**	30,385
Construction in progress		**–**	31,950
Prepaid lease payments		**–**	2,585
Intangible assets			
Forest exploitation rights		**488,807**	498,063
Medical research projects		**–**	17,393
Others		**–**	763
		511,261	581,139
Current assets			
Inventories		**1,796**	13,575
Trade and other receivables	*15*	**27,871**	112,517
Cash at bank and on hand		**9,436**	48,414
		39,103	174,506
Assets of disposal group classified as held for sale	*11*	**38,881**	–
		77,984	174,506
Current liabilities			
Trade and other payables	*16*	**13,603**	50,427
Provision for a potential loss of control of a subsidiary	*2*	**–**	15,655
Bank borrowings		**–**	13,040
Taxation		**302**	1,966
		13,905	81,088
Liabilities of disposal group classified as held for sale	*11*	**26,282**	–
		40,187	81,088
Net current assets		**37,797**	93,418
Total assets less current liabilities		**549,058**	674,557
Non-current liabilities			
Bonds	*17*	**3,700**	70,000
NET ASSETS		**545,358**	604,557
CAPITAL AND RESERVES			
Share capital		**19,050**	19,050
Reserves		**526,308**	575,856
Total equity attributable to:			
Equity holders of the Company		**545,358**	594,906
Non-controlling interests		**–**	9,651
TOTAL EQUITY		**545,358**	604,557

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Attributable to equity holders of the Company								
	Share capital HK$'000	Share premium HK$'000	Contributed surplus HK$'000	Share options reserve HK$'000	Exchange reserve HK$'000	Retained profits/ (Accumulated losses) HK$'000	Total HK$'000	Non-controlling interests HK$'000	Total HK$'000
Balance at 1 January 2008	17,050	379,783	5,265	1,875	12,277	(17,985)	398,265	6,875	405,140
Transactions with owners									
Issue of shares	2,000	118,000	–	–	–	–	120,000	–	120,000
Recognition of equity-settled share based payments	–	–	–	4,448	–	–	4,448	–	4,448
Lapse of share options	–	–	–	(188)	–	188	–	–	–
Total transactions with owners	2,000	118,000	–	4,260	–	188	124,448	–	124,448
Comprehensive income									
Profit for the year	–	–	–	–	–	68,665	68,665	2,330	70,995
Other comprehensive income for the year	–	–	–	–	3,528	–	3,528	446	3,974
Total comprehensive income	–	–	–	–	3,528	68,665	72,193	2,776	74,969
Balance at 31 December 2008	19,050	497,783	5,265	6,135	15,805	50,868	594,906	9,651	604,557

	Attributable to equity holders of the Company								
	Share capital HK$'000	Share premium HK$'000	Contributed surplus HK$'000	Share options reserve HK$'000	Exchange reserve HK$'000	Retained profits/ (Accumulated losses) HK$'000	Total HK$'000	Non-controlling interests HK$'000	Total HK$'000
Balance at 1 January 2009	19,050	497,783	5,265	6,135	15,805	50,868	594,906	9,651	604,557
Transactions with owners									
Issue of shares	–	–	–	–	–	–	–	–	–
Recognition of equity-settled share based payments	–	–	–	3,951	–	–	3,951	–	3,951
Lapse of share options	–	–	–	(889)	–	889	–	–	–
Total transactions with owners	–	–	–	3,062	–	889	3,951	–	3,951
Comprehensive income									
Loss for the year	–	–	–	–	–	(49,763)	(49,763)	–	(49,763)
Other comprehensive income for the year	–	–	–	–	(424)	–	(424)	–	424
Total comprehensive income	–	–	–	–	(424)	(49,763)	(50,187)	–	(50,187)
Deconsolidation of a subsidiary	–	–	–	–	(3,312)	–	(3,312)	(9,651)	(12,963)
Balance at 31 December 2009	19,050	497,783	5,265	9,197	12,069	1,994	545,358	–	545,358

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: (a) forestry, wood processing and plantation business in Cambodia; and (b) 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 CONSOLIDATION 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% non-wholly-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 engaged in the business of manufacture and sale of medical equipment. The remaining 35% equity interest of Medical Equipment Subsidiary was 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 of directors of the Company (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 Medical Equipment Subsidiary as to 30% to the Chinese Partner and as to 35% to the first new shareholder, at a consideration of RMB14 million (equivalent to approximately HK$15.88 million) and RMB1 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 Medical Equipment Subsidiary was owned as to 65% by the Chinese Partner and as to the remaining 35% by the first new shareholder. The ex-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 Unauthorised Sale and Purchase Agreements had been fully settled by means of cash and telegraphic transfer, the Group reported 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 during the year ended 31 December 2008. Since the Board was not aware of the Unauthorised Sale and Purchase Agreements, the Group 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 non-controlling shareholder in the consolidated balance sheet as at 31 December 2008.

Also, from the official records of the PRC government, the registered capital of the Medical Equipment Subsidiary has been increased to RMB30,000,000 since late 2008, and the shareholders of the Medical Equipment Subsidiary at that time were 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).

During the year ended 31 December 2009, the Company has consulted its PRC lawyers as to the appropriate action to restore 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. However, the Company was notified in October 2009 that one of the current registered owners of Sinnowa filed a civil claim against the Group in the courts of Nanjing, PRC so as to seek the court's declaration that the transfer of the Company's 65% interest in Sinnowa is legal and valid. Up to the date of this announcement, the process of restoring the interest and the re-register of the Company as a 65% equity owner of Medical Equipment Subsidiary as well as the civil claim against the Company are still in progress.

Moreover, the Board has established a special investigation committee (the "Special Investigation Committee") for the purpose of, among others, investigating the matters related to the potential dispute as to the Company's ownership in the Medical Equipment Subsidiary.

In the opinion of the directors of the Company, the transfer of the Group's 65% interest in Medical Equipment Subsidiary should 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 following balances relating to Medical Equipment Subsidiary in the consolidated financial statements of the Company for the year ended 31 December 2008.

	2008 *HK$'000*
Income and expenses:	
Turnover	47,692
Cost of sales	(20,925)
Other income	5,283
Selling and distribution expenses	(13,282)
Administrative expenses	(7,752)
Other operating expenses	(2,559)
Finance costs	(302)
Taxation	(1,500)
Non-controlling interests	(2,330)
Profit attributable to the Group	4,325
Assets and liabilities:	
Property, plant and equipment	16,339
Prepaid lease payments	1,132
Intangible assets	763
Inventories	12,452
Trade and other receivables	14,716
Cash at bank and on hand	9,775
Amount due from Chinese Partner	5,840
Trade and other payables	(18,738)
Bank borrowings	(13,040)
Taxation	(1,665)
Non-controlling interests	(9,651)
Net assets attributable to the Group	17,923

Deconsolidation of Medical Equipment Subsidiary

As a result of the aforesaid potential dispute over the ownership in Medical Equipment Subsidiary, the Group has been unable to exercise its rights as a controlling entity either to control the assets and operations or to exercise control over the financial and operating policy decisions of this company. The Group has also been unable to obtain the financial information of Medical Equipment Subsidiary since 31 December 2008. In the opinion of the Board, it is inappropriate to consolidate the financial results of Medical Equipment Subsidiary into the Group and, therefore, Medical Equipment Subsidiary has been deconsolidated as from 1 January 2009. The Group recorded a gain of approximately HK$1,044,000 on deconsolidation of Medical Equipment Subsidiary for the year ended 31 December 2009 based on its financial information as of 31 December 2008 and after taking into account the provision for a potential loss of control of Medical Equipment Subsidiary in an amount of approximately HK$15,655,000 made at 31 December 2008.

Details of the net effect from deconsolidation of Medical Equipment Subsidiary recognised during the year ended 31 December 2009 are as follows:

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

The net effect of deconsolidation of Medical Equipment Subsidiary represented the accumulative amount of the exchange difference relating Medical Equipment Subsidiary reclassified from exchange reserve less the amount of general advance from the Chinese Partner in an amount of approximately HK$2,268,000 (RMB2,000,000).

In the opinion of the directors of the Company, the Group has no material obligations or commitments in Medical Equipment Subsidiary that require either adjustments to or disclosure in the consolidated financial statements.

3. BASIS OF PREPARATION OF THE FINANCIAL STATEMENTS

(i) Measurement basis judgements, estimates and assumptions

The consolidated financial statements for the year ended 31 December 2009 comprise the Company and its subsidiaries except the Medical Equipment Subsidiary as discussed in Note 2.

The measurement basis used in the preparation of the financial statements is the historical cost basis.

Non-current assets and disposal groups held for sale are stated at the lower of carrying amount and fair value less costs to sell.

The preparation of financial statements in conformity with HKFRSs requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets, liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

(ii) Going concern assumptions

During the financial year ended 31 December 2009, the Group has recorded a loss attributable to equity holders of the Company of approximately HK$49,763,000. Apart from the income from forestry exploitation business during the financial year ended 31 December 2008, the Group has continued recording net losses for five consecutive financial years, the continuation of the Group as a going concern is dependent upon its ability to generate sufficient cash from operating activities in particular from the forestry. Notwithstanding the continuation of recorded net losses, the directors have a reasonable expectation that the Group has adequate resources to continue in operational existence for the foreseeable future and, accordingly, they continue to adopt the going concern basis in preparing the financial statements on the following bases:

(a) As at 31 December 2009, the Group has net current assets of approximately HK$37,797,000 including cash at bank and on hand of approximately HK$9,436,000.

(b) The Group has minimum exposures to the global credit crisis as the Group's operations are not dependent on borrowings from financial institutions nor is dependent on third parties financing.

4. CHANGES IN ACCOUNTING POLICIES

The HKICPA has issued one new HKFRS, a number of amendments to HKFRSs and new Interpretations that are first effective for the current accounting period of the Group and the Company. Of these, the following developments are relevant to the Group's financial statements:

- HKFRS 8, *Operating segments*
- HKAS 1 (revised 2007), *Presentation of financial statements*
- Amendments to HKFRS 7, *Financial instruments: Disclosures – improving disclosures about financial instruments*
- Improvements to HKFRSs (2008)
- Amendments to HKAS 27, *Consolidated and separate financial statements – cost of an investment in a subsidiary, jointly controlled entity or associate*
- Amendments to HKAS 39, *Financial instruments – Recognition and measurement*
- Amendments to HKAS 32, *Financial instruments – Presentation*
- HKAS 23 (revised 2007), *Borrowing costs*
- Amendments to HKFRS 2, *Share-based payment – vesting conditions and cancellations*

The amendments to HKAS 23, HKAS 32, HKAS 39 and improvements to HKFRSs (2008) have had no material impact on the Group's financial statements as the amendments were consistent with policies already adopted by the Group. In addition, the amendments to HKFRS 7 do not contain any additional disclosure requirements specifically applicable to the Group's financial statements. The impact of the remainder of these developments is as follows:

- HKFRS 8 requires segment disclosure to be based on the way that the Group's chief operating decision maker regards and manages the Group, with the amounts reported for each reportable segment being the measures reported to the Group's chief operating decision maker for the purposes of assessing segment performance and making decisions about operating matters. This contrasts with the presentation of segment information in prior years which was based on a disaggregation of the Group's financial statements into segments based on related products and services and on geographical areas.

- As a result of the adoption of HKAS 1 (revised 2007), details of changes in equity during the period arising from transactions with equity holders in their capacity as such have been presented separately from all other income and expenses in a revised statement of changes in equity. All other items of income and expense are presented in the new primary statement, the statement of comprehensive income. Corresponding amounts have been restated to conform to the new presentation. This change in presentation has no effect on reported profit or loss, total income and expense or net assets for any period presented.

- The amendments to HKAS 27 have removed the requirement that dividends out of pre-acquisition profits should be recognised as a reduction in the carrying amount of the investment in the investee, rather than as income. As a result, as from 1 January 2009, all dividends receivable from subsidiaries, whether out of pre- or post-acquisition profits, will be recognised in the Company's profit or loss and the carrying amount of the investment in the investee will not be reduced unless that carrying amount is assessed to be impaired as a result of the investee declaring the dividend. In such cases, in addition to recognising dividend income in profit or loss, the Company would recognise an impairment loss. In accordance with the transitional provisions in the amendment, this new policy will be applied prospectively to any dividends receivable in the current or future periods and previous periods have not been restated.

- The Amendment to HKFRS 2 clarifies the definition of vesting conditions and specifies the accounting treatment of cancellations by the counterparty to a share-based payment arrangement. Vesting conditions are either service conditions (which require a counterparty to complete a specified period of service) or performance conditions (which require a counterparty to complete a specified period of service and specified performance targets to be met). All non-vesting conditions and vesting conditions that are market conditions shall be taken into account when estimating the fair value of the equity instruments granted. All cancellations are accounted for as an acceleration of vesting and the amount that would otherwise have been recognised over the remainder of the vesting period is recognised immediately.

5. TURNOVER

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

	Continuing operations		**Discontinued operations**		**Consolidated**	
	2009	2008	**2009**	2008	**2009**	2008
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
Sales of wood products	**343**	–	**–**	–	**343**	–
Sales of medical equipment	**–**	47,692	**–**	–	**–**	47,692
Medical equipment service fees and sales of related accessories	**–**	203	**–**	–	**–**	203
Research and development service fees	**–**	–	**3,612**	32	**3,612**	32
	343	47,895	**3,612**	32	**3,955**	47,927

6. SEGMENT INFORMATION

The Group only operated in a single business segment, that is, forestry exploitation business in the Kingdom of Cambodia ("Cambodia"), after the deconsolidation of Medical Equipment Subsidiary as disclosed in note 2 and the discontinued operation as disclosed in note 11. The Board considers that presentation of segment disclosure would not be meaningful in the financial statements and accordingly, no segmental analysis is presented.

7. INCOME FROM FORESTRY EXPLOITATION BUSINESS

	Continuing operations		Discontinued operations		Total	
	2009	2008	**2009**	2008	**2009**	2008
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
Sub-concession of 10% of forest exploitation rights *(note (a))*	**–**	51,985	**–**	–	**–**	51,985
Initial services fee income *(note (b))*	**–**	78,000	**–**	–	**–**	78,000
	–	129,985	**–**	–	**–**	129,985

Note:

(a) 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 and pursuant to which the Group agreed to sub-lease to Qiong Hai Agriculture of approximately 1,000 hectares (equivalent to approximately 10.0 million sq.m.), representing approximately 10% of the total site area of its forest (the "First Forest") located in Kratie District, Kratie Province, 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, at a cash consideration of US$10 million (equivalent to approximately HK$78 million).

(b) As detailed in the Company's announcement dated 21 November 2008, the Group entered into a service agreement with an independent third party, Eastwood Link Limited ("Eastwood Link") and pursuant to which, Eastwood Link agreed to pay 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 approximately 1,000 hectares (equivalent to approximately HK$10 million sq.m.) located in Kratie District, Kratie Province, Cambodia for the period from 20 November 2008 to 31 December 2010 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.

8. OTHER INCOME

	Continuing operations		Discontinued operations		Total	
	2009	2008	**2009**	2008	**2009**	2008
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
Bad debts recovered	**–**	3,246	**–**	–	**–**	3,246
Write back of accrued expenses	**–**	–	**–**	787	**–**	787
Bank interest income	**13**	428	**41**	183	**54**	611
Others	**5**	2,089	**–**	22	**5**	2,111
	18	5,763	**41**	992	**59**	6,755

9. PROFIT/(LOSS) BEFORE TAXATION

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

	Continuing operations		Discontinued operations		Consolidated	
	2009	2008	**2009**	2008	**2009**	2008
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
Finance costs						
Interest on bank loan	**–**	302	**–**	–	**–**	302
Interest on bonds	**1,381**	670	**–**	–	**1,381**	670
	1,381	972	**–**	–	**1,381**	972
Other operating expenses						
Research and development costs	**–**	3,282	**2,014**	6,761	**2,014**	10,043
Others	**–**	276	**–**	–	**–**	276
	–	3,558	**2,014**	6,761	**2,014**	10,319
Staff costs (including directors' remuneration)						
Wages and salaries	**6,122**	11,357	**676**	831	**6,798**	12,188
Share based payments	**3,951**	4,448	**–**	–	**3,951**	4,448
Staff retirement benefits	**74**	1,500	**94**	61	**168**	1,561
	10,147	17,305	**770**	892	**10,917**	18,197

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

	Continuing operations		Discontinued operations		Consolidated	
	2009	2008	**2009**	2008	**2009**	2008
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
Other items						
Cost of inventories	**145**	20,965	**16**	–	**161**	20,965
Depreciation	**751**	1,319	**83**	113	**834**	1,432
(Profit)/loss on disposal of property, plant and equipment	**(5)**	19	**–**	–	**(5)**	19
Bad debts written off	**48**	1,790	**–**	–	**48**	1,790
Auditors' remuneration	**1,153**	1,719	**8**	7	**1,161**	1,726
Operating lease charges in respect of office premises	**458**	504	**41**	55	**499**	559
Amortisation of prepaid lease payments	**–**	45	**91**	90	**91**	135
Amortisation of intangible assets:						
– Forest exploitation rights	**7,238**	7,332	**–**	–	**7,238**	7,332
– Other	**–**	398	**–**	–	**–**	398

10. TAXATION

(a) Taxation in the consolidated statement of comprehensive income represents:

	2009	2008
	HK$'000	*HK$'000*
Current tax – PRC Income Tax	**–**	1,500

(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

No provision for PRC Income Tax has been made as the subsidiaries of the Company 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.

(b) Reconciliation between taxation and profit/(loss) before taxation at applicable tax rates:

	2009	2008
	HK$'000	*HK$'000*
Profit/(loss) before taxation:		
Continuing operations	**(30,016)**	89,951
Discontinued operations	**(19,747)**	(17,456)
	(49,763)	72,495
Notional tax on profit/(loss) before taxation, calculated at the rates applicable to the countries concerned	**(8,914)**	(9,741)
Tax effect of non-deductible expenses	**8,914**	12,740
Tax effect of concession period	**–**	(1,499)
Taxation for the year	**–**	1,500

(c) No provision for deferred taxation is deemed necessary as the Group does not have any material deductible or taxable temporary differences (2008: Nil).

11. ASSETS OF DISPOSAL GROUP CLASSIFIED AS HELD FOR SALE AND DISCONTINUED OPERATIONS

Disposal of medical research and development of drugs business

The assets and liabilities related to Medical China Technology Limited, China Best Drugs Research (Nanjing) Ltd. and China Best Pharmaceutical (Nanjing) Co., Ltd. (the "disposal subsidiaries") have been presented as held for sale following the plan for sale made by the Group's management during the year ended 31 December 2009 to sell the research and development of drugs business. The Company entered into an agreement with an independent third party to dispose of the Group's equity interests in the disposal subsidiaries as disclosed in Note 20. The transaction is expected to be completed by June 2010.

(a) Assets and liabilities of disposal group classified as held for sale

	2009
	HK$'000
Property, plant and equipment	**224**
Construction in progress	**13,831**
Prepaid lease payments	**1,365**
Intangible assets – medical research projects	**15,597**
Inventories	**84**
Trade and other receivables	**84**
Cash at bank and on hand	**7,696**
Assets classified as held for sale	**38,881**
Trade and other payables	**24,010**
Amount due to Medical Equipment Subsidiary *(Note 2)*	**2,272**
Liabilities associated with assets classified as held for sale	**26,282**
Net assets classified as held for sale	**12,599**

(b) Analysis of the result of discontinued operations, and the result recognised on the re-measurement of assets or disposal group, is as follows:

	2009	2008
	HK$'000	*HK$'000*
Revenue	**3,653**	1,024
Expenses	**(3,665)**	(18,480)
Loss before taxation	**(12)**	(17,456)
Taxation	**–**	–
	(12)	(17,456)
Loss on re-measurement to fair value less costs to sell		
– Construction in progress	**(17,936)**	–
– Medical research projects	**(1,799)**	–
Taxation	**–**	–
	(19,735)	–
Loss for the year from discontinued operations	**(19,747)**	(17,456)

Cash flows from discontinued operations:

	2009
	HK$'000
Net cash used in operating activities	**(413)**
Net cash used in investing activities	**(3,177)**
Net cash from financing activities	**–**
	(3,590)

12. 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:

	2009	2008
	HK$'000	*HK$'000*
Earnings/(loss)		
Earnings/(loss) for the purpose of basic and diluted earnings/(loss) per share (profit/(loss) for the year attributable to equity holders of the Company)	**(49,763)**	68,665

Number of shares

	2009	2008
	'000	*'000*
Weighted average number of ordinary shares for the purpose of basic and diluted earnings/(loss) per share	**1,905,000**	1,801,721

The diluted earnings/(loss) per share is the same as basic earnings/(loss) per share for the years ended 31 December 2008 and 2009 because the exercise prices of the Company's share options were higher than the average market price for shares.

13. INTANGIBLE ASSETS

	Forest exploitation rights *HK$'000*	Medical research projects *HK$'000*	Others *HK$'000*	Total *HK$'000*
Cost				
At 1 January 2008	262,960	84,152	2,648	349,760
Additions				
– 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 and 1 January 2009	508,776	84,285	2,810	595,871
Exchange adjustments	–	3	–	3
Reclassification to				
– property, plant and equipment	(848)	–	–	(848)
– other receivables	(1,170)	–	–	(1,170)
Deconsolidation of a subsidiary	–	–	(2,810)	(2,810)
Transferred to disposal group classified as assets held for sale	–	(84,288)	-	(84,288)
At 31 December 2009	**506,758**	**–**	**–**	**506,758**
Accumulated amortisation				
At 1 January 2008	3,757	57,292	1,550	62,599
Impairment loss recognised	–	9,600	–	9,600
Charge for the year	7,332	–	398	7,730
Write-back on disposal	(376)	–	–	(376)
Exchange adjustments	–	–	99	99
At 31 December 2008 and 1 January 2009	10,713	66,892	2,047	79,652
Loss on re-measurement to fair value	–	1,799	–	1,799
Charge for the year	7,238	–	–	7,238
Deconsolidation of a subsidiary	–	–	(2,047)	(2,047)
Transferred to disposal group classified as assets held for sale	–	(68,691)	–	(68,691)
At 31 December 2009	**17,951**	**–**	**–**	**17,951**
Carrying value				
At 31 December 2009	**488,807**	**–**	**–**	**488,807**
At 31 December 2008	498,063	17,393	763	516,219

Forest exploitation rights

The Group firstly acquired an exclusive right to exploit the forest located in Kratie District, Kratie Province, Cambodia (the "First Forest") for a period of 70 years during the year ended 31 December 2007. The Group further acquired additional exclusive right to exploit the forest located adjacent to the First Forest during the year ended 31 December 2008.

Amortisation of forest exploitation rights are charged to profit or loss on the straight-line basis over the assets' estimated useful lives of 70 years. At 31 December 2009, the directors of the Company reviewed the carrying values of the forest exploitation rights, taking into account an independent valuation report prepared by a professional valuer. Based on the assessment and the valuation report, the directors are of the opinion that there are currently no indications that the values of the forest exploitation rights may be impaired.

14. TRADE AND OTHER RECEIVABLES

	2009	2008
	HK$'000	*HK$'000*
Trade debtors	**169**	8,940
Less: Allowance for doubtful debts	**(169)**	(4,228)
	–	4,712
Other receivables, deposit and prepayments	**27,823**	101,884
Deposits paid	**132**	81
Amount due from Chinese Partner	**–**	5,840
Transferred to disposal group classified as assets held for sale	**(84)**	–
Loans and receivables	**27,871**	112,517

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

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

	2009	2008
	HK$'000	*HK$'000*
Within 3 months from the date of billing	**–**	4,031
3 to 6 months from the date of billing	**–**	13
6 to 12 months from the date of billing	**–**	668
	–	4,712

Ageing of trade receivables which are past due but not impaired:

	2009	2008
	HK$'000	*HK$'000*
Less than one month overdue	**–**	287
One to three months overdue	**–**	246
Over three months overdue	**–**	4,003
	–	4,536

Receivables neither past due nor impaired relate to a wide range of customers for whom there has been no recent history of default. Receivables that were past due but not impaired relate to several independent customers that have a good track record with the Group.

Other receivables of the Group mainly represented the balance of receivables for the sub-concession of 10% forest exploitation right in respect of the First Forest as disclosed in Note 7.

15. TRADE AND OTHER PAYABLES

	2009	2008
	HK$'000	*HK$'000*
Trade payables	**–**	8,120
Other payables and accrued liabilities	**9,138**	19,065
Deposits received	**7,500**	–
Amount due to Chinese Partner	**–**	2,267
Amount due to other non-controlling interests	**20,975**	20,975
Transferred to disposal group classified as liabilities held for sale	**(24,010)**	–
Financial liabilities measured at amortised cost	**13,603**	50,427

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

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

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

The amount of deposits received represented the first payment received from the potential buyer for the disposal group as disclosed in Note 11.

16. BONDS

On 8 July 2008, the Company issued HK$70,000,000 bonds as part of the consideration for the acquisition of Agri-Industrial Crop Development Co., Ltd. The bonds are unsecured, interest bearing at 2% per annum and repayable on 8 July 2010. Subsequent to the balance sheet date, the bonds were fully repaid on 4 January 2010.

17. ACQUISITION OF A SUBSIDIARY

On 8 July 2008, Forest Glen Group Limited, a wholly-owned subsidiary of the Company, acquired the entire equity interest of Agri-Industrial Crop Development Co., Ltd. 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

The above acquisition has been accounted for as acquisition 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 2009 (2008: Nil).

19. EVENTS AFTER THE BALANCE SHEET DATE

- The Company announced on 2 March 2010 that it has entered into conditional agreements to sell its interest in two subsidiaries engaged in research and development of drugs business in the PRC, namely the entire registered capital of CB Pharmaceutical (Nanjing) Co., Ltd. (南京神州佳美製藥有限公司) and 75% of the entire issued capital of Medical China Technology, for a cash consideration of HK$12,000,000.

- The Company announced on 5 March 2010 that it has approved an open offer of two offer shares for five existing shares held on record date of 24 March 2010. The proposed open offer is for a maximum of 762,000,000 shares at a price of HK$0.02 per share to raise gross proceeds of not more than HK$15,240,000 (before issue expenses). The proposed open offer is not underwritten.

EXTRACT OF THE INDEPENDENT AUDITOR'S REPORT

Basis for disclaimer of opinion

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

As detailed in the independent auditor's report for the year ended 31 December 2008, the Group's 65% equity interest in Sinnowa Medical Science and Technology Co. Ltd. ("Medical Equipment Subsidiary"), which was engaged in the manufacture and sale of medical equipment, was transferred to the non-controlling 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 consulted its PRC lawyers as to the appropriate action to restore 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. In May 2009, with the assistance and advice of its PRC lawyers, the Company formally lodged a request to review (the "Administrative Review") the governmental approval of the transfer of the Group's equity interest in Medical Equipment Subsidiary and the registration of the related sale and purchase agreements. The Administrative Review application was accepted by the Jiangsu Provincial government. In the midst of the Administrative Review, the Company was notified in October 2009 that one of the current registered owners of Medical Equipment Subsidiary filed a civil claim against the Group in the courts of Nanjing, the PRC, so to seek the court's declaration that the transfer of the Group's 65% interest in Medical Equipment Subsidiary is legal and valid. Up to the date of this report, the Administrative Review lodged by the Company and the civil claim against the Company are still in progress and we have been unable to obtain sufficient reliable evidence to satisfy ourselves as to whether the Company could restore its equity interest in Medical Equipment Subsidiary.

(2) Deconsolidation of Medical Equipment Subsidiary

As a result of the aforesaid potential dispute over the ownership in Medical Equipment Subsidiary, the Group has been unable to exercise its rights as a controlling entity either to control the assets and operations or to exercise control over the financial and operating policy decisions of this company. The Group has also been unable to obtain the financial information of Medical Equipment Subsidiary since 31 December 2008. In the opinion of the Board, it is inappropriate to consolidate the financial results of Medical Equipment Subsidiary into the Group and, therefore, Medical Equipment Subsidiary has been deconsolidated as from 1 January 2009. The Group recorded a gain of approximately HK$1,044,000 on deconsolidation of Medical Equipment Subsidiary for the year ended 31 December 2009 based on its financial information as of 31 December 2008 and after taking into account the provision for a potential loss of control of Medical Equipment Subsidiary in an amount of approximately HK$15,655,000 made at 31 December 2008.

Details of the net effect from deconsolidation of Medical Equipment Subsidiary are set out in note 2.

In view of the circumstances described above, we were unable to satisfy ourselves as to whether the deconsolidation of Medical Equipment Subsidiary for the year ended 31 December 2009 is in accordance with the requirements of Hong Kong Accounting Standard 27 "Consolidated and Separate Financial Statements". There were no other satisfactory audit procedures that we could adopt to obtain sufficient evidence in this regard. Accordingly, we have been unable to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion. Any adjustments that might have been found to be necessary in respect of the above would have a consequential significant effect on the state of affairs of the Group and the Company as at 31 December 2009 and the result 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 Company and of the Group as at 31 December 2009 and of the Group's result 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 2009 amounted to approximately HK$343,000, representing a decrease of 99% as compared with the corresponding year in 2008 primarily as a result of the deconsolidation of Sinnowa. For the year ended 31 December 2009, the Group recorded a loss attributable to equity holders of the Company of approximately HK$49,763,000 (2008: profit of HK$68,665,000) due to: (a) the deconsolidation of Sinnowa; (b) the absence of one time initial service fee and sub-concession of its forests in Cambodia; and (c) loss provision for the Disposal Group.

Selling, distribution and administrative expenses for the year ended 31 December 2009 decreased by 49% to HK$26,550,000 from HK$51,633,000 as compared with the previous year. The significant decrease was primarily due to deconsolidaion of Sinnowa and the Disposal Group.

An impairment loss of HK$2,600,000 was recognised for telecommunication facilities in Cambodia in the year end 31 December 2009.

In 2008, a full provision of approximately HK$15.65 million was made for Sinnowa in light of the uncertainties over the ownership dispute.

The basic loss per share for the year ended 31 December 2009 was 2.61 Hong Kong cents (2008: profit per share of 3.81 Hong Kong cents).

At 31 December 2009, the outstanding bank loan of the Group was HK$Nil (2008: HK$13,040,000).

CAPITAL STRUCTURE

As at 31 December 2009, the total number of issued ordinary shares and the issued share capital of the Company were 1,905,000,000 (2008: 1,905,000,000) and HK$19,050,000 (2008: HK$19,050,000) respectively.

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.

The Group's gearing ratio was 0.1% and 13.6% as at 31 December 2009 and 31 December 2008, respectively. The improving gearing ratio in the financial year under review was due to the deconsolidation of the Medical Equipment Subsidiary as detailed in note 2 to the financial statements. Bonds issued by the Group as part of the purchase consideration for a forest in Cambodia had been paid down to HK$3,700,000 as at 31 December 2009 (2008: HK$70,000,000). Undrawn bank facility as at 31 December 2009 was nil (2008: HK$Nil).

The Board believes the existing gearing ratio of 0.1% 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 2009, the Group had total assets of approximately HK$589,245,000 (2008: HK$755,645,000) which were financed by current liabilities of approximately HK$40,187,000 (2008: HK$81,088,000), total equity of the Company of approximately HK$545,358,000 (2008: HK$604,557,000), and bonds of HK$3,700,000 (2008: HK$70,000,000).

The current assets of the Group amounted to approximately HK$77,984,000 (2008: HK$174,506,000) of which approximately HK$9,436,000 (2008: HK$48,414,000) were cash and bank deposits, and HK$38,881,000 was assets held for sales (2008: HK$Nil). The current liabilities of the Group amounted to approximately HK$13,905,000 (2008: HK$81,088,000) of which approximately HK$13,603,000 (2008: HK$50,427,000) were trade and other payables and HK$302,000 (2008: HK$1,966,000) was provision for income tax. There is no outstanding bank loan of the Group as at 31 December 2009 (2008: HK$13,040,000). During the year, the Group did not enter any banking facility or any of the Group's buildings and leasehold land assets was being pledged to the bank (2008: HK$16,173,000).

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 2009 was HK$0.29 (2008: HK$0.32).

CAPITAL COMMITMENT, SIGNIFICANT INVESTMENTS AND MATERIAL ACQUISITIONS AND DISPOSALS

Following completion of the acquisition of Agri-Industrial Crop Development Company Limited during the year 2008, 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 curcas plantations during the 70-year concession period.

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

As at 31 December 2009, the Group had outstanding capital commitment of approximately HK$3,922,000 (2008: HK$5,568,000).

FOREIGN EXCHANGE EXPOSURE AND HEDGING INSTRUMENTS

Foreign exchange risk

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

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

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

As at 31 December 2009, the Group had no outstanding hedging instruments (2008: HK$Nil).

EMPLOYEES' INFORMATION AND BENEFIT SCHEME FOR THE EMPLOYEES

As at 31 December 2009, the Group has 177 (2008: 324) employees. The total amounts of employees remuneration, including that of the directors, for the years ended 31 December 2009 and 2008 were approximately HK$10,147,000 and HK$18,197,000 respectively.

The Company has granted Share Option of 40,000,000 shares and 36,000,000 shares to employees of the Group on 12 October 2007 and 31 March 2008 at exercise prices of HK$0.45 and HK$0.21 per share respectively for exercise during the 3rd and the 4th year from the date of grant pursuant to the Share Option Scheme of the Company, which was adopted on 14 December 2001. Share Option of 4,000,000 shares granted to a former director and 14,500,000 shares granted to the senior employees have been subsequently cancelled after their resignation. The total share options granted including 34,000,000 shares 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 2009, the Group and the Company did not have any material outstanding contingent liabilities.

BUSINESS REVIEW

Forestry, wood product manufacturing and plantation

The two forests owned by the Group in Cambodia have a total site area of approximately 19,500 hectares with estimated timber reserves in excess of 5 million cubic metres. The Group has completed the construction of a self owned and operated sawn timber factory with an annual capacity of 10,000 cubic metres. A sawn timber and wood flooring material factory, owned by subcontractors with a capacity of 15,000 cubic metres, is under construction.

In 2009, we logged and cleared approximately 450 hectares of forest, and planted 270 hectares of rubber trees, acacia trees and jatropha curcas on the cleared land. In November 2009, the Group completed its maiden export shipment of timber products from Cambodia.

Manufacturing and sales of medical equipment

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

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

Research, development and sales of drugs

The Group has yet to obtain approval from the State Food and Drug Administration ("SFDA") to commence Phase I clinical trial for its anti-cancer drug in the PRC.

Manufacturing and sales of drugs and medicines

The construction of the new pharmaceutical factory in Nanjing was completed in 2009.

OUTLOOK

The Group is focusing its financial and management resources on developing its forestry, wood product manufacturing, and plantation businesses in Cambodia.

In 2010, the Group expects to increase its production of sawn timber and wood flooring material in Cambodia, and to expand its sale network to include both export and domestic sales in Cambodia.

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

On 2 March 2010, the Company announced that it has signed conditional agreement to sell its equity interest in two PRC subsidiaries that owned the experimental anti-cancer drug and the new pharmaceutical factory mentioned above. The sale is consistent with the Group's strategy to focus its financial and management resources in developing its businesses in Cambodia.

OTHER INFORMATION

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

As at 31 December 2009, the interests and short positions of the Directors and the Chief Executive of the Company in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance ("SFO")) as recorded in the register required to be kept under Section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the minimum standards of dealings by directors as referred to in Rules 5.46 to 5.67 of the GEM Listing Rules were as follows:

Name	Number of ordinary shares of HK$0.01 each in the share capital of the Company held	Nature of interests	Percentage of interest
Mr. Leung Sze Yuan, Alan	39,000,000	Personal	2.94%
	17,000,000	Share Option granted but not yet exercised	
Mr. Zhang Zhenzhong	97,600,000	Personal	6.02%
	17,000,000	Share Option granted but not yet exercised	
Dr. Li Nga Kuk, James	32,800,000	Personal	1.72%
Mr. Li Tai To, Titus	16,400,000	Personal	0.86%

Save as disclosed above, as at 31 December 2009, 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 12 October 2007 and 31 March 2008, the Group has granted share option of 40,000,000 and 36,000,000 shares to the directors and employees of the Group at exercise prices of HK$0.45 and HK$0.21 per share respectively for exercise during the 3rd and the 4th year from the date of grant pursuant to the share option scheme of the Company. Subsequently, 4,000,000 shares granted to a former director and 14,500,000 shares granted to the senior employees have been cancelled after their resignation.

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 2009, 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 year 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 2009, 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	24,300,000	Personal	1.28%
	193,360,000	Corporate *(Note)*	10.15%
	217,660,000		11.43%
PMM *(Note)*	193,360,000	Beneficial owner	10.15%

Note: As at 31 December 2009, PMM owned 193,360,000 shares, representing approximately 10.15% of the issued share capital of the Company. The issued share capital of PMM is owned as to 70.58% by Mr. Li Wo Hing, as to 19.61% by Dr. Li Nga Kuk, James, as to 9.81% by Mr. Li Tai To, Titus. Accordingly, Mr. Li Wo Hing holds indirect interest in the 193,360,000 shares through PMM.

Save as disclosed above, as at 31 December 2009, 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 at end of the year or during the year ended 31 December 2009.

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

During the year ended 31 December 2009, neither the Company nor any of its subsidiaries purchased, redeemed or sold any of the Company's listed securities.

COMPETING INTERESTS

None of the Directors, the management shareholders or substantial shareholders of the Company or any of their respective associates (as defined in the GEM Listing Rules) has engaged in any businesses that compete or may compete with the business of the Group or 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 2009. 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 2009.

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 2009 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, 24 March 2010

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.