



OMNICORP LIMITED

兩儀控股有限公司\*

(Incorporated in Bermuda with limited liability)

Stock Code:94

\* For identification purpose only

INTERIM REPORT 2008

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## CORPORATE INFORMATION

### BOARD OF DIRECTORS

#### Executive Directors

Sung Yan Wai, Petrus (*Acting Managing Director and Acting Chief Executive Officer*)  
Hui Tung Wah, Samuel

#### Independent Non-Executive Directors

Wong Kin Chi (*Chairman*)  
Wong Che Keung, Richard  
Tong Yee Yung, Joseph

#### AUDIT COMMITTEE

Wong Che Keung, Richard (*Chairman*)  
Tong Yee Yung, Joseph  
Wong Kin Chi

#### REMUNERATION COMMITTEE

Tong Yee Yung, Joseph (*Chairman*)  
Wong Che Keung, Richard  
Wong Kin Chi

#### COMPANY SECRETARY

Tse Nga Ying

#### QUALIFIED ACCOUNTANT

Fung Yin Wan

#### AUTHORIZED REPRESENTATIVES

Sung Yan Wai, Petrus  
Tse Nga Ying

#### REGISTERED OFFICE

Canon's Court  
22 Victoria Street  
Hamilton HM12  
Bermuda

### PRINCIPAL PLACE OF BUSINESS IN HONG KONG

Suites 1801-03, 18/F.,  
Dah Sing Financial Centre,  
108 Gloucester Road,  
Wanchai,  
Hong Kong

### INDEPENDENT AUDITORS

Moore Stephens

### LEGAL ADVISOR

Sit, Fung, Kwong & Shum

### PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

The Bank of Bermuda Limited  
6 Front Street  
Hamilton HM DX  
Bermuda

### HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

Tricor Tengis Limited  
26th Floor, Tesbury Centre  
28 Queen's Road East, Wanchai  
Hong Kong

### PRINCIPAL BANKER

The Hongkong and Shanghai Banking Corporation Limited

### WEBSITE

<http://www.omnicorplimited.com>

### STOCK CODE

94

### INVESTOR RELATIONS

[info@omnicorplimited.com](mailto:info@omnicorplimited.com)

## MANAGEMENT DISCUSSION AND ANALYSIS

### Business Review

The total turnover for the six months ended 30 June 2008 (the "Current Period") decreased by 86.3% to HK\$8,105,000 as compared to the corresponding period of last year of HK\$59,283,000 and a loss before tax of HK\$43,535,000 was incurred for the Current Period compared to a loss before tax of HK\$3,756,000 recorded during the corresponding period of last year.

The substantial decrease in the Group's turnover was mainly due to the decrease in sales recorded in the Group's electronic component division in the Current Period. As detailed in 2007 Annual Report, due to the harsh business and operating environment in the electronic components industry in China, the Board had substantially scaled down its level of business of the trading of electronic components operating through its 77.04% indirect owned subsidiary Lik Hang Electronic Components Limited ("Lik Hang") since the 2nd half of 2007 and closed down its manufacturing facilities in Dongguan, China in March 2008. Accordingly, the total turnover of the Group contributed by its electronic components division for the Current Period decreased substantially by 90.2% to HK\$5,727,000 as compared to the corresponding period of last year of HK\$58,494,000.

The gross margin decreased to 9.4% for the Current Period from 16% for the same period in 2007. The decrease in margin was mainly due to the net effect of the negative gross margin contributed by the Group's electronic components division resulting from the substantial drop of the sales volume and the high margin of approximately 51% contributed by the Group's forestry and timber business operating under Greenheart Resources Holdings Limited ("Greenheart"), a 60% indirectly owned subsidiary acquired by the Group in November 2007.

Greenheart has undergone a transition period due to the restructuring and streamlining its local management and operation team in Suriname to achieve efficiencies and cost savings and therefore only a turnover of HK\$1,462,000 and a loss before and after taxation of HK\$13,610,000 were recorded for the Current Period. The Board expected that such measures will be completed in the 3rd quarter of 2008 and the operation in Suriname will be restored to normal thereafter.

During the Current Period, administrative expenses increased by approximately 105.2% or HK\$11,557,000, was mainly because the additional administrative expenses contributed by the Group's forestry and timber division and the increase in headcounts and the lease of additional office area for expansion purpose.

## MANAGEMENT DISCUSSION AND ANALYSIS (continued)

### Business Review (continued)

Other operating expenses increased to HK\$15,244,000 for the Current Period from HK\$3,460,000 for the same period in 2007 was mainly due to the provision for bad and doubtful debts of HK\$1,745,000 incurred by the Group's property investment division and the impairment on interests in associates of HK\$10,000,000.

Finance costs increased to HK\$11,784,000 for the Current Period from HK\$2,447,000 for the corresponding period in 2007 was mainly due to the interests expenses incurred for the convertible bonds with a total principal of HK\$237,000,000 (the "Convertible Bonds") issued in November 2007 in relation to the acquisition of 60% interest in Greenheart.

Equity attributable to the Company's shareholders as at 30 June 2008, amounted to HK\$318,117,000 or HK\$1.01 per share. (31 December 2007: HK\$356,551,000 or HK\$1.13 per share).

Meanwhile, during the Current Period, in order to lock in the supply source of mature plantation trees and establish the plantation business in China, on 30 June 2008, the Group entered into a Master Agreement with an independent third party for an option to acquire 100,000 hectares of plantation trees with approximately 10 to 12 million cubic meters of standing timber of mostly pine and Chinese fir in Jiangxi Province and Fujian Province in China and to lease the underlying forest land use right of these plantation lands for 30 years ("Lease Option"). The Master Agreement (other than the Lease Option which is exercisable within 5 years after harvesting and in any event 5 years from the date of execution of the Master Agreement) will be valid for 5 years from the date of its execution.

The Board will engage an independent expertise to assess the fibre yield and the quality of these 100,000 hectares of plantation trees ("Assessment Report") and work out an acquisition plan of these plantations trees over this 5 years period based on the Assessment Report, market conditions and the available financing resources and options. The Company will issue further announcement in connection with the acquisition of these plantations as and when it is appropriate on any significant development of the acquisitions.

## MANAGEMENT DISCUSSION AND ANALYSIS (continued)

### Liquidity and Financial Review

The Group continued to sustain a good liquidity position.

The Group's current assets and current liabilities as at 30 June 2008 were HK\$167,952,000 and HK\$44,430,000 (31 December 2007: HK\$281,487,000 and HK\$98,447,000, respectively). As at 30 June 2008, the Group had cash and bank balances of approximately HK\$150,890,000 (31 December 2007: HK\$254,311,000) and a short term bank borrowings of HK\$2,422,000 (31 December 2007: HK\$42,545,000).

As at 30 June 2008, the Group's gearing ratio, which was calculated on the basis of bank borrowings and other loan to shareholders' fund, was 1.9% (31 December 2007: 13.2%).

The Group has limited exposure to the foreign exchange fluctuation risks as most of its sales are denominated in Hong Kong dollars and United State dollars, being the same currencies in which the Group's related costs and expenses are denominated. The Directors considered that the recent depreciation of the US dollars will not have material impact to the Group. During the Current Period, the Group did not use any financial instruments for hedging purposes and the Group did not have any hedging instruments outstanding as at 30 June 2008.

As at 30 June 2008, there were 314,089,152 shares in issue.

### Interim Dividend

The Board has resolved not to recommend any dividend for the period ended 30 June 2008.

### Prospects

Despite the increasingly bumpy conditions in the global economy, it is expected that the emerging economics such as China, India etc should be able to continue to maintain its growth momentum. The Group is striving to operate in a way that can capture the business opportunities in these emerging markets while prepare for unexpected downturns. In this regard, in order to reallocate and consolidate scarce financial resources and management time to the businesses with higher profit potential, the Group has substantially scaled down its underperformed electronic components business since the 2nd half of 2007.



## **MANAGEMENT DISCUSSION AND ANALYSIS (continued)**

### **Prospects (continued)**

In the meantime, in addition to the restructuring and streamlining the local management and operation team of Greenheart's Suriname operation to improve efficiencies and save costs, various measures, including the setting up warehouses in Southern and Eastern China, recruitment of experienced sales and marketing team, construction of new sawmills in Suriname, and the provision of additional resources to carry out researches on the usage of lesser known species of wood, etc, are being planned or have been underway to increase the market awareness of Greenheart and its products amongst the industrial users in China, to strengthen the sales forces, to add value to its operations and to build up new edges to differentiate itself from the competitors in our forestry and timber business division.

With the above measures to improve its existing forestry and timber business operating under Greenheart and the signing of the Master Agreement which provides an entry into the exciting wood plantation business for fast growing species, such as eucalyptus and poplar in China, the Group is optimistic about the long term prospects of its forestry and timber division and the Group as a whole.

### **Charges on Group Assets**

As at 30 June 2008, the Group pledged 4,599,000,000 ordinary shares of Greenheart, representing 60% of the issued share capital of Greenheart, and all indebtedness owing by the Greenheart Group to the Group (other than the Greenheart Group) as securities in favour of the holders of the Convertible Bonds.

### **Capital Expenditure and Capital Commitments**

During the six months ended 30 June 2008, the Group spent approximately HK\$2,169,000 (31 December 2007: approximately HK\$1,636,000) on acquisition of property, plant and equipment.

The capital commitments of the Group were HK\$251,658,000 and HK\$253,519,000 as at 30 June 2008 and 31 December 2007 respectively.

### **Contingent Liabilities**

As at 30 June 2008, the Group did not have any significant contingent liabilities (31 December 2007: approximately HK\$62,390,000).

## MANAGEMENT DISCUSSION AND ANALYSIS (continued)

### Post Balance Sheet Events

- (i) Subsequent to the balance sheet date, in order to insulate the business risks and associated liabilities of the electronic component business and not to expose the future business ventures to any existing hidden liabilities, on 11 July 2008, the Company announced its intention to implement a redomicile proposal ("Redomicile Proposal"), whereby a new company will be incorporated in Cayman Islands as a new holding company of the Group. Pursuant to the Redomicile Proposal, the Group's existing forestry and timber business will be operated under the newly established fellow subsidiaries and any new assets or businesses that may be acquired by the new holding company and/or new funding injected will be directly held by the proposed new holding company or its newly formed subsidiaries. Therefore, the new business ventures would be protected against any potential claims arising from unknown liabilities. The Company will issue further announcement(s) about the development of the Redomicile Proposal and the dispatch date of the related documents in due course.
- (ii) On 29 August 2008, the Company announced that, on 25 August 2008, the Board was notified that a winding up petition against Lik Hang was served by a bank creditor as a result of non-payment of a judgment debt against Lik Hang in relation to an outstanding sum of approximately HK\$2.4 million under certain banking facilities ("The Petition"). The Petition is scheduled to be heard at the High Court of the Hong Kong Special Administrative Region on 8 October 2008. The Board is currently seeking legal advice regarding this proceeding and would try to come to an early resolution to this issue regarding the claim.

The Board considers that, given the Group's diversified businesses, Lik Hang's net liabilities position (i.e. the unaudited net liabilities of Lik Hang as 30 June 2008 (excluding the inter-company loans from other members of the Group) is HK\$9,470,000) and lack of trading profits and the immaterial amount of the debt underlying the Petition as compared with the net assets and cash and bank balances of the Group, the Petition will not have any material adverse effect on the profit and net assets position of the Group. The Group as a whole continues to maintain a healthy liquidity position.



## **MANAGEMENT DISCUSSION AND ANALYSIS (continued)**

### **Share Option Scheme**

As at 30 June 2008, there were options for 14,758,000 ordinary shares of HK\$0.01 each in the share capital of the Company granted by the Company pursuant to the option scheme, as adopted by the shareholders of the Company on 22 March 2002, which were valid and outstanding. 60,000 options were lapsed during the six months ended 30 June 2008.

### **Employment and Remuneration Policy**

As at 30 June 2008, the number of employees of the Group was about 166. Employees' cost (including directors' emoluments) amounted to approximately HK\$6,579,000 for the Current Period. The Group remunerates its employees based on their performance, experience and prevailing industry practice. The Group has set up the Mandatory Provident Fund Scheme for the Hong Kong's employees and has made contributions to the pension scheme for the staff in Suriname. The Group also has a share option scheme to motivate valued employees.

**MOORE STEPHENS**  
 CERTIFIED PUBLIC ACCOUNTANTS

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**INDEPENDENT AUDITORS' REVIEW REPORT**  
**TO THE BOARD OF DIRECTORS OF OMNICORP LIMITED**  
*(Incorporated in Bermuda with limited liability)*
**Introduction**

We have reviewed the interim financial information set out on pages 10 to 24 which comprise the condensed consolidated balance sheet of Omnicorp Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") as of 30 June 2008 and the related condensed consolidated statements of income, changes in equity and cash flows for the six-month period then ended, and other explanatory notes. The Main Board Listing Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited require the preparation of a report on interim financial information to be in compliance with the relevant provisions thereof and Hong Kong Accounting Standard 34 "Interim Financial Reporting". The directors of the Company are responsible for the preparation and presentation of this interim financial information in accordance with Hong Kong Accounting Standard 34. Our responsibility is to express a conclusion on this interim financial information based on our review and to report our conclusion solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

**Scope of review**

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

**Conclusion**

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

**Moore Stephens**

*Certified Public Accountants*  
 Hong Kong, 19 September 2008

**CONDENSED CONSOLIDATED INCOME STATEMENT**

Six months ended 30 June

	Notes	<b>2008</b> <b>(unaudited)</b> <b>HK\$'000</b>	2007 (unaudited) HK\$'000
Turnover	2	<b>8,105</b>	59,283
Cost of sales		<b>(7,340)</b>	(49,825)
<b>Gross profit</b>		<b>765</b>	9,458
Other revenue	3	<b>5,951</b>	3,641
Distribution costs		<b>(661)</b>	(3)
Administrative expenses		<b>(22,539)</b>	(10,982)
Other operating expenses		<b>(15,244)</b>	(3,460)
<b>LOSS FROM OPERATING ACTIVITIES</b>	4	<b>(31,728)</b>	(1,346)
Finance costs	5	<b>(11,784)</b>	(2,447)
Share of results of associates		<b>(23)</b>	37
<b>LOSS BEFORE TAXATION</b>		<b>(43,535)</b>	(3,756)
Taxation	6	<b>(97)</b>	(11)
<b>LOSS FOR THE CURRENT PERIOD</b>		<b>(43,632)</b>	(3,767)
<b>ATTRIBUTABLE TO:</b>			
Equity holders of the Company		<b>(38,434)</b>	(3,780)
Minority interests		<b>(5,198)</b>	13
		<b>(43,632)</b>	(3,767)
<b>LOSS PER SHARE FOR LOSS ATTRIBUTABLE TO EQUITY HOLDERS OF THE COMPANY</b>	7		
Basic		<b>(12.24) cents</b>	(2.50) cents
Diluted		<b>N/A</b>	N/A

**CONDENSED CONSOLIDATED BALANCE SHEET**

	<i>Notes</i>	<b>30 June 2008 (unaudited) HK\$'000</b>	31 December 2007 (audited) HK\$'000
<b>NON-CURRENT ASSETS</b>			
Property, plant and equipment		<b>13,056</b>	11,899
Timber concessions and cutting rights		<b>9,321</b>	9,333
Investment property		<b>1,450</b>	1,450
Long term investments		–	6,000
Interests in associates	8	<b>55,646</b>	50,669
Goodwill		<b>361,706</b>	361,706
		<b>441,179</b>	441,057
<b>CURRENT ASSETS</b>			
Inventories		<b>6,672</b>	8,736
Trade and other receivables	9	<b>6,192</b>	15,129
Prepayments and deposits		<b>3,910</b>	2,396
Current tax recoverable		<b>288</b>	1
Listed investments		–	914
Cash and bank balances		<b>150,890</b>	254,311
		<b>167,952</b>	281,487
<b>CURRENT LIABILITIES</b>			
Trade and other payables	10	<b>11,773</b>	24,527
Interest bearing bank borrowings	11	<b>2,422</b>	42,545
Other loan payables	12	<b>3,712</b>	4,562
Deposits received		<b>23,259</b>	23,500
Current tax payable		<b>3,264</b>	3,313
		<b>44,430</b>	98,447
<b>NET CURRENT ASSETS</b>		<b>123,522</b>	183,040
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>		<b>564,701</b>	624,097
<b>NON-CURRENT LIABILITIES</b>			
Convertible bonds	13	<b>219,343</b>	212,770
		<b>345,358</b>	411,327
<b>EQUITY ATTRIBUTABLE TO EQUITY HOLDERS OF THE COMPANY</b>			
Share capital	14	<b>3,141</b>	3,141
Reserves	15	<b>314,976</b>	353,410
		<b>318,117</b>	356,551
<b>MINORITY INTERESTS</b>			
		<b>27,241</b>	54,776
		<b>345,358</b>	411,327

**CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY**

Six months ended 30 June

**Attributable to equity holders of the Company**

	Share capital	Share premium	Contributed surplus	Exchange fluctuation reserve	Employee compensation reserve	Convertible bond reserve	Accumulated losses	Total	Minority interests	Equity
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
<b>31 December 2007 (audited)</b>										
and 1 January 2008	3,141	412,308	83,274	9,731	5,383	45,234	(202,520)	356,551	54,776	411,327
Loss for the Current Period	-	-	-	-	-	-	(38,434)	(38,434)	(5,198)	(43,632)
	3,141	412,308	83,274	9,731	5,383	45,234	(240,954)	318,117	49,578	367,695
Release on disposal of subsidiaries	-	-	-	-	-	-	-	-	(22,337)	(22,337)
Share options lapsed	-	-	-	-	(30)	-	30	-	-	-
<b>30 June 2008 (unaudited)</b>	<b>3,141</b>	<b>412,308</b>	<b>83,274</b>	<b>9,731</b>	<b>5,353</b>	<b>45,234</b>	<b>(240,924)</b>	<b>318,117</b>	<b>27,241</b>	<b>345,358</b>
<b>31 December 2006 (audited)</b>										
and 1 January 2007	1,504	116,230	83,274	9,232	523	-	(71,876)	138,887	36,050	174,937
Currency translation differences	-	-	-	(11)	-	-	-	(11)	(3)	(14)
Loss for the Current Period	-	-	-	-	-	-	(3,780)	(3,780)	13	(3,767)
	1,504	116,230	83,274	9,221	523	-	(75,656)	135,096	36,060	171,156
Issue of ordinary shares	313	27,891	-	-	-	-	-	28,204	-	28,204
Share issue expenses	-	(725)	-	-	-	-	-	(725)	-	(725)
Share options granted	-	-	-	-	2,559	-	-	2,559	-	2,559
Share options lapsed	-	-	-	-	(515)	-	515	-	-	-
<b>30 June 2007 (unaudited)</b>	<b>1,817</b>	<b>143,396</b>	<b>83,274</b>	<b>9,221</b>	<b>2,567</b>	<b>-</b>	<b>(75,141)</b>	<b>165,134</b>	<b>36,060</b>	<b>201,194</b>

**CONDENSED CONSOLIDATED CASH FLOW STATEMENT**

Six months ended 30 June

	<b>2008</b> <b>(unaudited)</b> <b>HK\$'000</b>	2007 (unaudited) HK\$'000
Net cash used in operating activities	<b>(40,064)</b>	(6,129)
Net cash generated from investing activities	<b>853</b>	25,598
Net cash (used in)/generated from financing activities	<b>(41,090)</b>	18,406
(Decrease)/increase in cash and cash equivalents	<b>(80,301)</b>	37,875
Cash and cash equivalents at 1 January	<b>231,191</b>	6,973
Effect of foreign exchange rate changes	-	(14)
Cash and cash equivalents at 30 June	<b>150,890</b>	44,834
<b>ANALYSIS OF CASH AND CASH EQUIVALENTS</b>		
Cash and bank balances	<b>150,890</b>	62,879
Pledged time deposits	-	(13,720)
Bank overdrafts	-	(4,325)
	<b>150,890</b>	44,834

## NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

For the six months ended 30 June 2008

### 1. Basis of Preparation and Significant Accounting Policies

The condensed consolidated financial statements for the six months ended 30 June 2008 have been prepared in accordance with the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited and with Hong Kong Accounting Standard 34 "Interim Financial Reporting" issued by the Hong Kong Institute of Certified Public Accountants.

#### Adoption of New and Revised Hong Kong Financial Reporting Standards

The accounting policies adopted in the preparation of the condensed consolidated financial statements are consistent with those followed in the preparation of the Group's annual consolidated financial statements for the year ended 31 December 2007, except for the adoption of the following interpretations:

HK(IFRIC) – Int 11	HKFRS 2 – Group and Treasury Share Transactions
HK(IFRIC) – Int 12	Service Concession Arrangements
HK(IFRIC) – Int 14	HKAS 19 – The Limit on a Defined Benefit Asset, Minimum Funding Requirements and Their Interaction

The adoption of the above interpretations has had no material impact on the accounting policies of the Group and the methods of computation in the Group's financial statements in the current period or prior periods.

The Group has not early adopted the following new standards and interpretations that have been issued to date but are not yet effective. The directors of the Company anticipate that the application of these standards or interpretations will have no material impact on the results or financial position of the Group.

HKAS 1 (Revised)	Presentation of Financial Statements <sup>3</sup>
HKAS 23 (Revised)	Borrowing Costs <sup>3</sup>
HKAS 27 (Revised)	Consolidated and Separate Financial Statements <sup>4</sup>
HKFRS 2 (Amendment)	Share-based Payments – Vesting Conditions and Cancellations <sup>3</sup>
HKFRS 3 (Revised)	Business Combinations <sup>4</sup>
HKFRS 8	Operating Segments <sup>3</sup>
HK(IFRIC) – Int 13	Customer Loyalty Programmes <sup>1</sup>
HK(IFRIC) – Int 15	Agreements for the Construction of Real Estate <sup>3</sup>
HK(IFRIC) – Int 16	Hedges of a Net Investment in a Foreign Operation <sup>2</sup>

<sup>1</sup> Effective for annual periods beginning on or after 1 July 2008

<sup>2</sup> Effective for annual periods beginning on or after 1 October 2008

<sup>3</sup> Effective for annual periods beginning on or after 1 January 2009

<sup>4</sup> Effective for annual periods beginning on or after 1 July 2009



## NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (continued)

### 2. Turnover, Revenue and Segment Information

An analysis of the Group's turnover/revenue and results for the Current Period by business segments and geographical areas is as follows:

	For the six months ended 30 June			
	Turnover/Revenue		Contributing to operating profit/(loss)	
	2008 (unaudited) <i>HK\$'000</i>	2007 (unaudited) <i>HK\$'000</i>	2008 (unaudited) <i>HK\$'000</i>	2007 (unaudited) <i>HK\$'000</i>
<b>By activity</b>				
Electronic components and products	5,727	58,494	(2,705)	3,774
Property investments	916	789	7	560
Building materials and sundry products	-	-	-	(538)
Forestry and timber	1,462	-	(13,610)	-
	<b>8,105</b>	59,283	<b>(16,308)</b>	3,796
Other revenue			5,951	3,641
Unallocated corporate expenses			(9,627)	(8,783)
Provision for bad debts			(1,745)	-
Impairment on investment in associates			(10,000)	-
Share of results of associates			(23)	37
Finance costs			(11,783)	(2,447)
Taxation			(97)	(11)
			<b>(43,632)</b>	(3,767)
<b>By geographical area</b>				
- Asia	6,378	58,030	(2,573)	3,716
- North and South America	9	38	(4)	2
- Europe	1,718	1,215	(13,731)	78
	<b>8,105</b>	59,283	<b>(16,308)</b>	3,796

## NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (continued)

### 3. Other Revenue

	Six months ended 30 June	
	2008 (unaudited) HK\$'000	2007 (unaudited) HK\$'000
Bank interest income	1,118	1,063
Gain on closure of the manufacturing facilities in Dongguan, China	1,532	–
Gain on disposal of subsidiaries	366	–
Gain on disposal of property, plant and equipment	23	–
Waiver of trade and other payables	885	–
Other income	2,027	2,578
	<b>5,951</b>	3,641

### 4. Loss from Operating Activities

	Six months ended 30 June	
	2008 (unaudited) HK\$'000	2007 (unaudited) HK\$'000
<b>After crediting:</b>		
Gross rental income	915	789
Less: outgoings	(272)	(229)
Net rental income	643	560
Interest income	1,118	1,063
Gain on closure of the manufacturing facilities in Dongguan, China	1,532	–
Gain on disposal of subsidiaries	366	–
Gain on disposal of listed investments	–	2,492
Gain on disposal of property, plant and equipment	23	–
Waiver of trade and other payables	885	–
<b>and after charging:</b>		
Bad and doubtful debts	1,745	322
Movements in market values of listed investments	–	7
Depreciation of property, plant and equipment	982	2,581

## NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (continued)

### 5. Finance Costs

	<b>Six months ended 30 June</b>	
	<b>2008</b>	2007
	<b>(unaudited)</b>	(unaudited)
	<b>HK\$'000</b>	HK\$'000
Interest and similar charges on:		
Bank loans and overdrafts wholly repayable within five years	<b>227</b>	2,447
Convertible bonds	<b>11,300</b>	–
Other loans	<b>257</b>	–
	<b>11,784</b>	2,447

### 6. Taxation

No provision for taxation has been made by the Company as it is not subject to tax in Bermuda or elsewhere in other jurisdictions.

No provision for Hong Kong profits tax has been made as the HK subsidiaries incurred a loss for the period. Taxes on income earned outside Hong Kong have been calculated at the rates of taxation prevailing in the countries in which the Group operates, based on existing law, practice and interpretation thereof.

Details of the charge in condensed consolidated income statement are as follows:

	<b>Six months ended 30 June</b>	
	<b>2008</b>	2007
	<b>(unaudited)</b>	(unaudited)
	<b>HK\$'000</b>	HK\$'000
Tax provision:		
– current period	–	–
– under provision in prior year	<b>16</b>	–
Outside Hong Kong		
– current period	<b>81</b>	11
Taxation	<b>97</b>	11

## NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (continued)

### 7. Loss Per Share

The calculations of basic loss per share are based on:

	<b>Six months ended 30 June</b>	
	<b>2008</b>	2007
	<b>(unaudited)</b>	(unaudited)
	<b>HK\$'000</b>	HK\$'000
Net loss attributable to equity holders of the Company	<b>(38,434)</b>	(3,780)
Weighted average number of ordinary shares in issue during the Current Period	<b>314,089,152</b>	151,387,108

No diluted loss per share is presented for the six months ended 30 June 2008 and 2007 as the exercise of share options outstanding would be anti-dilutive.

### 8. Interests in Associates

	<b>30 June</b>	31 December
	<b>2008</b>	2007
	<b>(unaudited)</b>	(audited)
	<b>HK\$'000</b>	HK\$'000
Share of net assets	<b>75,146</b>	60,169
Less: Impairment	<b>(19,500)</b>	(9,500)
	<b>55,646</b>	50,669

Information relating to the Group's associates, PVP Limited and its subsidiaries ("PVP Group") and South America Investments Limited and its subsidiaries ("SAIL Group") are as follows:

#### PVP Group

	<b>Six months ended 30 June</b>	
	<b>2008</b>	2007
	<b>(unaudited)</b>	(unaudited)
	<b>HK\$'000</b>	HK\$'000
Turnover	<b>13</b>	963
(Loss)/Profit for the Current Period	<b>(25)</b>	100

## NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (continued)

### 8. Interests in Associates (continued)

#### PVP Group

	<b>30 June 2008 (unaudited) HK\$'000</b>	31 December 2007 (audited) HK\$'000
Non-current assets	<b>159,900</b>	159,900
Current assets	<b>2,778</b>	2,775
Current liabilities	<b>(1,044)</b>	(1,016)

#### SAIL Group

	<b>Six months ended 30 June</b>	
	<b>2008 (unaudited) HK\$'000</b>	2007 (unaudited) HK\$'000
Turnover	<b>26</b>	–
Loss for the Current Period	<b>31</b>	–

	<b>30 June 2008 (unaudited) HK\$'000</b>	31 December 2007 (audited) HK\$'000
Current assets	<b>32,974</b>	–
Current liabilities	<b>(5)</b>	–

### 9. Trade and Other Receivables

	<b>30 June 2008 (unaudited) HK\$'000</b>	31 December 2007 (audited) HK\$'000
Trade receivables	<b>7,263</b>	19,401
Other receivables	<b>674</b>	877
	<b>7,937</b>	20,278
Less: Allowance for bad and doubtful debts	<b>(1,745)</b>	(5,149)
	<b>6,192</b>	15,129

## NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (continued)

### 9. Trade and Other Receivables (continued)

The aging analysis of trade and other receivables, based on the invoice date and net of allowance, is as follows:

	<b>30 June 2008 (unaudited) HK\$'000</b>	31 December 2007 (audited) HK\$'000
Current	<b>1,401</b>	7,373
One to three months	<b>490</b>	3,885
More than three months	<b>4,301</b>	3,871
	<b>6,192</b>	15,129

The Group allows an average credit period of 30 to 45 days to its trade customers.

### 10. Trade and Other Payables

	<b>30 June 2008 (unaudited) HK\$'000</b>	31 December 2007 (audited) HK\$'000
Trade payables	<b>4,058</b>	8,941
Other payables	<b>7,715</b>	15,586
	<b>11,773</b>	24,527

The aging analysis of trade and other payables is as follows:

	<b>30 June 2008 (unaudited) HK\$'000</b>	31 December 2007 (audited) HK\$'000
Current	<b>5,949</b>	5,072
One to three months	<b>95</b>	8,779
More than three months	<b>5,729</b>	10,676
	<b>11,773</b>	24,527

## NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (continued)

### 11. Interest Bearing Bank Borrowings

	<b>30 June 2008 (unaudited) HK\$'000</b>	31 December 2007 (audited) HK\$'000
Repayable on demand or within one year		
Loan from a financial institution	–	2,000
Bank overdrafts – secured	–	6,256
Bank loan – secured	–	34,289
Bank loan – unsecured	<b>2,422</b>	–
	<b>2,422</b>	42,545

### 12. Other Loan Payables

The other loan payables are unsecured, interest-free and there are no fixed terms for repayment.

### 13. Convertible Bonds

The movement of the liability component of the convertible bonds for the Current Period is set out below:

	<b>30 June 2008 (unaudited) HK\$'000</b>	31 December 2007 (audited) HK\$'000
Fair value of the Convertible Bonds upon issue	<b>256,849</b>	256,849
Equity component	<b>(45,234)</b>	(45,234)
Liability component	<b>211,615</b>	211,615
Interest charge	<b>13,857</b>	2,557
Interest payable	<b>(6,129)</b>	(1,402)
	<b>219,343</b>	212,770

The Convertible Bonds carry out interest at 4% per annum payable by the Company per semi-annually in arrears.

Interest expense on Convertible Bonds is calculated using the effective interest method by applying the effective interest rate of 10.01% per annum to the liability components.

No conversion of Convertible Bonds has occurred up to 30 June 2008.



## NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (continued)

### 14. Share Capital

	Number of ordinary shares of HK\$0.01 each	Amount HK\$'000
<b>Authorised:</b>		
1 January 2008 and <b>30 June 2008</b>	15,000,000,000	150,000
<b>Issued and fully paid:</b>		
1 January 2008 and <b>30 June 2008</b>	314,089,152	3,141

### 15. Reserves

	Share premium HK\$'000	Contributed surplus HK\$'000	Exchange fluctuation reserve HK\$'000	Employee compensation reserve HK\$'000	Convertible bond reserve HK\$'000	Accumulated losses HK\$'000	Total HK\$'000
<b>31 December 2007 (audited)</b>							
and 1 January 2008	412,308	83,274	9,731	5,383	45,234	(202,520)	353,410
Loss for the Current Period	-	-	-	-	-	(38,434)	(38,434)
	412,308	83,274	9,731	5,383	45,234	(240,954)	314,976
Release on disposal of subsidiaries	-	-	-	-	-	-	-
Share options lapsed	-	-	-	(30)	-	30	-
<b>30 June 2008 (unaudited)</b>	412,308	83,274	9,731	5,353	45,234	(240,924)	314,976
<b>31 December 2006 (audited)</b>							
and 1 January 2007	116,230	83,274	9,232	523	-	(71,876)	137,383
Currency translation differences	-	-	(11)	-	-	-	(11)
Loss for the Current Period	-	-	-	-	-	(3,780)	(3,780)
	116,230	83,274	9,221	523	-	(75,656)	133,592
Issue of ordinary shares	27,891	-	-	-	-	-	27,891
Share issue expenses	(725)	-	-	-	-	-	(725)
Share options granted	-	-	-	2,559	-	-	2,559
Share options lapsed	-	-	-	(515)	-	515	-
<b>30 June 2007 (unaudited)</b>	143,396	83,274	9,221	2,567	-	(75,141)	163,317

## NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (continued)

### 16. Commitments

	<b>30 June 2008 (unaudited) HK\$'000</b>	31 December 2007 (audited) HK\$'000
Capital commitments		
– contracted but not accounted for	<b>251,658</b>	253,519
<hr/>		
Total minimum commitments under non-cancellable operating leases for land and buildings due:		
As lessee		
Within one year	<b>3,767</b>	3,475
In the second to fifth years, inclusive	<b>8,995</b>	7,019
After five years	<b>12,762</b>	3,707
	<b>25,524</b>	14,201
<hr/>		
As lessor		
Within one year	<b>1,374</b>	1,577
In the second to fifth years, inclusive	<b>–</b>	394
	<b>1,374</b>	1,971
<hr/>		

The Company did not have any capital or operating lease commitments at the balance sheet date.

## NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (continued)

### 17. Related Party Transactions

	<b>Six months ended 30 June</b>	
	<b>2008 (unaudited) HK\$'000</b>	2007 (unaudited) HK\$'000
Interest income from associates	-	416

Remuneration of key management personnel, including amounts paid to the Company's Directors and highest paid employees is as follows:

Short-term employee benefits	<b>4,232</b>	2,829
Post-employment benefits	-	21
Equity compensation benefits	-	864

### 18. Subsequent Events

Subsequent to the balance sheet date, on 25 August 2008, the Board was notified that a winding-up petition to wind up Lik Hang in accordance with the Companies Ordinance (Chapter 32 of the Laws of Hong Kong) was served by Shanghai Commercial Bank Limited dated 5 August 2008, requesting for the repayment of the outstanding indebtedness of approximately HK\$2.4 million. Such claimed amount is neither guaranteed nor secured by any assets of the Company. The petition is scheduled to be heard at the High Court of the Hong Kong Special Administrative Region on 8 October 2008. The Board is currently seeking legal advice regarding this proceeding and would try to come to an early resolution to this issue regarding the claim.

Further announcement will be made by the Company in relation to any further development of the above proceeding.

## OTHER INFORMATION

### DIRECTORS' INTEREST AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES

As at 30 June 2008, the directors and chief executives of the Company and their associates had the following interests in the shares of HK\$0.01 each ("Shares") and 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 Model Code for the Securities Transactions by Directors of Listed Issuers:

#### A. Long Position in shares and underlying shares of the Company

	Number of Shares			Equity derivatives (share options)	Total	Approximate percentage of issued share capital
	Personal Interest	Corporate Interest	Family Interest			
Wong Kin Chi	150,000	–	–	30,000	180,000	0.06%
Sung Yan Wai	–	–	–	2,090,000	2,090,000	0.67%
Hui Tung Wah	280,000	–	75,000 (Note)	1,350,000	1,705,000	0.54%
Tong Yee Yung, Joseph	–	–	–	252,000	252,000	0.08%
Wong Che Keung, Richard	–	–	–	252,000	252,000	0.08%

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

## **OTHER INFORMATION (continued)**

### **DIRECTORS' INTEREST AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES (continued)**

Save as disclosed above, as at 30 June 2008, none of the Directors and chief executive of the Company and their respective associates had any interest or short position 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 had to be notified to the Company and the Stock Exchange of Hong Kong Limited ("Stock Exchange") pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which he/she was taken or deemed to have under such provisions of the SFO) or which were recorded in the registers required to be kept by the Company pursuant to Section 352 of the SFO, or which were required, pursuant to the Model Code, to be notified to the Company and the Stock Exchange.

### **DIRECTORS' RIGHTS TO ACQUIRE SHARES**

Apart from the foregoing and those disclosed in "Share Option Scheme" below, at no time during the period was the Company or any of its subsidiaries a party to any arrangements to enable the Directors or any of their spouses or children under 18 years of age to acquire benefits by means of the acquisition of shares in or debentures of the Company or any other body corporate, and no Directors or chief executive of the company or their respective spouses or children under 18 years of age had been granted any right to subscribe for equity or debt securities of the Company nor exercised any such right.

## **SHARE OPTION SCHEME**

### **A. The Company**

The share option scheme (the "Option Scheme") of the Company was adopted by the Company at the special general meeting held on 22 March 2002 in compliance with Chapter 17 of the Listing Rules. The Option Scheme is valid and effective for a period of 10 years after the date of adoption of the Option Scheme, i.e. 21 March 2012. As at 30 June 2008, there are options of 14,758,000 Shares granted by the Company pursuant to the Option Scheme which are valid and outstanding.

**OTHER INFORMATION (continued)****SHARE OPTION SCHEME (continued)****A. The Company (continued)**

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

Name or category of participant	As at 1 January 2008	Date of grant of share options	Granted during the period	Exercised during the period	Lapsed during the period	Exercise price	Exercise period	Total balance as at 30 June 2008
								HK\$
<b>Directors</b>								
Wong Kin Chi	30,000	24/10/2007	–	–	–	1.744	25/10/2007 – 21/03/2012	30,000
Sung Yan Wai	240,000	14/07/2003	–	–	–	0.95	15/07/2003 – 14/07/2008	240,000
	250,000	14/06/2005	–	–	–	0.80	15/06/2005 – 14/06/2010	250,000
	300,000	16/04/2007	–	–	–	0.46	17/04/2007 – 21/03/2012	300,000
	1,200,000	14/06/2007	–	–	–	1.36	15/06/2007 – 21/03/2012	1,200,000
	100,000	24/10/2007	–	–	–	1.744	25/10/2007 – 21/03/2012	100,000
Hui Tung Wah	800,000	14/06/2005	–	–	–	0.80	15/06/2005 – 14/06/2010	800,000
	50,000	16/04/2007	–	–	–	0.46	17/04/2007 – 21/03/2012	50,000
	300,000	14/06/2007	–	–	–	1.36	15/06/2007 – 21/03/2012	300,000
	200,000	24/10/2007	–	–	–	1.744	25/10/2007 – 21/03/2012	200,000

## OTHER INFORMATION (continued)

### SHARE OPTION SCHEME (continued)

#### A. The Company (continued)

Name or category of participant	As at 1 January 2008	Date of grant of share options	Granted during the period	Exercised during the period	Lapsed during the period	Exercise price HK\$	Exercise period	Total balance as at 30 June 2008
<b>Directors (continued)</b>								
Tong Yee Yung, Joseph	72,000	14/07/2003	-	-	-	0.95	15/07/2003 – 14/07/2008	72,000
	70,000	14/06/2005	-	-	-	0.80	15/06/2005 – 14/06/2010	70,000
	30,000	16/04/2007	-	-	-	0.46	17/04/2007 – 21/03/2012	30,000
	50,000	14/06/2007	-	-	-	1.36	15/06/2007 – 21/03/2012	50,000
	30,000	24/10/2007	-	-	-	1.744	25/10/2007 – 21/03/2012	30,000
Wong Che Keung, Richard	72,000	14/07/2003	-	-	-	0.95	15/07/2003 – 14/07/2008	72,000
	70,000	14/06/2005	-	-	-	0.80	15/06/2005 – 14/06/2010	70,000
	30,000	16/04/2007	-	-	-	0.46	17/04/2007 – 21/03/2012	30,000
	50,000	14/06/2007	-	-	-	1.36	15/06/2007 – 21/03/2012	50,000
	30,000	24/10/2007	-	-	-	1.744	25/10/2007 – 21/03/2012	30,000
Sub-Total	3,974,000		-	-	-			3,974,000



**OTHER INFORMATION (continued)****SHARE OPTION SCHEME (continued)****A. The Company (continued)**

Name or category of participant	As at 1 January 2008	Date of grant of share options	Granted during the period	Exercised during the period	Lapsed during the period	Exercise price <i>HK\$</i>	Exercise period	Total balance as at 30 June 2008
<b>Others</b>								
Employees (other than Directors)	120,000	14/7/2003	-	-	-	0.95	15/07/2003 – 14/07/2008	120,000
	50,000	14/6/2005	-	-	-	0.80	15/06/2005 – 14/06/2010	50,000
	1,050,000	14/6/2007	-	-	-	1.36	15/06/2007 – 21/03/2012	1,050,000
	394,000	24/10/2007	-	-	(60,000)	1.744	25/10/2007 – 21/03/2012	334,000
Other Participants	180,000	14/07/2003	-	-	-	0.95	15/07/2003 – 14/07/2008	180,000
	50,000	14/6/2005	-	-	-	0.80	15/06/2005 – 14/06/2010	50,000
	4,200,000	14/6/2007	-	-	-	1.36	15/06/2007 – 21/03/2012	4,200,000
	4,800,000	24/10/2007	-	-	-	1.744	25/10/2007 – 21/03/2012	4,800,000
<b>Total</b>	<b>14,818,000</b>		<b>-</b>	<b>-</b>	<b>(60,000)</b>			<b>14,758,000</b>

**OTHER INFORMATION (continued)****SHARE OPTION SCHEME (continued)****B. Associated Corporation**

A new share option scheme (the "New OHL Scheme") of Omnitech Holdings Limited ("OHL"), a subsidiary as to 77.04% owned by the Company was adopted at the special general meeting held on 20 May 2004. In compliance with Chapter 17 of the Listing Rules and to terminate the then existing share option scheme. The details of the movements of the share options during the period are as follows:—

Name of Director	As at	Granted during the period	Exercised during the period	Lapsed during the period	Exercise price	Exercise period	Total balance as at
	1 January 2008						
Au Hoi Tsun, Peter	200,000	18/05/2005	-	-	(200,000)	0.069 18/05/2005 – 18/05/2008	-
Sung Yan Wai, Petrus	75,000	18/05/2005	-	-	(75,000)	0.069 18/05/2005 – 18/05/2008	-
Total	275,000		-	-	(275,000)		-

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

As at 30 June 2008, the interests of substantial shareholders, other than the Directors of the Company or their respective associate(s), in the shares of the Company as recorded in the register of interests in shares and short positions required to be kept under section 336 of the SFO were as follows:

<b>Name of Shareholder</b>	<b>Capacity</b>	<b>Number of shares</b>	<b>Number of Underlying Shares</b>	<b>Approximate percentage of interest held</b>
Anderson Dwight, Walter	Interest of controlled corporation (Note 1)	15,934,000	–	5.07%
Ospraie Holding I, L.P.	Interest of controlled corporation (Note 1)	15,934,000	–	5.07%
Ospraie Management, Inc.	Interest of controlled corporation (Note 1)	15,934,000	–	5.07%
Ospraie Management, LLC	Interest of controlled corporation (Note 1)	15,934,000	–	5.07%
The Ospraie Fund Ltd.	Interest of controlled corporation (Note 1)	15,934,000	–	5.07%
The Ospraie Portfolio Ltd.	Beneficial owner (Note 1)	15,934,000	–	5.07%
Sino-Forest Corporation	Interest of controlled corporation (Note 2)	7,860,000	22,348,500	9.61%
Sino-Capital Global Inc.	Beneficial owner (Note 2)	7,860,000	22,348,500	9.61%
Chau Chi Piu	Interest of controlled corporation (Note 3)	5,622,000	11,103,450	5.33%
Lau Tai Hang	Interest of controlled corporation (Note 4)	8,586,000	16,957,350	8.13%

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

<b>Name of Shareholder</b>	<b>Capacity</b>	<b>Number of shares</b>	<b>Number of Underlying Shares</b>	<b>Approximate percentage of interest held</b>
Rise Jet Limited	Beneficial owner (Note 4)	8,586,000	16,957,350	8.13%
Zeng Hai Bin	Interest of controlled corporation (Note 5)	13,932,000	27,515,700	13.20%
Montsford Limited	Beneficial owner (Note 5)	13,932,000	27,515,700	13.20%

*Notes:*

- Pursuant to the notices filed pursuant to Divisions 2 and 3 of the SFO, The Ospraie Portfolio Ltd. was owned as to 74% by The Ospraie Fund Ltd. which was managed by Ospraie Management, LLC. Ospraie Management, LLC was owned as to 76% by Ospraie Holding I, L.P. which was in turn held as to 1% by Ospraie Management Inc. Ospraie Management Inc. was wholly owned by Anderson Dwight, Walter. Anderson Dwight, Walter, Ospraie Management Inc., Ospraie Holding I, L.P., Ospraie Management, LLC and The Ospraie Fund Ltd. were all deemed to be interested in the 15,934,000 Shares held by The Ospraie Portfolio Ltd. under the SFO.
- Sino-Capital Global Inc. was wholly owned by Sino-Forest Corporation that was deemed to be interested in 7,860,000 Shares and 15,523,500 underlying shares in respect of Convertible Bonds issued by the Company held by Sino-Capital Global Inc. under the SFO.
- Fame Sea Profits Limited and Greenheart Foundation Limited were wholly owned by Chau Chi Piu who was deemed to be interested in 5,622,000 Shares and 11,103,450 underlying shares in respect of Convertible Bonds issued by the Company held by Fame Sea Profits Limited and Greenheart Foundation Limited under the SFO.
- Rise Jet Limited was wholly owned by Lau Tai Hang who was deemed to be interested in 8,586,000 Shares and 16,957,350 underlying shares in respect of Convertible Bonds issued by the Company held by Rise Jet Limited under the SFO.
- Montsford Limited was wholly owned by Zeng Hai Bin who was deemed to be interested in 13,932,000 Shares and 27,515,700 underlying shares in respect of Convertible Bonds issued by the Company held by Montsford Limited under the SFO.

## **OTHER INFORMATION (continued)**

### **SUBSTANTIAL SHAREHOLDERS' INTERESTS AND SHORT POSITIONS IN SHARES (continued)**

Save as disclosed above, the Company has not been notified by any person who had interest or short position in the shares or underlying shares of the Company as at 30 June 2008 which were required to be notified to the Company pursuant to Part XV of the SFO or which are recorded in the register required to be kept by the Company under the SFO.

### **AUDIT COMMITTEE**

The Audit Committee of the Company currently comprises three independent non-executive directors, namely Mr Wong Che Keung Richard (Chairman of the Committee), Mr Tong Yee Yung Joseph, and Mr Wong Kin Chi. It meets at least two times a year and meetings are attended by external auditors, the chief financial officer and the company secretary for the purpose of discussing the nature and scope of audit work, setting and monitoring the Company's internal audit program and assessing the Company's internal controls. It has reviewed the unaudited interim financial statements for the Current Period which were not required to be audited, and has recommended their adoption by the Board.

### **COMPLIANCE WITH THE CODE ON CORPORATE GOVERNANCE PRACTICES**

The Company is committed to maintaining a high standard of corporate governance. During the accounting period ended 30 June 2008, the Company had met the code provisions set out in the Code on Corporate Governance Practices contained in Appendix 14 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited ("the Listing Rules"). The Board continues to review its practices from time to time with an aim to improve the Group's corporate governance practices so as to meet international best practice.

### **COMPLIANCE WITH THE MODEL CODE SET OUT IN APPENDIX 10 TO THE LISTING RULES**

The Company has adopted a code of conduct regarding securities transactions by directors ("Code of Conduct") on terms no less exacting than the required standard set out in the Model Code set out in Appendix 10 to the Listing Rules ("the Code") and the Company has made specific enquiry of all directors that they have complied with the required standard set out in the Code and the Code of Conduct.

## **OTHER INFORMATION (continued)**

### **PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES**

During the Current Period, neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities.

### **APPRECIATION**

On behalf of the Board, I would like to take this opportunity to express our gratitude to the shareholders, business partners, customers for their unfailing support and extend our appreciation to all our staff for their dedication and contributions to the success of the Group.

By order of the board  
**Sung Yan Wai Petrus**  
*Executive Director*

Hong Kong, 19 September 2008