

SFC commences MMT proceedings against China Forestry's former chairman and CEO for suspected disclosure of false or misleading information and former CEO for suspected insider dealing

28 Jun 2018

The Securities and Futures Commission (SFC) has commenced proceedings in the Market Misconduct Tribunal (MMT) against Mr Li Kwok Cheong and Mr Li Han Chun, former chairman and chief executive officer (CEO) of China Forestry Holdings Company Limited (China Forestry), respectively, for suspected disclosure of false or misleading information in (1) China Forestry's IPO prospectus, (2) its annual results announcement and annual report for the year ended 31 December 2009 (2009 AR) and (3) interim results announcement and interim report for the six months ended 30 June 2010 (2010 IR), which induced transactions in the shares of China Forestry (Notes 1, 2 & 3).

The SFC alleges that various types of information relating to China Forestry's business operations and financial information as disclosed in its IPO prospectus, the 2009 AR and 2010 IR were materially false or misleading, and both the former chairman and CEO were aware of, or were reckless or negligent, as to whether the disclosed information was materially false or misleading.

The scope of the allegedly false or misleading information as disclosed by China Forestry was extensive, covering the company's turnover generating activities, profit, plantation assets and cash balances, etc. Among these, China Forestry's turnover appeared to have been overstated by at least 92% while its plantation assets, purportedly accounting for over 79% of its net assets, appeared to have been overstated by at least 87%.

The SFC also alleges that China Forestry's purported supporting documents such as bank statements, forestry right certificates, and insurance contracts were falsified.

The SFC's case is that China Forestry maintained a separate set of accounting records which was different from the set of accounting records provided to its then auditors KPMG for auditing purposes but appeared to reflect its true state of affairs. This separate set of accounting records revealed a much smaller scale of operation compared to what had been disclosed in the company's IPO prospectus, 2009 AR and 2010 IR. The SFC alleges that China Forestry, in its true state of affairs, was not suitable to be listed on the Stock Exchange of Hong Kong (SEHK).

The SFC will also seek court orders in the proceedings in the Court of First Instance (CFI) under section 213 of the Securities and Futures Ordinance (SFO) requiring the former chairman and CEO to take steps to restore China Forestry's independent minority shareholders who traded in China Forestry shares as a result of their misconduct to the positions they were in before the transactions (Note 4).

The SFC has also commenced proceedings in the MMT against Li Han Chun and his investment vehicle Top Wisdom Overseas Holdings Limited (Top Wisdom) for suspected insider dealing in the shares of China Forestry in 2011.

The SFC alleges that at the material times, Li Han Chun knew that the information disclosed by China Forestry was materially false or misleading and that KPMG had already identified various audit issues and irregularities which could reveal other false and misleading disclosures that had been made by China Forestry. With this knowledge, Li Han Chun procured Top Wisdom to execute a placement of 119,000,000 China Forestry shares to avoid a loss (Note 5).

End

Notes:

1. China Forestry was listed on the Main Board of the SEHK on 3 December 2009. On 26 January 2011, trading in the shares of China Forestry was suspended after discovery of serious irregularities by its then auditors KPMG. Pursuant to an Order of the Grand Court of the Cayman Islands dated 18 June 2015, China Forestry was wound-up in accordance with the law of the Cayman Islands and joint official liquidators were appointed. On 24 February 2017, the listing of China Forestry's shares was cancelled.

2. At all material times since 21 December 2007, Li Kwok Cheong had been the chairman and one of the two executive directors of China Forestry. He was also a substantial shareholder of China Forestry, holding (via his wholly-owned company) approximately 51.17% of the company's issued shares upon listing. Meanwhile, Li Han Chun was the CEO and the other executive director of China Forestry at all material times until being removed as CEO and executive director with effect from 14 February 2011 and 17 February 2012, respectively. Li Han Chun was also a substantial shareholder of China Forestry, holding (via Top Wisdom) approximately 6.47% of the company's issued shares upon listing.
3. A copy of the SFC's Notice in regard to the commencement of the MMT proceedings is available on the MMT's website (www.mmt.gov.hk).
4. The SFC has commenced proceedings in the CFI against Li Kwok Cheong and Li Han Chun under section 213 of the SFO in January 2017. The proceedings are currently stayed until 28 days after the MMT issues a written report in the above MMT proceedings. The SFC will seek final court orders against the pair if the MMT makes a finding of market misconduct against them for disclosure of false or misleading information inducing transactions.
5. On 2 February 2011, the SFC commenced proceedings in the CFI under section 213 of the SFO against Li Han Chun and Top Wisdom and obtained an interim injunction order prohibiting them from removing, disposing of or dealing with their assets in Hong Kong for up to the value of \$398,219,458. Please refer to the SFC press releases dated [11 February 2011](#) and [4 March 2011](#) for details. The proceedings are currently stayed until 28 days after the MMT issues a written report in the above MMT proceedings. The SFC will seek final court orders against Li Han Chun and Top Wisdom if the MMT makes a finding of market misconduct against them for insider dealing.

MARKET MISCONDUCT TRIBUNAL

**IN THE MATTER OF THE LISTED SECURITIES OF
CHINA FORESTRY HOLDINGS COMPANY LIMITED (STOCK CODE: 930)**

**NOTICE TO THE MARKET MISCONDUCT TRIBUNAL
PURSUANT TO SECTION 252(2) OF AND SCHEDULE 9 TO THE
SECURITIES AND FUTURES ORDINANCE (CAP 571)**

Whereas it appears to the Securities and Futures Commission (the “**Commission**”) that market misconduct within the meaning of sections 277 and 270 of Part XIII of the Securities and Futures Ordinance (Cap 571) (the “**SFO**”) has or may have taken place in relation to the securities of China Forestry Holdings Company Limited (中國森林控股有限公司) (“**China Forestry**”) formerly listed on the Main Board of the Stock Exchange of Hong Kong (“**SEHK**”) (Stock Code: 930), the Market Misconduct Tribunal is hereby required to conduct proceedings and determine:

- (1) Whether any market misconduct in the nature of false or misleading information inducing transactions, insider dealing or otherwise has taken place;
- (2) The identity of any person who has engaged in the market misconduct found to have been perpetrated; and
- (3) The amount of any profit gained or loss avoided, if any, as a result of the market misconduct found to have been perpetrated.

Persons suspected to have perpetrated market misconduct

- (1) Li Kwok Cheong (李國昌) (“**Li KC**”)
- (2) Li Han Chun (李寒春) (“**Li HC**”)
- (3) Top Wisdom Overseas Holdings Limited (“**Top Wisdom**”)

(Each a “**Specified Person**” and collectively, the “**Specified Persons**”)

Statement for Institution of Proceedings

A. Introduction

A1. Background

1. China Forestry was incorporated in the Cayman Islands on 21 December 2007. At all material times China Forestry owned its assets and ran its business through its indirectly-held wholly owned subsidiaries. China Forestry and its subsidiaries as a whole are referred to as the “**Group**”. According to its published information, the Group purported to carry on business in the management and development of forests and the harvesting and sale of logs in the People’s Republic of China (“**China**”).
2. At all material times, the Group’s main operating company in China was Kunming Ultra Big Forestry Resource Development Co., Ltd (昆明錦德林業資源開發有限公司) (“**KMUB**”). KMUB purportedly held most if not all of the Group’s forestry rights and was the entity that engaged in the purported sales of logs to China Forestry’s customers.
3. On 3 December 2009, China Forestry’s shares were listed on the Main Board of the SEHK (Stock Code: 930) (the “**Listing**”) by way of a global offering, which was comprised of:
 - 3.1. the international offering both in the United States to qualified institutional buyers based there and outside of the United States, including to professional and institutional investors in Hong Kong; and
 - 3.2. the Hong Kong public offering, for subscription by the public in Hong Kong.
4. A total of 810,452,000 of China Forestry’s shares (the “**Shares**”) were allotted at HK\$2.07 per share.

- 4.1. 750,000,000 Shares were allotted through the Listing. Of these 750,000,000 Shares, 375,000,000 Shares were allotted to the Hong Kong public under the Hong Kong public offering.
- 4.2. A further 60,452,000 Shares were allotted after the exercise of the over-allotment option by Standard Chartered Securities (Hong Kong) Limited (“SCS”) (formerly known as ‘Cazenove Asia Limited’ until 14 December 2009) and UBS AG (“UBS”) on behalf of the international underwriters on 24 December 2009 (the “**Over-Allotment**”).
5. Based on the offer price of HK\$2.07 per share for both the Listing and the Over-Allotment, a total of HK\$1,677.6 million was raised.
6. SCS and UBS were the joint sponsors of the Listing (together, the “**Joint Sponsors**”).
7. On 26 January 2011, trading in the Shares was suspended after the discovery of serious irregularities by KPMG (who were China Forestry’s auditors and reporting accountants for the Listing, and continued as China Forestry’s auditors at all material times until they resigned on 5 January 2012). See Section D below for further details.
8. Pursuant to an Order of the Grand Court of the Cayman Islands dated 18 June 2015, China Forestry was wound-up in accordance with the law of the Cayman Islands and joint official liquidators (the “**Liquidators**”) were appointed.
9. On 8 July 2015, the SEHK placed China Forestry in the first delisting stage under Practice Note 17 to the Rules Governing the Listing of Securities on the SEHK (the “**Listing Rules**”).
10. On 13 January 2016, the SEHK placed China Forestry in the second delisting stage under Practice Note 17 of the Listing Rules.

11. On 3 August 2016, the Liquidators announced that the SEHK placed China Forestry in the third delisting stage under Practice Note 17 to the Listing Rules. On the same day, the SEHK announced that China Forestry's listing would be cancelled if it did not provide a viable resumption proposal to demonstrate sufficient operations or assets within six months (i.e. by 2 February 2017).
12. On 22 February 2017, the Liquidators announced that the SEHK had issued a letter to China Forestry on 10 February 2017 informing them that the third delisting stage had expired and that China Forestry had not submitted any resumption proposal. The Listing Committee of the SEHK had decided to cancel the listing of the shares of China Forestry in accordance with the delisting procedures under Practice Note 17 to the Listing Rules. The listing of China Forestry's shares was cancelled with effect from 9:00 am on 24 February 2017.

A2. Executive Directors of China Forestry

13. At all material times, the members of the Board of Directors of China Forestry ("**China Forestry's Board**") included Li KC and Li HC.
14. At all material times since 21 December 2007, Li KC was an Executive Director and the Chairman of China Forestry. Li KC was a substantial shareholder of China Forestry, holding via his wholly owned company Kingfly Capital Limited (a company incorporated in the British Virgin Islands) a total of 1,534,950,000 shares (51.17% of the issued shares of China Forestry upon Listing and 50.16% after the Over-Allotment).
15. At all material times, Li HC was an Executive Director and the Chief Executive Officer ("**CEO**") of China Forestry, until he was removed as CEO with effect from 14 February 2011 and removed as an Executive Director with effect from 17 February 2012. Li HC was a substantial shareholder of China Forestry, holding via his wholly owned company Top Wisdom (a company incorporated

in the British Virgin Islands) a total of 194,175,000 shares (6.47% of the issued shares of China Forestry upon Listing and 6.34% after the Over-Allotment). Li HC was also the sole director of Top Wisdom.

B. The Listing on 3 December 2009 and the Publication of the 2009 Annual Results and the 2010 Interim Results

B1. The Listing

16. After the respective lapse and suspension of two earlier listing applications in which SCS acted as the sole sponsor, China Forestry submitted its third listing application on 4 September 2009 with SCS and UBS acting as Joint Sponsors.
17. On 5 November 2009, China Forestry's Board (including Li KC and Li HC) approved the prospectus for the offering of the Shares ("**Prospectus**"), accepted their responsibility for the accuracy of the Prospectus, and confirmed that the Prospectus neither contained any untrue statement of a material fact nor omitted to state a material fact.
18. On 19 November 2009, the Prospectus was issued by China Forestry.

B2. The 2009 Annual Results and 2010 Interim Results

19. On 26 April 2010:
 - 19.1. China Forestry's Board (including Li KC and Li HC) approved the 2009 Annual Report.
 - 19.2. China Forestry published the Annual Results Announcement for the Year Ended 31 December 2009 (the "**2009 Annual Results Announcement**").

(The 2009 Annual Results Announcement and the 2009 Annual Report are together referred to herein as the "**2009 Annual Results**".)

20. KPMG audited and reported on the 2009 financial statements (the “**2009 Annual Audit**”) that were contained in the 2009 Annual Results.
21. On 26 and 27 August 2010 respectively:
 - 21.1. China Forestry’s Board (including Li KC and Li HC) approved the 2010 Interim Report.
 - 21.2. China Forestry published the Interim Results Announcement for the Six Months Ended 30 June 2010 (the “**2010 Interim Results Announcement**”).

(The 2010 Interim Results Announcement and the 2010 Interim Report are together referred to herein as the “**2010 Interim Results**”.)
22. KPMG performed the review work for the 2010 financial statements (the “**2010 Interim Review**”) that were contained in the 2010 Interim Results.

C. The Disclosed Information

C1. Introduction

23. Various types of information relating to China Forestry’s business operations and financial information (as particularised in Sections C3 and C4 below and in Schedule 1, referred to herein as the “**Disclosed Information**”) were disclosed, circulated or disseminated to the public in the Prospectus, the 2009 Annual Results and the 2010 Interim Results.
24. Li KC and Li HC disclosed, circulated or disseminated, alternatively authorised or were concerned in the disclosure, circulation or dissemination of the Disclosed Information in the Prospectus, the 2009 Annual Results and the 2010 Interim Results, respectively.
25. China Forestry’s financial year ended on 31 December of each year, and its interim accounts covered the period up to 30 June of each year. China

Forestry's financial years are referred to herein as "FY", with the date of 31 December referred to as the "year-end". The interim periods ending 30 June of each year are referred to herein as "HY", with the date of 30 June referred to as the "half-year".

C2. The Prospectus

26. The Prospectus purported to include information about China Forestry, in compliance with, *inter alia*, the Listing Rules, including Rules 11.06, 11.07 and Appendix 1. China Forestry's Board collectively and individually accepted full responsibility for the accuracy of the information contained therein and confirmed, having made all reasonable enquiries, that to the best of their knowledge and belief there were no other facts the omission of which would make any statement in the Prospectus misleading.
27. In particular, pursuant to Rule 11.07, the Prospectus purported to contain such information as was necessary to enable an investor to make an informed assessment of the activities, assets and liabilities, financial position, management and prospects of China Forestry and of its profits and losses and of the rights attaching to the Shares.
28. The information in the Prospectus included financial information relating to the 'Track Record Period', namely FY 2006 to 2008 and HY 2009, which was the date to which China Forestry's latest audited consolidated financial statements were made up. In the Prospectus, the directors confirmed that there had been no material adverse change in China Forestry's financial or trading position or prospects or its subsidiaries since HY 2009.

C3. Description of China Forestry's Business in the Prospectus

29. The Prospectus's description of China Forestry's purported business included the information stated in paragraphs 30 to 37 below.
30. From FY 2008 to HY 2009, China Forestry had forestry rights over forests in Sichuan and Yunnan, comprising total areas of 12,447 hectares and 159,333 hectares respectively, adding up to a total of 171,780 hectares. China Forestry had obtained the forestry right certificates ("FRCs") which confirmed these forestry rights and protected China Forestry's rights under the law in China.
31. China Forestry's turnover was earned exclusively from the sale of logs, which were harvested from China Forestry's forests. The logging activities conducted to harvest the logs sold were performed pursuant to and in compliance with logging permits obtained from the relevant local forestry bureaus.
32. The actual logging amount and the maximum logging amount permitted under the logging permits granted to China Forestry for FY 2008 and HY 2009 were as follows:

<u>Year/Period</u>	<u>Actual logging amount (m³)</u>	<u>Maximum amount permitted under logging permits (m³)</u>
FY 2008	519,928	519,928
HY 2009	356,730	356,730

33. The relevant local forestry bureaus issued written confirmations (the "IPO Confirmations") confirming that China Forestry's logging activities were in compliance with the applicable environmental and forestry laws and regulations.
34. For FY 2008 and HY 2009, China Forestry had a total of 19 and 17 customers, respectively.

35. China Forestry had insurance coverage over all its forests for loss of trees, it had a healthy revenue from its logging operations, and its business had positive prospects in terms of revenue and growth.
36. China Forestry was suitable to be listed on the SEHK. Amongst other things, it had met the listing requirements pursuant to Chapter 8 of the Listing Rules.
37. China Forestry was led by an experienced and professional management team who were committed to its long term success. Save as stated in the Prospectus, there were no matters concerning Li KC or Li HC that needed to be brought to the attention of the shareholders and the SEHK and no other matters which needed to be disclosed pursuant to Rule 13.51(2) of the Listing Rules.

C4. Financial Information Disclosed in the Prospectus, the 2009 Annual Results and the 2010 Interim Results

38. The Prospectus disclosed financial information about China Forestry for FY 2008 (the “**2008 Annual Results**”). This financial information, and the financial information about China Forestry for FY 2009 disclosed in the 2009 Annual Results, and for HY 2010 disclosed in the 2010 Interim Results, are set out in Schedule 1 to this Notice under the column ‘Disclosed Figures’.
39. **The figures in the column titled ‘Adjusted Financial Position’ in Schedule 1 represent the financial position of China Forestry after adjustments have been made to the figures in the 2008 and 2009 Annual Results and the 2010 Interim Results to reflect the true, alternatively more accurate, factual state of affairs of China Forestry. In particular, the adjustments take into account the effect of the falsification of information by China Forestry described in paragraph 47 below.**

D. The Discovery of Irregularities by KPMG and Suspension of Trading

D1. KPMG's Discovery of Irregularities and the Suspension of Trading on 26 January 2011

40. On 3 December 2010, for the purpose of conducting the audit of the Group's consolidated financial statements for FY 2010 (the "2010 Annual Audit"), KPMG met with *inter alios* Li HC, raising with China Forestry various inquiries arising from their audit.
41. In around December 2010 and January 2011:
- 41.1. KPMG discovered various audit issues which raised serious doubts about the authenticity of, *inter alia*, customers' bank accounts and China Forestry's bank documents, insurance contracts, logging permits and FRCs (the "2010 Audit Issues").
- 41.2. KPMG made various enquiries with China Forestry's staff about the 2010 Audit Issues.
42. In January 2011, KPMG held discussions with various directors, senior management and the audit committee of China Forestry to discuss the 2010 Audit Issues.
43. On 25 January 2011, KPMG issued a letter to China Forestry's Board raising the 2010 Audit Issues, stating that these raised serious questions as to the accounting records of the Group and went to matters that were central to the Group's operations.
44. On 26 January 2011, with effect from 10:24 am, trading in the Shares was suspended, at the request of China Forestry.

D2. Events Post-Suspension of Trading

45. On 31 January 2011, China Forestry issued a public announcement stating that during the 2010 Annual Audit, possible irregularities had been identified by KPMG.
46. The 31 January 2011 announcement was the first time when the possible irregularities concerning the 2010 Annual Audit were disclosed to the public.

E. Materially False or Misleading Information in the Disclosed Information

47. The Disclosed Information was based on various falsified information and documentation provided by China Forestry to the Joint Sponsors and the listing advisers (including KPMG) for the purpose of preparing the Prospectus (including the financial information disclosed therein); and to KPMG for the purpose of the 2009 Annual Audit and 2010 Interim Review.
48. The Disclosed Information was materially false or misleading in respect of:
 - 48.1. The Group's revenue, profit and turnover generating activities, namely: the nature of its turnover generating activities; the existence of logging permits and a permitted logging quota pursuant to which the Group's logging activities were conducted; the existence of the IPO Confirmations; the number of the Group's customers; the Group's turnover; the Group's operating expenses for logging activities; the Group's profit from operations; the Group's profit for the year; and/or the changes in fair value of plantation assets less costs to sell and reversal of fair value of plantation assets upon logging and sales of the plantation assets;
 - 48.2. The value, existence and nature of the Group's assets, namely: the Group's forestry rights over, or possession of FRCs in respect of, forests in China; the Group's insurance coverage on its forests and the

insurance policies which the Group had paid; the Group's prepaid insurance premium and amortization of insurance premium; the Group's net assets; the Group's plantation assets and/or lease prepayments; and/or the Group's cash and cash equivalents balances; and/or

- 48.3. China Forestry's suitability to be listed and/or the quality of the Group's management.

F. The Effect of the False or Misleading Information

49. The false or misleading information contained in the Prospectus was likely to induce another person to subscribe for the Shares.
50. The false or misleading information contained in the 2009 Annual Results and the 2010 Interim Results was likely to induce the sale or purchase in Hong Kong of the Shares by another person, or increase or reduce the price of the Shares.

G. Knowledge, Recklessness or Negligence on the part of Li KC and Li HC

51. Both Li KC and Li HC knew, alternatively were reckless or negligent as to whether the Disclosed Information, or any part of it, was false or misleading as to a material fact or was false or misleading through the omission of a material fact.

H. Insider Dealing by Li HC and Top Wisdom

52. At all material times, Li HC and Top Wisdom were persons connected with China Forestry.
53. KPMG's identification of the 2010 Audit Issues and/or the fact that the Disclosed Information, or a substantial part of it, was materially false or misleading were specific information about China Forestry or the Shares, and were not generally known to the persons who were accustomed or would be likely to deal in the Shares but would if generally known to them be likely to materially affect the price of the Shares.
54. Li HC knew in December 2010 that KPMG had identified some of the 2010 Audit Issues and could or would in due course reveal other false and misleading disclosures that had been made by China Forestry. He also knew that the Disclosed Information, or a substantial part of it, was materially false or misleading. Li HC knew that these two pieces of information (individually or collectively) amounted to relevant information in relation to China Forestry.
55. Li HC's knowledge was imputable to Top Wisdom.
56. On 12 January 2011, after trading hours, Li HC procured Top Wisdom to enter into a placing agreement with SCS for placing an aggregate of 119,000,000 shares at HK\$3.35 per share to not less than six professional, institutional or individual investors (the "Top Wisdom Placing").
57. On 13 January 2011, Li HC procured Top Wisdom to execute the Top Wisdom Placing and the settlement sum of HK\$398,219,458.00 (net of fees and expenses) was paid to Top Wisdom.

I. Market Misconduct

58. By virtue of the foregoing:

58.1. Specified Persons (1) and (2) engaged or may have engaged in market misconduct under section 277(1) of the SFO.

58.2. Specified Persons (2) and (3) engaged or may have engaged in market misconduct under section 270(1) of the SFO.

Dated this 3rd day of May 2018.

Securities and Futures Commission

Securities and Futures Commission

Schedule 1

Financial Information Disclosed in the Prospectus, 2009 Annual Results and 2010 Interim Results and the Adjusted Financial Position

	<u>2008 Annual Results (for FY 2008)</u>		<u>2009 Annual Results (for FY 2009)</u>		<u>2010 Interim Results (for HY 2010)</u>	
	<u>Disclosed Figures</u>	<u>Adjusted Financial Position</u>	<u>Disclosed Figures</u>	<u>Adjusted Financial Position</u>	<u>Disclosed Figures</u>	<u>Adjusted Financial Position</u>
Turnover ¹	544,947,744 ²	45,979,933	793,692,961	65,407	494,257,281	9,144
Operating expenses for logging activities ³	145,559,950	0	185,801,450	0	131,512,000	0
Changes in fair value of plantation assets less costs to sell	6,024,364,199 ⁴	(2,165,640,151)	681,338,794	66,335,769	470,616,665	855,164,307

¹ Turnover represented the sales value of goods supplied to customers less value added tax, returns and trade discounts.

² All figures in RMB, unless otherwise stated.

³ Consisting of costs of harvesting, such as labour costs, and costs associated with applying for logging permits (also called forest maintenance fees).

⁴ RMB6,635,132,871 upon initial acquisition of the plantation assets less RMB610,768,672 during the year.

	<u>2008 Annual Results (for FY 2008)</u>		<u>2009 Annual Results (for FY 2009)</u>		<u>2010 Interim Results (for HY 2010)</u>	
	<u>Disclosed Figures</u>	<u>Adjusted Financial Position</u>	<u>Disclosed Figures</u>	<u>Adjusted Financial Position</u>	<u>Disclosed Figures</u>	<u>Adjusted Financial Position</u>
Reversal of fair value of plantation assets upon logging and sales of the plantation assets	(384,853,771)	0	(607,994,691)	0	(362,809,535)	0
Profit/(loss) from operations	5,884,148,296	(2,259,707,355)	589,522,663	2,042,646	428,306,858	826,696,637
Overall net profit/(loss)	5,881,774,698	(2,262,080,953)	511,630,413	(75,849,604)	429,294,736	827,684,515
Plantation assets	7,693,000,000	115,000,000	7,767,000,000	180,000,000	7,875,000,000	1,012,000,000
Lease prepayments ⁵	225,826,779	4,283,589	218,104,308	6,062,671	214,243,072	28,924,269
Net assets/(liabilities)	7,435,350,241	(323,360,910)	9,594,459,207	1,891,874,834	9,862,809,859	2,464,757,777
Cash and cash equivalents	104,530,763	124,442,835	1,706,636,428	1,692,469,250	1,534,694,611	1,014,163,079
VAT payable	69,748,189	<i>Nil</i>	114,644,539	<i>Nil</i>	71,392,719	<i>Nil</i>

⁵ Payments to acquire land use rights in connection with new forest acquisitions. These were carried at cost less accumulated amortisation and impairment losses. Amortisation was charged to the income statements on a straight-line basis over the lease terms.

	<u>2008 Annual Results (for FY 2008)</u>		<u>2009 Annual Results (for FY 2009)</u>		<u>2010 Interim Results (for HY 2010)</u>	
	<u>Disclosed Figures</u>	<u>Adjusted Financial Position</u>	<u>Disclosed Figures</u>	<u>Adjusted Financial Position</u>	<u>Disclosed Figures</u>	<u>Adjusted Financial Position</u>
Prepaid insurance premium	21,324,175	79,878	17,479,682	23,494	13,176,261	<i>Nil</i>
Amortisation of insurance premium	(9,929,155)	(56,385)	(19,900,918)	(56,384)	(10,426,576)	(23,494)