ANNUAL 2008 REPORT

OMNICORP LIMITED
兩 儀 控 股 有 限 公 司 *

(Incorporated in Bermuda with limited liability)
Stock code : 94

* For identification purpose only

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Corporate Information

BOARD OF DIRECTORS

Wong Kin Chi* *(Chairman)*
Sung Yan Wai, Petrus
(Acting Managing Director and Acting Chief Executive Officer)
Hui Tung Wah, Samuel
Wong Che Keung, Richard*
Tong Yee Yung, Joseph*

* *Independent non-executive Director*

AUDIT COMMITTEE

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

REMUNERATION COMMITTEE

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

COMPANY SECRETARY

Chow Miu Fan

AUTHORIZED REPRESENTATIVES

Sung Yan Wai, Petrus
Chow Miu Fan

REGISTERED OFFICE

Canon's Court
22 Victoria Street
Hamilton HM12
Bermuda

STOCK CODE

94

PRINCIPAL PLACE OF BUSINESS

Suites 1801-03, 18/F.,
Dah Sing Financial Centre
108 Gloucester Road,
Wanchai
Hong Kong
Tel: (852) 2877 2989
Fax: (852) 2511 8998

INDEPENDENT AUDITOR

Moore Stephens

SOLICITORS

Sit, Fung, Kwong & Shum

PRINCIPAL BANKERS

The Hongkong and Shanghai Banking Corporation Limited
Bank of China (Hong Kong) Limited

PRINCIPAL REGISTRAR & TRANSFER OFFICE

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

BRANCH SHARE REGISTRAR & TRANSFER OFFICE

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

WEBSITE

http://www.omnicorplimited.com

INVESTOR RELATIONS

info@omnicorplimited.com

Chairman's Statement

The year 2008 ("the Year") has turned out to be a rather unusual year. After a very strong and booming 2007, the financial tsunami triggered by the US sub-prime problem gathered momentum and quickly pushed the world economy into a steep recession by the end of 2008. Almost no country in the world and very few business sectors were immune from the effects of such drastic down turn.

On the brighter side, China seems to be in relative good shape, and is generally expected to lead the world to recovery. Due to China and other factors, demand for hard wood and wood fibre in general remains healthy and strong. On top of that, diminishing supply will also continue to be a key factor in long term optimistic outlook of the timber business. In that regard, we believe the acquisition of the Suriname tropical hard wood business through Greenheart Resources Holdings Limited in late 2007 was a right decision, and the Group will further invest and expand in the forestry and timber business, particularly in the hard wood sector.

The Group's decision over a year ago to scale down its electronic components business held under Omnitech Holdings Limited ("OHL"), our listed Australian subsidiary, was also a correct one. Even before the current economic downturn, the electronic components business was becoming unviable in the Pearl River Delta. As a result of the scaling down, the electronics components business only made a small loss of HK$2.8 million for the Year compared with HK$107.9 million for 2007. There will be little or no impact from the electronic components business from 2009 onwards. OHL is now actively looking for new investment opportunities, probably in areas such as forestry, plantation and other related businesses, which will complement the Group's tropical hard wood business.

Overall for the Year, the Group suffered a loss after tax and before minority interests of HK$114.6 million compared with a loss of HK$144.5 million for 2007. Net loss attributable to shareholders for the Year amounted to HK$103.5 million compared with a net loss of HK$130.6 million for last year.

The Group's results were inevitably affected by the economic situation, but a couple other factors also contributed to the losses.

After the scaling down of the electronic components business, the turnover of the Group for the Year amounted to HK$4.8 million, which was at too low a level to support the overheads of the Group.

The low turnover of the forestry and timber business was due to several factors. As reported in the interim report for the first half of 2008, the forestry and timber business had undergone a restructuring to streamline its management in Suriname. A decision was also taken during the Year to start and build up our own sales and logistic team for China, to facilitate direct sales of our logs into the market, instead of selling through import agents FOB ex-Suriname. Towards the end of the Year, such efforts were starting to produce results, and we are now handling most of our shipments into China. However, the development of the sales and logistic team had the short term effect of lowering sales during the Year. Furthermore, anticipating the effects of the economic downturn, a strict logging policy of "harvest-to-order" was adopted to avoid piling up of excess stock and to facilitate better logistics planning. This policy also gives more time for the sales and marketing team to select and test market reaction to different wood species, and has now led to very positive results. Strict credit policy was also implemented to minimize collection period and bad debts. All the above factors while contributed to the short term decrease in sales will have long term positive effects on sales and margins.

Due to the economic situation, timber prices have softened across the board, but are relatively mild. This factor plus a deliberate marketing strategy to introduce new species into China had the effects of lowering gross margin which stood at 30% for the Year versus 67% for 2007. However, costs are also falling. Lower freight and transportation costs which are significant cost elements should help to restore or even improve margin going into the future.

Sustainable Forestry Management and Reduced Impact Logging remain the key policy of our forestry and timber business. We also maintain a very active Social Responsibility Programme, by creating employment and training for local people and participating in various community projects.

We are committed to further step up our capital expenditure programme to build up our logging and logistic capacity as our sales and marketing efforts produce results. One of the key capital investments will be to build and complete our new sawmill within the next 18 months. That will enable us to sell mostly lumber and sawn timber which will have much higher added value and margin than logs.

The loss for the Year was also adversely affected by the share of losses of an associate of HK$51 million. The associate has invested in a forestry project in another country in South America, but the development of the project has been held up by lengthy government procedures and a change in government policy during the Year. While negotiations are continuing with the authorities, the associate considered it was prudent to make a full provision against its investment in view of the current political uncertainties.

The Group has always adopted a prudent financial policy. As a result, the Group is in a strong and healthy financial position, with practical no debt, other than the Convertible Bonds which are mostly held by Sino-Forest Corporation ("Sino-Forest"), our single largest shareholder.

OUTLOOK

There will still be plenty of challenges in 2009. However, we are cautiously optimistic about the business prospects of the Group.

We still strongly believe that timber and wood products will be one of the best sectors to be in. Our long term corporate mission is to build the Group into a world leading hard wood supplier for China and other markets. To fast track our growth, we are also looking for acquisition opportunities.

We have made significant progress in building our sales and logistics team for China, and are in the process of setting up a sales office in Guangdong to serve the Southern China market. As a next step, we plan to open another sales office in Eastern China, and at a later stage, in Northern China. Our efforts so far indicate that Suriname and South American hard wood species would be well received in China.

Subsequently to the Year end, Sino-Forest has become our single largest shareholder and has bought out most of the Convertible Bonds. We are very excited with our relationship with Sino-Forest, and have stepped up our efforts to work closely with various divisions of Sino-Forest, to capitalize on their strong presence in China. Such cooperation is expected to produce strong synergy and benefit for both parties in the near future.

APPRECIATION

Finally, I would like to take this opportunity to extend my gratitude to my fellow Directors, our executives and staff for their dedication and hard work. Together we should be able to achieve a satisfactory Triple Bottom Line not only for our Business, but also for the Environments and Society.

Wong Kin Chi
Chairman

Hong Kong, 23 April 2009

BUSINESS REVIEW

The financial tsunami triggered by the US sub-prime crisis has driven the world economy into one of the worst recessions in modern history, impacting on every corner of the globe and every type of business activities. As a result, our Group's operating result for 2008 ("the Year") was also inevitably affected, though the Group is in a strong financial position, and has taken every precautionary measure not only to ride out this unprecedented economic down-turn, but also to capture any opportunities arising therefrom.

For the Year, the Group made a loss after tax and before minority interests of HK$114,559,000 compared with a loss of HK$144,516,000 for 2007. Net loss attributable to shareholders for the Year amounted to HK$103,528,000 compared with a net loss of HK$130,644,000 for last year.

As reported in the prior year financial statements, the Group had taken the decision to scale down its electronic components division due to extremely difficult operating environments and unsatisfactory performance. As a result, the electronic components division recorded a loss of HK$2,868,000 for the Year, as compared with a loss of HK$107,872,000 for 2007. The Group's listed subsidiary in Australia, Omnitech Holdings Limited, is now actively looking for new investment opportunities to replace the contribution from the electronic components division.

Due to the scaling down of the electronic components business, the effect of the economic down-turn, and the short-term effects of the new sales and marketing strategy implemented by the forestry and timber division, the Group's turnover for the Year decreased by 15% to HK$4,773,000 as compared to HK$5,615,000 for 2007.

As reported in the interim announcement for the first half of 2008, the Group's forestry and timber division had undergone a restructuring to streamline its management team in Suriname. Furthermore, a decision was taken during the Year to start and build up the Group's own sales team, and to sell logs directly into China instead of selling through import agents FOB ex-Suriname. While this new strategy had the short term effect of lower volume of sales and higher costs, the Group will benefit in the longer term from higher sales and margins as a result of our own direct sales and marketing efforts. A new sales office is currently being set up in Guangdong, which is one of the premier hard wood furniture and flooring manufacturing centers of China.

In anticipation of the economic downturn, the forestry and timber division has not only increased its investment in sales and marketing but also adopted a more prudent logging and credit policy. As a result, a harvest-to-order policy has been strictly enforced to avoid the pile up of excess stock and to achieve higher efficiency in transports and logistics. Credit policy has been tighten to shorter collection period and minimize bad debts exposure. The management believes such policies will help to maintain a healthy and stable financial position for the Group during the current unsettled global economic.

The decrease of the Group's gross margin from 67.6% in 2007 to 30.3% for the Year was mainly due to a combination of lower sales price for the promotion of certain lesser known species to the market and higher transportation costs particularly in the first half of the Year.

The 113.8% increase in other income and gains from approximately HK$5,100,000 to HK$10,800,000 was mainly due to the one-off gain of approximately HK$6,300,000 arising from the deconsolidation of Lik Hang Electronic Components Limited ("Lik Hang") which entered into creditors winding up procedures in December 2008. Lik Hang is an indirectly owned subsidiary in the Group's electronic components division operating under Omnitech Holdings Limited, a 77.04% owned subsidiary listed on the Australian Stock Exchange.

Administrative expenses increased in the Year by approximately 135.1% or HK$23,200,000, to approximately HK$40,300,000, was resulted from 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.

The decrease of other operating expenses from approximately HK$25,400,000 in 2007 to approximately HK$9,800,000 in the Year was mainly due to the decrease in the impairment on the investment property of the Group from HK$7,600,000 to HK$1,500,000 in the Year.

The Group's overall results for the Year were also adversely affected by the share of losses of an associate of HK$50,982,000. The associate has invested in a forestry project in another country in South America, but the development of the project has been held up by lengthy government procedures and a change in government policy during the Year. While negotiations are continuing with the relevant government bodies, the associate considered it is prudent to make a full provision against its investment due to political uncertainties.

The Group's finance costs mainly represented interest paid for its Convertible Bonds which was issued in November 2007. The substantial increase in the Group's finance cost for 765.6% to HK$22,367,000 in the Year from HK$2,584,000 in 2007 was because only approximately two months interest was recorded in last year while a full year interest was recorded in the Year.

Equity attributable to the equity holders of the Company as at 31 December 2008 amounted to HK$253,023,000 or approximately HK$0.81 per share (31 December 2007: HK$356,551,000 or HK$1.13 per share). The decrease is in line with the operating loss incurred for the Year.

LIQUIDITY, FINANCIAL RESOURCES AND CAPITAL STRUCTURE

The Group continued to sustain a good liquidity position.

As written confirmations were obtained from majority bondholders whose names appear on the register of Convertible Bonds holders of the Company as at 31 December 2008 for their agreements not to request the repayment of the Convertible Bonds upon the current maturity date (i.e. 9 November 2009) and to extend the redemption date of the Convertible Bonds further to such time as the Group, after taking into account the Group's daily operation, capital and financing needs, have sufficient funds to fully repay the Convertible Bonds and Sino-Forest Corporation ("Sino-Forest"), which is the ultimate beneficial owner of HK$212,328,000 Convertible Bonds after its acquisition of HK$167,631,000 Convertible Bonds from the original bondholders on 6 February 2009, for its agreement to enter into discussion with the Company to extend the maturity date of the Convertible Bonds from 9 November 2009 to a date not earlier than 30 April 2010, Convertible Bonds with principal amount as HK$212,328,000 was classified as long term liabilities as at 31 December 2008.

After taking into account the above, the Group's current assets and current liabilities as at 31 December 2008 were HK$120,186,000 and HK$55,939,000 (31 December 2007: HK$281,487,000 and HK$98,447,000, respectively). The Group also maintain cash and bank balances of approximately HK$111,589,000 (31 December 2007: HK$237,447,000) with no bank borrowings outstanding (31 December 2007: HK$42,545,000).

As at 31 December 2008, the Group's gearing ratio, which was calculated on the basis of bank borrowings and other loan to shareholders' fund, was Nil (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 States ("US") 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 Year, the Group did not use any financial instruments for hedging purposes and the Group did not have any hedging instruments outstanding as at 31 December 2008.

As at 31 December 2008, there were 314,089,152 shares in issue.

CHARGES ON GROUP ASSETS

As at 31 December 2008, the Group pledged 4,599,000,000 ordinary shares of no par value, representing 60% of the issued share capital of Greenheart Resources Holdings Limited ("Greenheart"), a 60.39% indirectly owned subsidiary of the Company, and all indebtedness owing by Greenheart and its subsidiaries ("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 Year, the Group spent approximately HK$7,716,000 (31 December 2007: approximately HK$1,636,000) on acquisition of property, plant and equipment.

The capital commitments of the Group were HK$297,075,000 as at 31 December 2008 (2007: HK$253,519,000).

SHARE OPTION SCHEME

As at 31 December 2008, there were options for 14,074,000 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. 744,000 options were lapsed during the Year.

EMPLOYMENT AND REMUNERATION POLICY

As at 31 December 2008, the number of employees of the Group was about 138. Employees' cost (including directors' emoluments) amounted to approximately HK$18,825,000 for the Year. 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.

PROSPECTS

While the world economy will take some time to get through the current economic down turn, China is considered to be in relative healthy position and is generally expected to lead the world out of the recession.

2009 will still be a year full of challenges. Nevertheless the management remains cautiously optimistic about the prospects of the Group's business in 2009 and beyond.

The Group has always adopted a prudent financial policy, and is in strong financial health with practically no debt, other than the Convertible Bonds which are now mostly held by Sino-Forest, the single largest shareholder of the Group.

Demand for tropical hard wood and wood fibre in general remains strong, particularly in countries like China. While sales price across the board has softened, the price reduction is relatively mild. On the other hand, costs are also falling. The reduction in freight and other transportation costs is expected to help to restore or improve margins.

The setting up of our own sales force for China is now starting to produce results. We are pleased to see that Suriname wood species are well accepted by customers in Guangdong. After Guangdong, the Group will set up another sales office in Eastern China, and at a later stage in Northern China.

While maintaining a more cautious approach, the Group still continues to implement its investment program in the forestry and timber business. The Group plans to build its new sawmill within the next 18 months. At the same time, the Group continues to implement its capital expenditure program to build up its logging and logistic capacity step by step.

The forestry and timber business practices Sustainable Forestry Management and Reduced Impact Logging. It is also aiming to obtain FSC certification. Through Greenheart, the Group has continued to commit resources to a Social Responsible Policy in Suriname, creating employment and training for local people and participating in community projects. During the Year, for example, we helped to repair 150km of a main trunk road which greatly reduces traveling time between the capital of the country to its western regions. The Group believes strongly in the Triple Bottom Lines Concept, namely Business, Environments, and Society and believes that under such a policy everybody benefits in the long run.

The Group is also strengthening its business collaboration with our strategic partner, Sino-Forest, to capture the latter's strong presence in China. Such collaboration is expected to bring strong business synergy and benefit to both parties.

The Group still aims to become a world leading hard wood supplier, and is also looking for acquisition opportunities as a fast track to achieve that goal.

Biographical Details of Directors

Mr. Wong Kin Chi, aged 57, is the Chairman and an independent non-executive director of the Company. He joined the Board in September 2004 with a MBA degree from the University of Durham of United Kingdom. He is a fellow member of the Hong Kong Institute of Certified Public Accountants, and an associate member of the Chartered Institute of Management Accountants of the United Kingdom and the Society of Management Accountants of Canada over 10 years. Mr. Wong is currently running a company rendering financial and educational management services for clients. He had over 20 years of experience serving as financial controller and senior executive in a number of multi-national corporations and as an auditor in an international accounting firm. Mr. Wong is a non-executive director of Omnitech Holdings Limited ("Omnitech"), the Company's subsidiary whose shares are listed on the Australian Stock Exchange and an independent non-executive director of A-S China Plumbing Products Limited whose shares are listed on the Growth Enterprise Market of The Stock Exchange of Hong Kong Limited ("GEM").

Mr. Sung Yan Wai, Petrus, aged 48, is the Acting Managing Director and Acting Chief Executive Officer and an executive director of the Company. Mr. Sung joined the Board in March 2003. He is also an executive director of Omnitech. He is the co-founder and President of ScalaSoft Limited, a company specialized in Information Technology ("IT") system development, WEB software engineering and strategic technology planning. Mr. Sung had been the Vice President of IT at Morgan Stanley, IT Consulting Manager of Sun Microsystems, System Design Engineer with Amdahl Corporation in Silicon Valley, United States of America ("USA") and Senior System Analyst of Nomura Research Institute Hong Kong Limited. Mr. Sung received his Bachelor of Science degree in Electrical Engineering and Computer Science from University of California, Berkeley.

Mr. Hui Tung Wah, Samuel, aged 54, is an executive director of the Company. Mr. Hui joined the Board in June 2005. He was an executive director of the Company from 9 July 2001 to 28 May 2003. After serving 2 years as senior vice president for Sino-Forest Corporation, a company listed on the Toronto Stock Exchange, Mr Hui rejoined the Company as Deputy Chief Executive Officer on 1 May 2005. Mr. Hui comes from a strong financial and general management background with over 30 years working experience in senior management of major international and local banks, and companies in Hong Kong, Australia and Canada. He is a seasoned executive and has extensive management experience. He is currently a non-executive director of Cafe de Coral Holdings Limited whose shares are listed on the main board of the Stock Exchange, and a non-executive director of WLS Holdings Limited whose shares are listed on the GEM. Mr. Hui holds a Bachelor Degree in Social Sciences of the University of Hong Kong and a Master Degree in Business Administration of the Brunel University in the United Kingdom.

Biographical Details of Directors

Mr. Wong Che Keung, Richard, aged 63, is an independent non-executive director of the Company. Mr. Wong joined the Board in June 2000. Mr. Wong is the Honorary Consul of The Republic of Tunisia in Hong Kong and a fellow member of the Canadian Institute of Bankers. He is also the Chief Executive of Regency Investments & Management Co., Ltd. which engages in direct business investments locally and overseas.

Mr. Tong Yee Yung, Joseph, aged 54, is an independent non-executive director of the Company. Mr. Tong joined the Board in May 2001. He graduated from Southern Illinois University in the USA with a Bachelor of Science degree and obtained a MBA from the University of East Asia. Mr. Tong has over 20 years of experience in corporate finance and management for different listed companies in Hong Kong. Currently, Mr. Tong is an executive director and partner of Kelston Holdings (Hong Kong) Limited.

The Board of Directors ("Board") and the management of the Group emphasize on corporate governance and are committed to maintaining high standard of corporate governance which is reviewed and strengthened from time to time. The Company has applied and complied with all the provisions under the Code on Corporate Governance Practices (the "Code") as set out in Appendix 14 of the Listing of Securities on the Stock Exchange of Hong Kong Limited ("Listing Rules"), except the deviation disclosed herein.

THE BOARD

The Board comprises five Directors, including two Executive Directors, namely Mr. Sung Yan Wai, Petrus, Mr. Hui Tung Wah, Samuel, and three independent Non-Executive directors ("INED"), namely Mr. Wong Kin Chi (Chairman of the Board), Mr. Wong Che Keung, Richard, and Mr. Tong Yee Yung, Joseph. All INEDs have complied with the requirements of the Listing Rules and have presented annual confirmations of independence issued pursuant to Rule 3.13 of the Listing Rules to the Company. The Directors consider that all the three INEDs are independent under these independence criteria and are capable to effectively exercise independent judgment. The Company considers that the Board has the necessary skills and experience appropriate for discharging their duties as Directors in the best interest of the Company and that the current board size is adequate for its present operations.

Detailed biographies outlining each Director's range of specialist experience and suitability for the successful long-term management of the Group can be found in the Section of Biographical Details of Directors. The principal functions of the Board are to make decision on the objectives, strategic plans, budgets and management structure of the Group; to oversee the management of the business and affairs of the Group with the objective of enhancing the Company and shareholders' value with the proper delegation of the power to the management for its day to day operation of the Group, implementation of the budgets and strategic plans and development of the organization of the Group for implementing the Board's decision. During the year under review, the Board has reviewed, inter alia, the performance and formulated business strategy of the Group; reviewed and approved the annual and interim results of the Group for the year ended 31 December 2007 and 30 June 2008 respectively; approved acquisitions and disposals of equity interest in subsidiaries of the Group; refreshment of option scheme; reorganisation proposal; reviewed internal controls taken by the Group; and other significant operational and financial matters.

Corporate Governance Report

The Board conducts meeting on a regular basis and on an ad hoc basis, as required by business needs. The Board totally held 22 Board Meetings during the year under review. Sufficient notices for regular board meetings and reasonable notice for non-regular board meetings were given to all directors so as to ensure that each of them had an opportunity to attend the meetings, and agendas and accompanying board papers were given to all Directors in a timely manner. The Directors are enabled, upon the reasonable request, to seek external professional advice in appropriate circumstances, at the Company's costs. During the intervals between Board meetings, Directors are kept appraised of all major changes that may affect the Group's business. The draft minutes of Board meetings are prepared by the secretary of the meetings and circulated to all Directors for comments within a reasonable time. The approved minutes of the Board meetings are maintained by the Company Secretary and available for inspection by all Directors at request. The number of board meetings attended by each Director during the year under review is set out in the following table.

Name of Director	**Number of attendance**
Wong Kin Chi	14/22
Sung Yan Wai, Petrus	22/22
Hui Tung Wah, Samuel	22/22
Wong Che Keung, Richard	14/22
Tong Yee Yung, Joseph	14/22

Appropriate insurance cover has been arranged in respect of any possible legal action against the Directors.

NON-EXECUTIVE DIRECTORS

The Non-Executive Directors, together with the other Directors of the Company are subject to retirement by rotation and re-election in accordance with the Company's bye-laws and Listing Rules at each annual general meeting. They are expected to scrutinize the Company's performance in achieving agreed corporate goals and objectives; and ensuring that the exercise of the board authority is within the powers conferred to the Board under the bye-laws and applicable laws, rules and regulations. All fees paid to Non-Executive Directors for their services to the Group are subject to annual review and approval by the Remuneration Committee.

NOMINATION OF DIRECTORS

For nomination, the Board will take into consideration of the nominee's qualifications, capabilities and potential to make contribution to the Company. The Board considers that the existing human resource policy in recruitment of new senior staff is also applicable to nomination of a new director. Furthermore, as the Board is responsible for selection and approval of candidates for appointment as directors to the Board, the Company has not established a Nomination Committee for the time being.

DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted a code of conduct for securities transactions and dealing (the Code of Conduct) by Directors on terms no less exacting than the required standard set out in Appendix 10 of the Listing Rule. Specific enquiry has been made to all Directors of the Company who have confirmed their compliance with the Code of Conduct regarding securities transactions during the year under review.

ACCOUNTABILITY AND AUDIT

The Directors acknowledge their responsibility for preparing the representations contained in the financial statements of the Group for the year under review. The Directors consider that the financial statements have been prepared in conformity with Hong Kong Financial Reporting Standards. Having made appropriate enquiries, the Directors are not aware of any material uncertainties relating to events or conditions which may cast significant doubt upon the Company's ability to continue as a going concern.

The financial statements of the Company and the Group for the year ended 31 December 2008 have been reviewed by the Audit Committee and audited by the external auditors, Messrs. Moore Stephens. For the year ended 31 December 2008, the audit fee was approximately HK$1,080,000 and the non-audit service fee was HK$253,500. The responsibilities of the external auditors with respect to financial reporting are set out in the section of "Independent Auditors' Report".

REMUNERATION COMMITTEE

The Remuneration Committee comprising three members, namely Mr. Tong Yee Yung, Joseph, Mr. Wong Che Keung, Richard, Mr. Wong Kin Chi and is chaired by Mr. Tong Yee Yung, Joseph, which meets at least once a year. The primary objectives of Remuneration Committee, inter alia, is to formulate the remuneration policy based on the responsibilities, qualifications and working performance of senior management and directors; review and recommend the Board the annual remuneration policy. The major objective of the remuneration policy is to ensure that the Company is able to attract, retain, and motivate a high-calibre team which is essential to the success of the Company. No Directors and executives can determine his own remuneration. During the year under review, the Remuneration Committee has held one meeting for review and approval of the remuneration policy of the Group. Minutes of Remuneration Committee Meeting are kept by a duly appointed secretary of the meeting. Draft and final versions of minutes of the meeting are sent to all members of the Committee for their comment and records respectively, in both cases within a reasonable time after the meeting. During the year under review, one meeting regarding the remuneration policy review was held, and details of the attendance of the meeting are as follows:

Name of Remuneration Committee members	Number of attendance
Tong Yee Yung, Joseph	1/1
Wong Che Keung, Richard	1/1
Wong Kin Chi	1/1

AUDIT COMMITTEE

The Audit Committee has three members comprising, namely Mr. Wong Kin Chi, Mr. Wong Che Keung, Richard, and Mr. Tong Yee Yung, Joseph. All of them are Independent Non-Executive Directors and none of them are members of the former or existing auditors of the Company. The audit committee held two meetings during the year which were chaired by Mr. Wong Che Keung, Richard. The Board considers the Audit Committee has extensive commercial experience in business, financial and legal matters. The primary duties of the Audit Committee include, inter alia, to review and monitor financial reporting and the judgements contained therein; and to review financial and internal controls, accounting policies and practices with management and external auditors.

The Audit Committee has reviewed and discussed with the management the accounting principles and practices adopted by the Group and auditing, internal controls and financial reporting matters. The audited financial statements of the Group for the financial year ended 31 December 2008 have been reviewed by the Audit Committee. The Audit Committee held two meetings during the year under review, which were attended by the external auditors, Moore Stephens. Details of the attendance of the Audit Committee Meetings are as follows:

Name of Audit Committee members	Number of attendance
Wong Kin Chi	2/2
Wong Che Keung, Richard	2/2
Tong Yee Yung, Joseph	2/2

INTERNAL CONTROL

The Board has overall responsibilities for maintaining sound and effective internal control system of the Group. The Board has delegated to the management the implementation of such systems of internal controls as well as the review of relevant financial, operational and compliance controls and risk management procedures. The management of the Group has reviewed the Group's internal control and risk management system for the year ended 31 December 2008 and has submitted the results of the review and its recommendations and opinions for consideration by the Audit Committee and the Board.

INVESTOR RELATIONS

During the year under review, the Group has proactively enhanced its corporate transparency and communications with its shareholders and the investment community through its mandatory interim and annual reports, and timely distribution of press releases. The corporate website of the Company has provided an effective communication platform to keep the public abreast of its latest developments. Regular meetings and visits have been organised to enhance understanding of the institutional investors and analysts on the Group's business and operations.

COMMUNICATION WITH SHAREHOLDRES

The objective of shareholder communications is to provide the Shareholders with detailed information about the Company so that they can exercise their rights as the Shareholders in an informed manner.

The Company uses a range of communication tools to ensure the Shareholders are kept well informed. These include general meeting, interim report, annual report, various notices, announcements and circulars. Procedure for demanding voting by poll has been included in all circulars accompanying notice convening general meeting and the detailed procedures for conducting a poll has been read out by the Chairman at general meeting.

The general meeting provides with the Shareholders a useful forum and encourage the Shareholders to attend the general meetings of the Company to raise comments and exchange views with the Board. The Chairman, Directors and independent external auditors, where appropriate, are available to answer questions at the meeting.

DIRECTORS' RESPONSIBILITY IN PREPARING THE FINANCIAL STATEMENTS

The Directors acknowledge that it is their responsibilities in preparing the financial statements. The responsibilities of the independent external auditor with respect to financial reporting are set out in the Independent Auditors' Report on pages 30 and 31.

The Directors present their report and the audited financial statements of the Company and the Group for the year ended 31 December 2008.

PRINCIPAL ACTIVITIES

The principal activity of the Company is investment holding. The principal activities of the subsidiaries comprise log harvesting, lumber processing, marketing and sales of logs and lumber products, and property holding and investment.

In prior year, the Group was also engaged in the manufacture and sale of electronic components and products and trading of building materials and sundry products. These operations were discontinued in the current year (see note 9 to the financial statements).

RESULTS AND DIVIDENDS

The Group's loss for the year ended 31 December 2008 and the state of affairs of the Company and the Group at that date are set out in the financial statements on pages 32 to 104.

The Directors do not recommend the payment of a final dividend for the year ended 31 December 2008 (2007: Nil).

SUMMARY FINANCIAL INFORMATION

A summary of the published results and assets, liabilities and minority interests of the Group for the last five financial years, as extracted from the audited financial statements and restated/reclassified as appropriate, is set out below. This summary does not form part of the audited financial statements.

	Year ended 31 December				
	2008	2007	2006	2005	2004
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Results					
Turnover	**10,500**	119,552	383,756	393,273	176,760
Profit/(loss) before tax	**(114,475)**	(144,510)	(14,060)	(5,439)	8,983
Tax	**(84)**	(6)	(324)	(969)	(340)
Profit/(loss) before minority interests	**(114,559)**	(144,516)	(14,384)	(6,408)	8,643
Minority interests	**11,031**	13,872	(16,272)	(13,383)	(1,468)
Net profit/(loss) attributable to shareholders	**(103,528)**	(130,644)	(30,656)	(19,791)	7,175

* The results for the above years include discontinued operations.

	31 December				
	2008	2007	2006	2005	2004
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Assets and liabilities					
Property, plant and equipment	**17,523**	11,899	12,312	30,995	32,077
Prepaid land lease payment	**1,448**	–	–	–	–
Timber concessions and cutting rights	**9,308**	9,333	–	–	–
Investment property	**–**	1,450	9,070	10,430	12,000
Available-for-sale investments	**–**	6,000	10,000	23,700	23,700
Interests in associates	**14,687**	50,669	59,717	50,689	64,828
Goodwill	**369,331**	361,706	–	21,767	21,767
Current assets	**120,186**	281,487	168,999	328,519	262,590
Total assets	**532,483**	722,544	260,098	466,100	416,962
Current liabilities	**(55,939)**	(98,447)	(83,759)	(187,491)	(156,409)
Convertible bonds	**(202,113)**	(212,770)	–	–	–
Long term interest bearing borrowings	**–**	–	(1,385)	(3,124)	(3,834)
Deferred tax liabilities	**–**	–	(17)	(17)	(44)
Minority interests	**(21,408)**	(54,776)	(36,050)	(74,084)	(63,310)
Total liabilities and minority interests	**(279,460)**	(365,993)	(121,211)	(264,716)	(223,597)
Net assets	**253,023**	356,551	138,887	201,384	193,365

PROPERTY, PLANT AND EQUIPMENT AND INVESTMENT PROPERTY

Details of movements in the property, plant and equipment, and investment property of the Group during the year are set out in notes 13 and 16 to the financial statements, respectively.

SUBSIDIARIES

Particulars of the Company's principal subsidiaries at the balance sheet date are set out in note 18 to the financial statements.

ASSOCIATES

Particulars of the Group's principal associates at the balance sheet date are set out in note 19 to the financial statements.

SHARE CAPITAL, SHARE OPTIONS AND CONVERTIBLE BONDS

There were no movements in either the Company's authorised or issued share capital during the year. Details of movements in the Company's share capital, share options, and convertible bonds during the year are set out in notes 29, 30 and 28 to the financial statements.

PRE-EMPTIVE RIGHTS

There are no provisions for pre-emptive rights under the Company's bye-laws or the laws of Bermuda which would oblige the Company to offer new shares on a pro rata basis to existing shareholders.

PURCHASE, REDEMPTION OR SALE OF LISTED SECURITIES OF THE COMPANY

Neither the Company, nor any of its subsidiaries purchased, redeemed or sold any of the Company's listed securities during the year.

RESERVES

Details of movements in the reserves of the Company and the Group during the year are set out in note 31 to the financial statements and in the Consolidated Statement of Changes in Equity, respectively.

DISTRIBUTABLE RESERVES

As at 31 December 2008, the Company's share premium accounts in the amount of HK$412,308,000 (2007: HK$412,308,000), was available to be distributed in the form of fully paid bonus share. At 31 December 2008, the Company had contributed surplus and accumulated losses of HK$125,376,000 and HK$356,518,000, respectively (2007: HK$125,376,000 and HK$235,616,000, respectively). Details of movements in the distributable reserves of the Company are set out in note 31 to the financial statement.

MAJOR CUSTOMERS AND SUPPLIERS

For the year ended 31 December 2008:

(i) the aggregate amount of turnover attributable to the Group's five largest customers accounted for 34.8% of the total sales of the Group's total turnover. The sales to the largest customer included therein amounted to 16.12%

(ii) the aggregate amount of purchases (not including purchases of items which are of capital nature) attributable to the Group's five largest suppliers represented less than 30% of the Group's total purchases.

None of the directors of the Company or any of their associates or any shareholders (which, to the best knowledge of the directors, own more than 5% of the Company's issued share capital) had any beneficial interest in the Group's five largest customers.

DIRECTORS

The Directors of the Company during the year were:

Wong Kin Chi**
Sung Yan Wai, Petrus
Hui Tung Wah, Samuel
Wong Che Keung, Richard**
Tong Yee Yung, Joseph**

** Independent Non-Executive Directors

In accordance with bye-laws 97(A) of the Company's bye-laws, Messrs. Wong Che Keung, Richard shall retire and Mr Wong Kin Chi will voluntary retire from office at the Annual General Meeting and, being eligible, will offer themselves for re-election at the forthcoming annual general meeting. The Independent Non-Executive Directors are appointed for a period of three years.

The Company has received annual confirmations of independence from Messrs. Wong Che Keung, Richard and Mr. Wong Kin Chi and as at the date of this report still considers them to be independent.

DIRECTORS' BIOGRAPHIES

Biographical Details of the Directors of the Company are set out on pages 11 to 12 of the annual report.

DIRECTORS' SERVICE CONTRACTS

No Director proposed for re-election at the forthcoming annual general meeting has a service contract with the Company which is not determinable by the Company within one year without payment of compensation, other than statutory compensation.

DIRECTORS' REMUNERATION

The Directors' fees are subject to shareholders' approval at general meetings. Other emoluments are determined by the Company's Board of Directors with reference to directors' duties, responsibilities and performance and the results of the Group.

DIRECTORS' INTERESTS IN CONTRACTS

No Director had a material interest, either directly or indirectly, in any contract of significance to the business of the Group to which the Company, its holding company, or any of its subsidiaries or fellow subsidiaries was a party during the year.

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

As at 31 December 2008, the interests and short positions of the Directors and Chief Executive in the share capital and underlying shares and debentures of the Company or its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")), as recorded in the register required to be kept by the Company pursuant to Section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers, were as follows:

Long positions in ordinary shares and underlying shares of the Company

	Number of shares held, capacity and nature of interest					
Name of director	Personal Interests	Family Interests	Corporate Interests	Equity Derivatives (share options)	Total Number	Approximate percentage of issued share capital
Wong Kin Chi	150,000	–	–	30,000	180,000	0.057%
Sung Yan Wai, Petrus	–	–	–	1,850,000	1,850,000	0.59%
Hui Tung Wah, Samuel	280,000	75,000		1,350,000	1,705,000	0.54%
Tong Yee Yung, Joseph				180,000	180,000	0.057%
Wong Che Keung, Richard				180,000	180,000	0.057%

Save as disclosed above, as at 31 December 2008, none of the Directors or Chief Executive had registered an interest or short position in the shares, underlying shares or debentures of the Company or any of its associated corporations that was required to be recorded pursuant to Section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers.

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

Save as disclosed in the section "Directors' and Chief Executive's Interests and Short Positions in Shares, Underlying Shares and Debentures" above and in the section "Share Option Scheme" below, at no time during the year were rights to acquire benefits by means of the acquisition of shares in or debentures of the Company granted to any Director or their respective spouses or minor children, or were any such rights exercised by them; or was the Company, its holding company, or any of its subsidiaries or fellow subsidiaries a party to any arrangement to enable the Directors to acquire such rights in any other body corporate.

SHARE OPTION SCHEME

1. The Company operates a share option scheme (the "Scheme") for the purpose of providing incentives and rewards to eligible participants who contribute to the success of the Group's operations. Further details of the Scheme are disclosed in note 30 to the financial statements.

   The following table discloses movements in the Company's share options outstanding during the year:

Name or category of participant	At 1 January 2008	Number of share options Granted during the year	Exercised during the year	Lapsed during the year	As at 31 December 2008	Exercise period of share options	Exercise price of share options HK$ per share
Directors, chief executive and a substantial shareholder and their associates							
Wong Kin Chi	30,000	–	–	–	30,000	25 Oct 07 to 21 Mar 2012	1.744
Sung Yan Wai, Petrus	240,000	–		240,000	–	15 Jul 2003 to 14 July 2008	0.950
	250,000	–	–	–	250,000	15 Jun 2006 to 14 Jun 2010	0.800
	300,000	–	–	–	300,000	17 Apr 2007 to 21 Mar 2012	0.460
	1,200,000	–	–	–	1,200,000	15 Jun 2007 to 21 Mar 2012	1.360
	100,000	–	–	–	100,000	25 Oct 2007 to 21 Mar 2012	1.744
Hui Tung Wah, Samuel	800,000	–	–	–	800,000	15 Jun 2005 to 14 Jun 2010	0.800
	50,000	–	–	–	50,000	7 Apr 2007 to 21 Mar 2012	0.460
	300,000	–	–	–	300,000	15 Jun 2007 to 21 Mar 2012	1.360
	200,000	–	–	–	200,000	25 Oct 2007 to 21 Mar 2012	1.744
Wong Che Keung, Richard	72,000	–	–	72,000	–	15 Jul 2003 to 14 Jul 2008	0.950
	70,000	–	–	–	70,000	15 Jun 2005 to14 Jun 2010	0.800
	30,000	–	–	–	30,000	17 Apr 2007 to 21 Mar 2012	0.460
	50,000	–	–	–	50,000	15 Jun 2007 to 21 Mar 2012	1.360
	30,000	–	–	–	30,000	25 Oct 2007 to 21 Mar 2012	1.744
Tong Yee Yung, Joseph	72,000	–	–	72,000	–	15 Jul 2003 to 14 Jul 2008	0.950
	70,000	–	–	–	70,000	15 Jun 2005 to 14 Jun 2010	0.800
	30,000	–	–	–	30,000	17 Apr 2007 to 21 Mar 2012	0.460
	50,000	–	–	–	50,000	15 Jun 2007 to 21 Mar 2012	1.360
	30,000	–	–	–	30,000	25 Oct 2007 to 21 Mar 2012	1.744
Employees (other than Directors)							
In aggregate	300,000	–	–	300,000	–	15 Jul 2003 to 14 Jul 2008	0.950
	100,000	–	–	–	100,000	15 Jun 2005 to 14 Jun 2010	0.800
	1,050,000	–	–	–	1,050,000	15 Jun 2007 to 21 Mar 2012	1.360
	394,000	–	–	60,000	334,000	25 Oct 2007 to 21 Mar 2012	1.744
Other participants							
In aggregate	4,200,000	–	–	–	4,200,000	15 Jun 2007 to 21 Mar 2012	1.360
	4,800,000	–	–	–	4,800,000	25 Oct 2007 to 21 Mar 2012	1.744
	14,818,000	–	–	744,000	14,074,000		

Notes to the table of share options outstanding during the year:

Valuation of share option

Details of the valuation are set out in note 30 to the financial statements.

2. Omnitech Holdings Limited

Omnitech Holdings Limited ("OHL"), 77.04% owned by the Company, adopted a new share option scheme at the special general meeting of the Company held on 20 May 2004 (the "OHL Scheme").

a. Summary of the OHL Scheme

The purpose of the OHL Scheme is to enable OHL to grant options to any employee and his close relative of any member of the OHL group, who at the discretion of the OHL Board, have contributed to OHL or any of its subsidiaries as incentives and rewards for their contribution to OHL or such subsidiaries. The maximum number of shares which may be issued upon exercise of all options to be granted under the OHL Scheme and any other share option scheme(s) of OHL must not exceed 10% of the OHL shares in issue on the date of approval and adoption of the OHL Scheme, i.e. 23,456,372 OHL shares and 2,345,637 OHL shares after share consolidation of OHL effective 18 August 2004. The total number of shares issued and which may fall to be issued and which may fall to be issued upon exercise of the options granted under the OHL Scheme and any other share option scheme(s) of OHL to each eligible participant in any 12-month period up to the date of grant shall not exceed 1% of the OHL shares in issue as at the date of grant. Subject to the ASX Listing Rules, if the OHL Board determines to offer to grant options to a director, chief executive or substantial shareholder of the Company or any of their respective associates, such grant shall be subject to the approval by the independent non-executive directors of the Company.

The exercise price for an OHL share under the OHL Scheme shall be the higher of (a) the weighted average market price of the OHL shares sold on the ASX for the five business days immediately preceding the date of grant; and (b) the nominal value of an OHL share.

There is no general requirement that an option must be held for any minimum period before it can be exercised but OHL Board is empowered to impose at its discretion any such minimum period at the time of grant of any particular option the date of grant of any particular option is the date when the duplicate offer document constituting acceptance of the option duly signed by the grantee, together with a remittance in favour of OHL of A$10.00 by way of consideration is received by OHL, such date must be on or before the 30th day after the option is offered to the relevant grantee. The OHL Scheme is valid and effective for a period of 5 years after the date of adoption of the OHL Scheme, which is until 19 May 2009.

b. Outstanding options

Name or category of participant	At 1 Jan 2008	Exercised during the year	Lapsed During the year	At 31 Dec 2008	Date of grant of share options	Exercise period	Exercise price AUD	Total Balance at 31 Dec 2008
Sung Yan Wai, Petrus	75,000	–	75,000	–	18/05/2005	18/05/2005 to 18/05/2008	0.069	–
Au Hoi Tsun, Peter	200,000	–	200,000	–	18/05/2005	18/05/2005 to 18/05/2008	0.069	–

Apart from the aforesaid, at no time during the year 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.

SUBSTANTIAL SHAREHOLDERS' AND OTHER PERSONS' INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES

As at 31 December 2008, the following interests and short positions of 5% or more of the issued share capital, share options, convertible bonds of the Company were recorded in the register of interests required to be kept by the Company pursuant to Section 336 of the SFO:

Long positions:

Name	*Notes*	Capacity and nature of interest	Number of ordinary shares held	Number of Underlying Shares	Approximate percentage of the total issued share capital
Zeng Hai Bin	(1)	Interest of controlled corporation	13,932,000	27,515,700	13.20%
Montsford Limited	(1)	Beneficial owner	13,932,000	27,515,700	13.20%
Sino-Forest Corporation	(2)	Interest of controlled corporation	7,860,000	22,348,500	9.61%
Sino-Capital Global Inc	(2)	Beneficial owner	7,860,000	22,348,500	9.61%
Lau Tai Hang	(3)	Interest of controlled corporation	8,586,000	16,957,350	8.13%
Rise Jet Limited	(3)	Beneficial owner	8,586,000	16,957,350	8.13%
Chau Chi Piu	(4)	Interest of controlled corporation	5,622,000	11,103,450	5.33%

Notes:

(1) 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.

(2) Sino-Capital Global Inc. was wholly owned by Sino-Forest Corporation that was deemed to be interested in 7,860,000 Shares and 22,348,500 underlying shares in respect of Convertible Bonds issued by the Company held by Sino-Capital Global Inc. under the SFO.

(3) 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.

(4) 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.

Save as disclosed above, as at 31 December 2008, no person, other than the directors and chief executive of the Company, whose interests are set out in the section "Directors' and Chief Executive's Interests and Short Positions in Shares, Underlying Shares and Debentures" above, had registered an interest or short position in the shares or underlying shares of the Company that was required to be recorded pursuant to Section 336 of the SFO.

SUFFICIENCY OF PUBLIC FLOAT

Based on information that is publicly available to the Company and within the knowledge of the directors, at least 25% of the Company's total issued share capital was held by the public as at the date of this report.

CORPORATE GOVERNANCE

The Company is committed to maintaining a high level of corporate governance practices. Corporate governance practices adopted by the Company are set out in the Corporate Governance Report on pages 13 to 18.

AUDITORS

Moore Stephens retire and a resolution for their reappointment as auditors of the Company will be proposed at the forthcoming annual general meeting.

On behalf of the board
Omnicorp Limited

Wong Kin Chi
Chairman

Hong Kong
23 April 2009

Independent Auditors' Report

MOORE STEPHENS
CERTIFIED PUBLIC ACCOUNTANTS

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馬施雲
會計師事務所

TO THE SHAREHOLDERS OF OMNICORP LIMITED
(Incorporated in Bermuda with limited liability)

We have audited the consolidated financial statements of Omnicorp Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") set out on pages 32 to 104, which comprise the consolidated and company balance sheets as at 31 December 2008, and the consolidated income statement, the consolidated statement of changes in equity and the consolidated cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory notes.

DIRECTORS' RESPONSIBILITIES FOR THE FINANCIAL STATEMENTS

The directors of the Company are responsible for the preparation and the true and fair presentation of these consolidated financial statements in accordance with Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants and the disclosure requirements of the Hong Kong Companies Ordinance. This responsibility includes designing, implementing and maintaining internal control relevant to the preparation and the true and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

AUDITORS' RESPONSIBILITY

Our responsibility is to express an opinion on these consolidated financial statements based on our audit and to report our opinion solely to you, as a body, in accordance with Section 90 of the Bermuda Companies Act 1981, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

We conducted our audit in accordance with Hong Kong Standards on Auditing issued by the Hong Kong Institute of Certified Public Accountants. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance as whether the financial statements are free from material misstatement.

An audit includes performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider internal control relevant to the entity's preparation and true and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

OPINION

In our opinion, the consolidated financial statements give a true and fair view of the state of affairs of the Company and of the Group as at 31 December 2008 and of the Group's loss and cash flows of the year then ended in accordance with Hong Kong Financial Reporting Standards and have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

Moore Stephens
Certified Public Accountants

Hong Kong, 23 April 2009

Consolidated Income Statement
Year ended 31 December 2008

	Notes	2008 HK$'000	2007 HK$'000 (Restated)
CONTINUING OPERATIONS			
Revenue	4	**4,773**	5,615
Cost of sales		**(3,324)**	(1,817)
Gross profit		**1,449**	3,798
Other income and gains	4	**10,824**	5,062
Distribution costs		**(464)**	(344)
Administrative expenses		**(40,318)**	(17,149)
Other operating expenses		**(9,833)**	(25,440)
LOSS FROM OPERATING ACTIVITIES	5	**(38,342)**	(34,073)
Finance costs	6	**(22,367)**	(2,584)
Share of results of associates		**(50,982)**	36
LOSS BEFORE TAX		**(111,691)**	(36,621)
Tax	8	**–**	(23)
Loss for the year from continuing operations		**(111,691)**	(36,644)
DISCONTINUED OPERATIONS			
Loss for the year from discontinued operations	9	**(2,868)**	(107,872)
LOSS FOR THE YEAR		**(114,559)**	(144,516)
ATTRIBUTABLE TO:			
Equity holders of the Company	10	**(103,528)**	(130,644)
Minority interests		**(11,031)**	(13,872)
		(114,559)	(144,516)
LOSS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE COMPANY	12		
Basic			
– Continuing operations		**(0.32) dollars**	(0.20) dollars
– Discontinued operations		**(0.01) dollars**	(0.52) dollars
		(0.33) dollars	(0.72) dollars
Diluted			
– Continuing operations		**N/A**	N/A
– Discontinued operations		**N/A**	N/A
		N/A	N/A

Consolidated Balance Sheet

31 December 2008

	Notes	2008 HK$'000	2007 HK$'000 (Restated)
NON-CURRENT ASSETS			
Property, plant and equipment	13	**17,523**	11,899
Prepaid land lease payment	14	**1,448**	–
Timber concessions and cutting rights	15	**9,308**	9,333
Investment property	16	**–**	1,450
Goodwill	17	**369,331**	361,706
Interests in associates	19	**14,687**	50,669
Available-for-sale investments	20	**–**	6,000
Total non-current assets		**412,297**	441,057
CURRENT ASSETS			
Inventories	21	**6,201**	8,736
Trade and other receivables	22	**796**	15,129
Prepayments and deposits		**1,600**	2,396
Current tax recoverable		**–**	1
Equity investments at fair value through profit or loss	23	**–**	914
Pledged bank deposits	24	**–**	16,864
Cash and cash equivalents	24	**111,589**	237,447
Total current assets		**120,186**	281,487
CURRENT LIABILITIES			
Trade and other payables	25	**9,564**	27,840
Interest bearing bank and other borrowings	26	**–**	42,545
Other loans payable	27	**–**	4,562
Convertible bonds	28	**23,485**	–
Deposits received		**22,890**	23,500
Total current liabilities		**55,939**	98,447
NET CURRENT ASSETS		**64,247**	183,040
TOTAL ASSETS LESS CURRENT LIABILITIES		**476,544**	624,097

Consolidated Balance Sheet

31 December 2008

	Notes	2008 HK$'000	2007 HK$'000 (Restated)
NON-CURRENT LIABILITIES			
Convertible bonds	28	**202,113**	212,770
		202,113	212,770
NET ASSETS		**274,431**	411,327
Equity attributable to equity holders of the Company			
Issued capital	29	**3,141**	3,141
Equity component of convertible bonds	28	**45,234**	45,234
Reserves	31	**204,648**	308,176
		253,023	356,551
Minority interests		**21,408**	54,776
TOTAL EQUITY		**274,431**	411,327

Sung Yan Wai, Petrus
Director

Hui Tung Wah, Samuel
Director

Consolidated Statement of Changes in Equity

For the year ended 31 December 2008

	Attributable to equity holders of the Company									
	Issued Capital HK$'000	Share Premium HK$'000	Contributed Surplus HK$'000	Exchange Fluctuation Reserve HK$'000	Employee Compensation Reserve HK$'000	Equity Component of Convertible Bonds HK$'000	Accumulated Losses HK$'000	Total HK$'000	Minority Interests HK$'000	Total Equity HK$'000
1 January 2007	1,504	116,230	83,274	9,232	523	–	(71,876)	138,887	36,050	174,937
Loss for the year	–	–	–	–	–	–	(130,644)	(130,644)	(13,872)	(144,516)
Currency translation differences recognised directly in equity	–	–	–	499	–	–	–	499	–	499
Total income and expenses for the year	–	–	–	499	–	–	(130,644)	(130,145)	(13,872)	(144,017)
Acquisition of subsidiaries	–	–	–	–	–	–	–	–	32,598	32,598
Issue of new shares	1,637	302,743	–	–	–	–	–	304,380	–	304,380
Share issue expenses	–	(6,665)	–	–	–	–	–	(6,665)	–	(6,665)
Share option granted	–	–	–	–	5,375	–	–	5,375	–	5,375
Share option lapsed	–	–	–	–	(515)	–	–	(515)	–	(515)
Convertible bond issued	–	–	–	–	–	45,234	–	45,234	–	45,234
31 December 2007 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 year	–	–	–	–	–	–	(103,528)	(103,528)	(11,031)	(114,559)
Disposal of subsidiaries	–	–	–	–	–	–	–	–	(22,337)	(22,337)
Share option lapsed	–	–	–	–	(30)	–	30	–	–	–
31 December 2008	**3,141**	**412,308***	**83,274***	**9,731***	**5,353***	**45,234**	**(306,018)***	**253,023**	**21,408**	**274,431**

* These reserves accounts comprise the consolidated reserves of HK$204,648,000 (2007: HK$308,176,000) in the consolidated balance sheet.

Consolidated Cash Flow Statement
For the year ended 31 December 2008

	Notes	2008 HK$'000	2007 HK$'000 (Restated)
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash used in operations	32(a)	**(57,107)**	(17,068)
Hong Kong profits tax paid		**–**	(24)
Overseas taxes paid		**(83)**	(308)
Interest received		**2,102**	2,221
Interest paid		**(10,051)**	(5,078)
NET CASH OUTFLOW FROM OPERATING ACTIVITIES		**(65,139)**	(20,257)
CASH FLOWS FROM INVESTING ACTIVITIES			
Acquisition of subsidiaries, net	32(b)	**(7,406)**	54,803
Purchases of equity investment at fair value through profit or loss		**–**	(156)
Purchases of items of property, plant and equipment		**(7,716)**	(1,636)
Capital injection in an associate		**(15,000)**	–
Proceeds from disposals of:			
Property, plant and equipment		**–**	10
Equity investments at fair value through profit or loss		**–**	17,310
Subsidiaries, net	32(c)	**(13)**	–
Arising from deconsolidation of a subsidiary under winding up	32(d)	**(341)**	–
Decrease in pledged time deposits		**16,864**	5,615
NET CASH (OUTFLOW)/INFLOW FROM INVESTING ACTIVITIES		**(13,612)**	75,946
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from issue of new shares		**–**	184,381
Share issue expenses		**–**	(6,665)
Proceeds from/(repayment of) other loans		**(4,562)**	4,562
Repayment of interest bearing bank borrowings		**(36,289)**	(13,730)
NET CASH (OUTFLOW)/INFLOW FROM FINANCING ACTIVITIES		**(40,851)**	168,548

	Notes	2008 HK$'000	2007 HK$'000 (Restated)
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS		**(119,602)**	224,237
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR		**231,191**	6,973
Effect of foreign exchange rate changes, net		**–**	(19)
CASH AND CASH EQUIVALENTS AT END OF YEAR		**111,589**	231,191
ANALYSIS OF CASH AND CASH EQUIVALENTS			
Cash and bank balances	24	**111,589**	254,311
Pledged time deposits and guarantee funds	24	**–**	(16,864)
Bank overdrafts	26	**–**	(6,256)
		111,589	231,191

Balance Sheet

31 December 2008

	Notes	2008 HK$'000	2007 HK$'000
NON-CURRENT ASSETS			
Interests in subsidiaries	18	**426,848**	418,303
CURRENT ASSETS			
Prepayments and deposits		**226**	253
Cash and bank balances		**35,712**	151,443
Total current assets		**35,938**	151,696
CURRENT LIABILITIES			
Trade and other payables		**2,294**	1,403
Convertible bonds	28	**23,485**	–
Total current liabilities		**25,779**	1,403
NET CURRENT ASSETS		**10,159**	150,293
TOTAL ASSETS LESS CURRENT LIABILITIES		**437,007**	568,596
NON-CURRENT LIABILITIES			
Convertible bonds	28	**202,113**	212,770
Net assets		**234,894**	355,826
EQUITY			
Issued capital	29	**3,141**	3,141
Equity component of convertible bonds		**45,234**	45,234
Reserves	31	**186,519**	307,451
Total equity		**234,894**	355,826

Sung Yan Wai, Petrus
Director

Hui Tung Wah, Samuel
Director

1. CORPORATE INFORMATION

During the Year, the Group was engaged in the following activities:

– Manufacture and sale of electronic components and products

– Log harvesting, lumber processing, marketing and sales of logs and lumber products

– Property holding and

– Investment holding

The Group ceased its operations in the manufacture and sale of electronic components and products and trading of building materials and sundry products in current year (see note 9).

2. SUMMARY OF PRINCIPAL ACCOUNTING POLICIES

Statement of compliance

These financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") (which include all Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards ("HKASs") and Interpretations) issued by the Hong Kong Institute of Certified Public Accountants and the disclosure requirements of the Hong Kong Companies Ordinance. They have been prepared under the historical cost convention, except for an investment property and certain equity investments, which have been measured at fair value. These financial statements are presented in Hong Kong dollars and all values are rounded to the nearest thousand except when otherwise indicated.

Basis of consolidation

The consolidated financial statements include the financial statements of the Company and its subsidiaries (collectively referred to as the "Group") for the year ended 31 December 2008. The results of subsidiaries are consolidated from the date of acquisition, being the date on which the Group obtains control, and continue to be consolidated until the date that such control ceases. All income, expenses and unrealised gains and losses resulting from intercompany transactions and intercompany balances within the Group are eliminated on consolidation in full.

2. SUMMARY OF PRINCIPAL ACCOUNTING POLICIES (Continued)

Basis of consolidation (Continued)

The acquisition of subsidiaries during the year has been accounted for using the purchase method of accounting. This method involves allocating the cost of the business combinations to the fair value of the identifiable assets acquired, and liabilities and contingent liabilities assumed at the date of acquisition. The cost of the acquisition is measured at the aggregate of the fair value of the assets given, equity instruments issued and liabilities incurred or assumed at the date of exchange, plus costs directly attributable to the acquisition.

Minority interests represent the interests of outside shareholders not held by the Group in the results and net assets of the Company's subsidiaries.

Judgments and estimates

The preparation of financial statements in conformity with HKFRSs requires the directors to make judgments, 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 judgments 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.

The directors have considered the development, selection and disclosure of the Group's critical accounting policies and estimates. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets or liabilities are as follows:

2. SUMMARY OF PRINCIPAL ACCOUNTING POLICIES (Continued)

Judgments and estimates (Continued)

i) Useful lives and depreciation of property, plant and equipment

The Group determines the estimated useful lives and related depreciation charges of its property, plant and equipment. These estimates are based on the historical experience of the actual useful lives of property, plant and equipment of similar nature and functions. The Group will increase the depreciation charge where useful lives are less than previously estimated lives, and will write off or write down technically obsolete or non-strategic assets that have been abandoned or sold. Actual economic lives may differ from estimated useful lives. Periodic review could result in a change in depreciable lives and therefore depreciation charge in the future periods.

ii) Amortisation of timber concessions and cutting rights

Amortisation is charged to the income statement on a unit of production basis over the estimated useful lives of timber concessions. The Group determines the estimated useful lives and related amortisation charges of its timber concessions. These estimates are based on the total proven and probable reserves of the total forestry exploitation volume or contractual period from the date of commencement of commercial exploitation.

iii) Impairment of goodwill

The Group tests annually whether goodwill has suffered any impairment. Determining whether goodwill is impaired requires an estimation of the value-in-use of the cash generating units to which goodwill has been allocated. The value-in-use calculation requires the Group to estimate the future cash flows expected to arise from the cash generating units and a suitable discount rate in order to calculate the present value. Where the actual future cash flows are less than expected, a material impairment loss may arise.

iv) Net realisable value of inventories

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

2. SUMMARY OF PRINCIPAL ACCOUNTING POLICIES (Continued)

Judgments and estimates (Continued)

v) Impairment of trade and other receivables

The Group makes impairment of trade and other receivables based on an assessment of the recoverability of the receivables. This assessment is based on the credit history of the customers and other debtors and the current market condition. The directors reassess the impairment at each balance sheet date.

Impact of new and revised Hong Kong Financial Reporting Standards

The Group has adopted the following new interpretations and amendments to HKFRSs for the first time for the current year's financial statements.

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

The adoption of these new interpretations and amendments has had no significant effect on the financial statements.

2. SUMMARY OF PRINCIPAL ACCOUNTING POLICIES (Continued)

Impact of new and revised Hong Kong Financial Reporting Standard (Continued)

The Group has not applied the following new and revised HKFRSs, that have been issued but are not yet effective, in the financial statements.

HKFRS 1 and HKAS 27 Amendments	Amendments to HKFRS 1 First-time Adoption of HKFRSs and HKAS 27 Consolidated and Separate Financial Statements – Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate[1]
HKFRS 1 (Revised)	First-time Adoption of HKFRSs[2]
HKFRS 2 Amendments	Amendments to HKFRS 2 Share-based Payment – Vesting Conditions and Cancellations[1]
HKFRS 3 (Revised)	Business Combinations[2]
HKFRS 7 Amendments	Amendments to HKFRS 7 Financial Instruments: Disclosures – Improving Disclosures about Financial Instruments[1]
HKFRS 8	Operating Segments[1]
HKAS 1 (Revised)	Presentation of Financial Statements[1]
HKAS 23 (Revised)	Borrowing Costs[1]
HKAS 27 (Revised)	Consolidated and Separate Financial Statements[2]
HKAS 32 and HKAS 1 Amendments	Amendments to HKAS 32 Financial Instruments: Presentation and HKAS 1 Presentation of Financial Statements – Puttable Financial Instruments and Obligations Arising on Liquidation[1]
HKAS 39 Amendment	Amendment to HKAS 39 Financial Instruments: Recognition and Measurement – Eligible Hedged Items[2]
HK(IFRIC)-Int 9 and HKAS 39 Amendments	Amendments to HK(IFRIC)-Int 9 Reassessment of Embedded Derivatives and HKAS 39 Financial Instruments, Recognitions and Measurements – Embedded Derivatives[5]
HK(IFRIC)-Int 13	Customer Loyalty Programmes[3]
HK(IFRIC)-Int 15	Agreements for the Construction of Real Estate[1]
HK(IFRIC)-Int 16	Hedges of a Net Investment in a Foreign Operation[4]
HK(IFRIC)-Int 17	Distribution of Non-cash Assets to Owners[2]
HK(IFRIC)-Int 18	Transfers of Assets from Customers[2]

Apart from the above, the HKICPA has also issued Improvements to HKFRSs* which sets out amendments to a number of HKFRSs primarily with a view to removing inconsistencies and clarify wording. Except for the amendment to HKFRS 5 which is effective for the annual periods on or after 1 July 2009, other amendments are effective for annual periods beginning on or after 1 January 2009 although there are separate transitional provisions for each standard.

2. SUMMARY OF PRINCIPAL ACCOUNTING POLICIES (Continued)

Impact of new and revised Hong Kong Financial Reporting Standards (Continued)

[1] Effective for annual periods beginning on or after 1 January 2009
[2] Effective for annual periods beginning on or after 1 July 2009
[3] Effective for annual periods beginning on or after 1 July 2008
[4] Effective for annual periods beginning on or after 1 October 2008
[5] Effective for annual periods beginning on or after 30 June 2009

* Improvements to HKFRSs contains amendments to HKFRS 5, HKFRS 7, HKAS 1, HKAS 8, HKAS 10, HKAS 16, HKAS 18, HKAS 19, HKAS 20, HKAS 23, HKAS 27, HKAS 28, HKAS 29, HKAS 31, HKAS 34, HKAS 36, HKAS 38, HKAS 39, HKAS 40 and HKAS 41.

The Group is in the process of making an assessment of the impact of these new and revised HKFRSs upon initial application. So far, it has concluded that while the adoption of HKFRS 8 and HKAS 1 (Revised) may result in new or amended disclosures and the adoption of HKFRS 3 (Revised), HKAS 27 (Revised) and HKAS 23 (Revised) may result in changes in accounting policies, these new and revised HKFRSs are unlikely to have a significant impact on the Group's results of operations and financial position.

Subsidiaries

A subsidiary is an entity whose financial and operating policies the Company controls, directly or indirectly, so as to obtain benefits from its activities.

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

Associates

An associate is an entity, not being a subsidiary or a jointly-controlled entity, in which the Group has a long term interest of generally not less than 20% of the equity voting rights and over which it is in a position to exercise significant influence.

The Group's interests in associates are stated in the consolidated balance sheet at the Group's share of net assets under the equity method of accounting, less any impairment losses. The Group's share of the post-acquisition results and reserves of associates is included in the consolidated income statement and consolidated reserves, respectively. Unrealised gains and losses resulting from transactions between the Group and its associates are eliminated to the extent of the Group's interests in the associates, except where unrealised losses provide evidence of an impairment of the asset transferred.

The results of associates are included in the Company's income statement to the extent of dividends received and receivable. The Company's interests in associates are treated as non-current assets and are stated at cost less any impairment losses.

2. SUMMARY OF PRINCIPAL ACCOUNTING POLICIES (Continued)

Goodwill

Goodwill arising on the acquisition of subsidiaries represents the excess of the cost of the business combination over the Group's interest in the net fair value of the acquires' identifiable assets acquired, and liabilities and contingent liabilities assumed as at the date of acquisition.

Goodwill on acquisitions for which the agreement date is on or after 1 January 2005

Goodwill arising on acquisition is recognised in the consolidated balance sheet as an asset, initially measured at cost and subsequently at cost less any accumulated impairment losses.

The carrying amount of goodwill is reviewed for impairment annually or more frequently if events or changes in circumstances indicate that the carrying value may be impaired. The Group performs its annual impairment test of goodwill as at 31 December. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash-generating units, or groups of cash-generating units, that are expected to benefit from the synergies of the combination, irrespective of whether other assets or liabilities of the Group are assigned to those units or groups of units.

Impairment is determined by assessing the recoverable amount of the cash-generating unit (group of cash-generating units) to which the goodwill relates. Where the recoverable amount of the cash-generating unit (group of cash-generating units) is less than the carrying amount, an impairment loss is recognised. An impairment loss recognised for goodwill is not reversed in a subsequent period.

Where goodwill forms part of a cash-generating unit (group of cash-generating units) and part of the operation within that unit is disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on disposal of the operation. Goodwill disposed of in this circumstance is measured based on the relative values of the operation disposed of and the portion of the cash-generating unit retained.

2. SUMMARY OF PRINCIPAL ACCOUNTING POLICIES (Continued)

Timber concessions and cutting rights

Timber concessions licences and cutting rights acquired by the Group are stated at cost less accumulated amortisation and any accumulated impairment losses. These licences give the Group rights to harvest trees in the allocated concession forests in designated areas in the Republic of Suriname. Amortisation is charged to the income statement on a unit of production basis over the estimated useful lives of timber concessions.

Impairment of non-financial assets other than goodwill

Where an indication of impairment exists, or when annual impairment testing for an asset is required (other than inventories, construction contract assets, financial assets, investment properties, goodwill and non-current assets/a disposal group classified as held for sale), the asset's recoverable amount is estimated. An asset's recoverable amount is the higher of the asset's or cash-generating unit's value in use and its fair value less costs to sell, and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets, in which case the recoverable amount is determined for the cash-generating unit to which the asset belongs.

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

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

2. SUMMARY OF PRINCIPAL ACCOUNTING POLICIES (Continued)

Related parties

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

(a) the party, directly or indirectly through one or more intermediaries, (i) controls, is controlled by, or is under common control with, the Group; (ii) has an interest in the Group that gives it significant influence over the Group; or (iii) has joint control over the Group;

(b) the party is an associate;

(c) the party is a jointly-controlled entity;

(d) the party is a member of the key management personnel of the Group or its parent;

(e) the party is a close member of the family of any individual referred to in (a) or (d); or

(f) the party is an entity that is controlled, jointly controlled or significantly influenced by or for which significant voting power in such entity resides with, directly or indirectly, any individual referred to in (d) or (e).

Property, plant and equipment and depreciation

Property, plant and equipment, other than construction in progress, are stated at cost less accumulated depreciation and any impairment losses. When an item of property, plant and equipment is classified as held for sale or when it is part of a disposal group classified as held for sale, it is not depreciated and is accounted for in accordance with HKFRS 5, as further explained in the accounting policy for "Non-current assets and disposal groups held for sale". The cost of an item of property, plant and equipment comprises its purchase price and any directly attributable costs of bringing the asset to its working condition and location for its intended use. Expenditure incurred after items of property, plant and equipment have been put into operation, such as repairs and maintenance, is normally charged to the income statement in the period in which it is incurred. In situations where it can be clearly demonstrated that the expenditure has resulted in an increase in the future economic benefits expected to be obtained from the use of an item of property, plant and equipment, and where the cost of the item can be measured reliably, the expenditure is capitalised as an additional cost of that asset or as a replacement.

2. SUMMARY OF PRINCIPAL ACCOUNTING POLICIES (Continued)

Property, plant and equipment and depreciation (Continued)

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

Buildings	2% – 5%
Leasehold improvements	18% – 20% or over the lease terms whichever is shorter
Plant and machinery	9% – 25%
Furniture and equipment	12.5% – 30%
Motor vehicles	18% – 33%

Where parts of an item of property, plant and equipment have different useful lives, the cost of that item is allocated on a reasonable basis among the parts and each part is depreciated separately.

Residual values, useful lives and the depreciation method are reviewed, and adjusted if appropriate, at least at each balance sheet date.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss on disposal or retirement recognised in the income statement in the year the asset is derecognised is the difference between the net sales proceeds and the carrying amount of the relevant asset.

Investment property

Investment property is interest in land and buildings held to earn rental income and/or for capital appreciation, rather than for use in the production or supply of goods or services or for administrative purposes; or for sale in the ordinary course of business. The property is measured initially at cost, including transaction costs. Subsequent to initial recognition, investment property is stated at fair value, which reflects market conditions at the balance sheet date.

Gains or losses arising from changes in the fair values of the investment property is included in the income statement in the year in which they arise.

Any gains or losses on the retirement or disposal of an investment property are recognised in the income statement in the year of the retirement or disposal.

2. SUMMARY OF PRINCIPAL ACCOUNTING POLICIES (Continued)

Leases

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

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

Investments and other financial assets

Financial assets in the scope of HKAS 39 are classified as financial assets at fair value through profit or loss, loans and receivables and available-for-sale financial assets, as appropriate. When financial assets are recognised initially, they are measured at fair value, plus, in the case of investments not at fair value through profit or loss, directly attributable transaction costs.

The Group assesses whether a contract contains an embedded derivative when the Group first becomes a party to it and assesses whether an embedded derivative is required to be separated from the host contract when the analysis shows that the economic characteristics and risks of the embedded derivatives are not closely related to those of the host contract. Reassessment only occurs if there is a change in the terms of the contract that significantly modifies the cash flows that would otherwise be required under the contract.

The Group determines the classification of its financial assets after initial recognition and, where allowed and appropriate, re-evaluates this designation at the balance sheet date.

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

2. SUMMARY OF PRINCIPAL ACCOUNTING POLICIES (Continued)

Investments and other financial assets (Continued)

Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss include financial assets held for trading. Financial assets are classified as held for trading if they are acquired for the purpose of sale in the near term. Gains or losses on investments held for trading are recognised in the income statement.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Such assets are subsequently carried at amortised cost using the effective interest method less any allowance for impairment. Amortised cost is calculated taking into account any discount or premium on acquisition and includes fees that are an integral part of the effective interest rate and transaction costs. Gains and losses are recognised in the income statement when the loans and receivables are derecognised or impaired, as well as through the amortisation process.

Available-for-sale financial assets

Available-for-sale financial assets are non-derivative financial assets that are designated as available for sale or are not classified in any of the other two categories. After initial recognition, available-for-sale financial assets are measured at fair value, with gains or losses recognised as a separate component of equity until the investment is derecognised or until the investment is determined to be impaired, at which time the cumulative gain or loss previously reported in equity is included in the income statement. Interest and dividends earned are reported as interest income and dividend income, respectively and are recognised in the income statement as "Other income" in accordance with the policies set out for "Revenue recognition" below. Losses arising from the impairment of such investments are recognised in the income statement as "Impairment losses on available-for-sale financial assets" and are transferred from the available-for-sale investment revaluation reserve.

When the fair value of unlisted equity securities cannot be reliably measured because (a) the variability in the range of reasonable fair value estimates is significant for that investment or (b) the probabilities of the various estimates within the range cannot be reasonably assessed and used in estimating fair value, such securities are stated at cost less any impairment losses.

2. SUMMARY OF PRINCIPAL ACCOUNTING POLICIES (Continued)

Investments and other financial assets (Continued)

Fair value

The fair value of investments that are actively traded in organised financial markets is determined by reference to quoted market bid prices at the close of business at the balance sheet date. For investments where there is no active market, fair value is determined using valuation techniques. Such techniques include using recent arm's length market transactions; reference to the current market value of another instrument which is substantially the same; a discounted cash flow analysis; and other valuation models.

Impairment of financial assets

The Group assesses at each balance sheet date whether there is any objective evidence that a financial asset or a group of financial assets is impaired.

Assets carried at amortised cost

If there is objective evidence that an impairment loss on loans and receivables carried at amortised cost has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate (i.e., the effective interest rate computed at initial recognition). The carrying amount of the asset is reduced through the use of an allowance account. The amount of the impairment loss is recognised in the income statement. Loans and receivables together with any associated allowance are written off when there is no realistic prospect of future recovery and all collateral has been realised or has been transferred to the Group.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed by adjusting the allowance account. Any subsequent reversal of an impairment loss is recognised in the income statement, to the extent that the carrying value of the asset does not exceed its amortised cost at the reversal date.

In relation to trade and other receivables, a provision for impairment is made when there is objective evidence (such as the probability of insolvency or significant financial difficulties of the debtor and significant changes in the technological, market, economic or legal environment that have an adverse effect on the debtor) that the Group will not be able to collect all of the amounts due under the original terms of an invoice. The carrying amount of the receivables is reduced through the use of an allowance account. Impaired debts are derecognised when they are assessed as uncollectible.

2. SUMMARY OF PRINCIPAL ACCOUNTING POLICIES (Continued)

Derecognition of financial assets

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is derecognised where:

- the rights to receive cash flows from the asset have expired;
- the Group retains the rights to receive cash flows from the asset, but has assumed an obligation to pay them in full without material delay to a third party under a "pass-through" arrangement; or
- the Group has transferred its rights to receive cash flows from the asset and either (a) has transferred substantially all the risks and rewards of the asset, or (b) has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

Where the Group has transferred its rights to receive cash flows from an asset and has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the asset is recognised to the extent of the Group's continuing involvement in the asset. Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Group could be required to repay.

Where continuing involvement takes the form of a written and/or purchased option (including a cash-settled option or similar provision) on the transferred asset, the extent of the Group's continuing involvement is the amount of the transferred asset that the Group may repurchase, except in the case of a written put option (including a cash-settled option or similar provision) on an asset measured at fair value, where the extent of the Group's continuing involvement is limited to the lower of the fair value of the transferred asset and the option exercise price.

2. SUMMARY OF PRINCIPAL ACCOUNTING POLICIES (Continued)

Financial liabilities at amortised cost (including interest-bearing loans and borrowings)

Financial liabilities including trade and other payables, an amount due to the ultimate holding company and interest-bearing loans and borrowings are initially stated at fair value less directly attributable transaction costs and are subsequently measured at amortised cost, using the effective interest method unless the effect of discounting would be immaterial, in which case they are stated at cost. The related interest expense is recognised within "finance costs" in the income statement.

Gains and losses are recognised in the income statement when the liabilities are derecognised as well as through the amortisation process.

Convertible bonds

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

Derecognition of financial liabilities

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

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

2. SUMMARY OF PRINCIPAL ACCOUNTING POLICIES (Continued)

Inventories

Inventories are stated at the lower of cost and net realisable value. Cost of the Group's electronic components inventory is determined on the weighted average basis, while the cost for the Group's log and lumber inventory is determined using standard costing basis and, in the case of work in progress and finished goods, comprises direct materials, direct labour and an appropriate proportion of overheads. Net realisable value is based on estimated selling prices less any estimated costs to be incurred to completion and disposal.

Cash and cash equivalents

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

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

Provisions

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

When the effect of discounting is material, the amount recognised for a provision is the present value at the balance sheet date of the future expenditures expected to be required to settle the obligation. The increase in the discounted present value amount arising from the passage of time is included in finance costs in the income statement.

Provisions for product warranties granted by the Group on certain products are recognised based on sales volume and past experience of the level of repairs and returns, discounted to their present values as appropriate.

2. SUMMARY OF PRINCIPAL ACCOUNTING POLICIES (Continued)

Income Tax

Income tax comprises current and deferred tax. Income tax is recognised in the income statement, or in equity if it relates to items that are recognised in the same or a different period directly in equity.

Current tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities.

Deferred tax is provided, using the liability method, on all temporary differences at the balance sheet date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Revenue

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

– sale of goods, when the significant risks and rewards of ownership have been transferred to the buyer, provided that the Group maintains neither managerial involvement associated with ownership, nor effective control over the goods sold;

– proceeds on disposals of investments, including interests in subsidiaries, associates, investments in listed and unlisted shares and disposals of investment properties and properties, plant and equipment, when all conditions for disposal have been met and the risks and rewards of ownership have been transferred to the buyer;

– rental income, on the straight-line basis over the lease terms;

– interest, on a time proportion basis taking into account the principal outstanding and the effective interest rate applicable.

2. SUMMARY OF PRINCIPAL ACCOUNTING POLICIES (Continued)

Share-based payment transactions

The Company operates a share option scheme for the purpose of providing incentives and rewards to eligible participants who contribute to the success of the Group's operations. Employees (including directors) of the Group receive remuneration in the form of share-based payment transactions, whereby employees render services as consideration for equity instruments ("equity-settled transactions").

The cost of equity-settled transactions with employees is measured by reference to the fair value at the date at which they are granted. The fair value is determined by an external valuer using an appropriate pricing model, further details of which are given in note 30 to the financial statements. In valuing equity-settled transactions, no account is taken of any performance conditions, other than conditions linked to the price of the shares of the Company ("market conditions"), if applicable.

The cost of equity-settled transactions is recognised, together with a corresponding increase in equity, over the period in which the performance and/or service conditions are fulfilled, ending on the date on which the relevant employees become fully entitled to the award (the "vesting date"). The cumulative expense recognised for equity-settled transactions at each balance sheet date until the vesting date reflects the extent to which the vesting period has expired and the Group's best estimate of the number of equity instruments that will ultimately vest. The charge or credit to the income statement for a period represents the movement in the cumulative expense recognised as at the beginning and end of that period.

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

Where the terms of an equity-settled award are modified, as a minimum an expense is recognised as if the terms had not been modified. In addition, an expense is recognised for any modification, which increases the total fair value of the share-based payment arrangement, or is otherwise beneficial to the employee as measured at the date of modification.

2. SUMMARY OF PRINCIPAL ACCOUNTING POLICIES (Continued)

Share-based payment transactions (Continued)

Where an equity-settled award is cancelled, it is treated as if it had vested on the date of cancellation, and any expense not yet recognised for the award is recognised immediately. However, if a new award is substituted for the cancelled award, and is designated as a replacement award on the date that it is granted, the cancelled and new awards are treated as if they were a modification of the original award, as described in the previous paragraph.

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

The Group has adopted the transitional provisions of HKFRS 2 in respect of equity-settled awards and has applied HKFRS 2 only to equity-settled awards granted after 7 November 2002 that had not vested by 1 January 2005 and to those granted on or after 1 January 2005.

Other employee benefits

Pension scheme

The Group operates a defined contribution Mandatory Provident Fund retirement benefits scheme (the "MPF Scheme") under the Mandatory Provident Fund Schemes Ordinance for all of its employees those employees who are eligible to participate in the MPF Scheme. Contributions are made based on a percentage of the employees' basic salaries and are charged to the income statement as they become payable in accordance with the rules of the MPF Scheme. The assets of the MPF Scheme are held separately from those of the Group in an independently administered fund. The Group's employer contributions vest fully with the employees when contributed into the MPF Scheme.

Segment reporting

For reporting purposes, segment assets include those operating assets that are employed by a segment and segment liabilities include those operating liabilities that result from the operating activities by a segment, excluding tax assets and liabilities. Capital expenditure comprises additions to properties, plant and equipment. Business segments have been used as the primary reporting format.

2. SUMMARY OF PRINCIPAL ACCOUNTING POLICIES (Continued)

Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, i.e., assets that necessarily take a substantial period of time to get ready for their intended use or sale, are capitalised as part of the cost of those assets. The capitalisation of such borrowing costs ceases when the assets are substantially ready for their intended use or sale. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs capitalised.

Foreign currencies

These financial statements are presented in Hong Kong dollars, which is the Company's functional and presentation currency. Each entity in the Group determines its own functional currency and items included in the financial statements of each entity are measured using that functional currency. Foreign currency transactions are initially recorded using the functional currency rates ruling at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies are retranslated at the functional currency rates of exchange ruling at the balance sheet date. All differences are taken to the income statement the exception of differences on foreign currency borrowings that provide a hedge against a net investment in a foreign entity. These are taken directly to equity until the disposal of the net investment, at which time they are recognised in the income statement. Tax charges and credits attributable to exchange differences on those borrowings are also dealt with in equity. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined.

The functional currencies of certain overseas subsidiaries are currencies other than the Hong Kong dollar. As at the balance sheet date, the assets and liabilities of these entities are translated into the presentation currency of the Company at the exchange rates ruling at the balance sheet date and their income statements are translated into Hong Kong dollars at the weighted average exchange rates for the year. The resulting exchange differences are included in the exchange fluctuation reserve. On disposal of a foreign entity, the deferred cumulative amount recognised in equity relating to that particular foreign operation is recognised in the income statement.

2. SUMMARY OF PRINCIPAL ACCOUNTING POLICIES (Continued)

Foreign currencies (Continued)

For the purpose of the consolidated cash flow statement, the cash flows of overseas subsidiaries are translated into Hong Kong dollars at the exchange rates ruling at the dates of the cash flows. Frequently recurring cash flows of overseas subsidiaries which arise throughout the year are translated into Hong Kong dollars at the weighted average exchange rates for the year.

3. SEGMENT INFORMATION

An analysis of the Group's revenue and results for the Year by business and geographical segments, as compared to the previous year, is as follows:

(a) Business segments

For the year ended 31 December 2008

	Continuing operations			Discontinued operations			
	Property Investments HK$'000	Forestry and Timber HK$'000	Sub-total HK$'000	Electronic Components and Products HK$'000	Building Materials and Sundry Product HK$'000	Sub-total HK$'000	Consolidated HK$'000
SEGMENT REVENUE	1,859	2,914	4,773	5,727	–	5,727	10,500
SEGMENT RESULTS	(1,890)	(27,050)	(28,940)	(2,784)	–	(2,784)	(31,724)
Interest income and unallocated gains			4,144	–	–	–	4,144
Gain on deconsolidation of a subsidiary under winding up			6,313	–	–	–	6,313
Profit on disposal of subsidiaries			367	–	–	–	367
Corporate and other unallocated expenses			(20,226)	–	–	–	(20,226)
Finance costs			(22,367)	–	–	–	(22,367)
Share of results of associates			(50,982)	–	–	–	(50,982)
LOSS BEFORE TAX			(111,691)	(2,784)	–	(2,784)	(114,475)
TAX			–	(84)	–	(84)	(84)
LOSS FOR THE YEAR			(111,691)	(2,868)	–	(2,868)	(114,559)

3. SEGMENT INFORMATION (Continued)

(a) Business segments (Continued)

For the year ended 31 December 2007 (Restated)

	Continuing operations			Discontinued operations			
	Property Investments HK$'000	Forestry and Timber HK$'000	Sub-total HK$'000	Electronic Components and Products HK$'000	Building Materials and Sundry Product HK$'000	Sub-total HK$'000	Consolidated HK$'000
SEGMENT REVENUE	1,577	4,038	5,615	113,937	–	113,937	119,552
SEGMENT RESULTS	(6,244)	(3,558)	(9,802)	(107,351)	(538)	(107,889)	(117,691)
Interest income and unallocated gains			2,723	–	–	–	2,723
Profit on disposal of listed investments			2,512	–	–	–	2,512
Revaluation gain on listed investments			465	–	–	–	465
Impairment on interests in associates			(9,500)	–	–	–	(9,500)
Corporate and other unallocated expenses			(20,471)	–	–	–	(20,471)
Finance costs			(2,584)	–	–	–	(2,584)
Share of results of associates			36	–	–	–	36
LOSS BEFORE TAX			(36,621)	(107,351)	(538)	(107,889)	(144,510)
TAX			(23)	17	–	17	(6)
LOSS FOR THE YEAR			(36,644)	(107,334)	(538)	(107,872)	(144,516)

3. SEGMENT INFORMATION (Continued)

(a) Business segments (Continued)

	Continuing operations				Discontinued operations					
	Property Investments		Forestry and Timber		Electronic Components and Products		Building Materials and Products		Consolidated	
	2008 HK$'000	2007 HK$'000	**2008 HK$'000**	2007 HK$'000	**2008 HK$'000**	2007 HK$'000	**2008 HK$'000**	2007 HK$'000	**2008 HK$'000**	2007 HK$'000
ASSETS										
Segment assets	**–**	4,958	**404,183**	474,109	**341**	28,121	**–**	2	**404,524**	507,190
Unallocated assets									**127,959**	215,354
									532,483	722,544
LIABILITIES										
Segment liabilities	**268**	263	**27,355**	30,031	**6,654**	38,072	**–**	1,351	**34,277**	69,717
Unallocated liabilities									**223,775**	241,500
									258,052	311,217
CAPITAL EXPENDITURE										
Segment	**–**	–	**6,626**	229	**–**	1,078	**–**	–	**6,626**	1,307
Others									**1,090**	329
									7,716	1,636
DEPRECIATION AND AMORTISATION										
Segment	**–**	–	**1,688**	281	**–**	7,002	**–**	–	**1,688**	7,283
Others									**374**	117
									2,062	7,400
IMPAIRMENT LOSS										
Segment	**1,450**	7,620	**–**	–	**–**	–	**–**	–	**1,450**	7,620
Others									**–**	9,500
									1,450	17,120

3. SEGMENT INFORMATION (Continued)

(b) Geographical area

	Asia		Europe		South America		Consolidated	
	2008 HK$'000	2007 HK$'000	**2008 HK$'000**	2007 HK$'000	**2008 HK$'000**	2007 HK$'000	**2008 HK$'000**	2007 HK$'000
REVENUE								
– Continuing operations	**1,859**	1,577	**–**	–	**2,914**	4,038	**4,773**	5,615
– Discontinued operations	**5,727**	111,218	**–**	2,650	**–**	69	**5,727**	113,937
	7,586	112,795	**–**	2,650	**2,914**	4,107	**10,500**	119,552
SEGMENT LOSS								
– Continuing operations	**(1,890)**	(6,769)	**–**	–	**(27,050)**	(3,033)	**(28,940)**	(9,802)
– Discontinued operations	**(2,784)**	(104,797)	**–**	(2,489)	**–**	(603)	**(2,784)**	(107,889)
	(4,674)	(111,566)	**–**	(2,489)	**(27,050)**	(3,636)	**(31,724)**	(117,691)

3. SEGMENT INFORMATION (Continued)

(b) Geographical area (Continued)

	2008 HK$'000	2007 HK$'000
Assets		
– Asia	**169,259**	248,435
– South America	**363,224**	474,109
	532,483	722,544
Liabilities		
– Asia	**230,697**	281,186
– South America	**27,355**	30,031
	258,052	311,217
Capital expenditure		
– Asia	**1,090**	1,408
– South America	**6,626**	229
	7,716	1,637
Depreciation and amortisation		
– Asia	**399**	7,119
– South America	**1,688**	274
	2,087	7,393
Impairment loss		
– Asia	**1,450**	17,120
– South America	**–**	–
	1,450	17,120

4. REVENUE, OTHER INCOME AND GAINS

Turnover represents the aggregate of the net invoiced value of goods and service sold, after allowance for returns and trade discounts and rental income.

	Group	
	2008	2007
	HK$'000	HK$'000
		(Restated)
Revenue		
Rental income	**1,859**	1,577
Sales of logs and lumber	**2,914**	4,038
Attributable to continuing operations	**4,773**	5,615
Revenue from discontinued operations	**5,727**	113,937
	10,500	119,552
Other Income and gains		
Bank interest income	**2,102**	1,986
Gain on disposal of listed investments	**–**	2,512
Gain on disposal of subsidiaries	**367**	–
Gain on deconsolidation of a subsidiary under winding up*	**6,313**	–
Revaluation gain on listed investments	**–**	465
Other Income	**1,692**	99
Exchange gain, net	**350**	–
	10,824	5,062

* During the year, on 5 December 2008, Lik Hang Electronic Components Limited, ("Lik Hang"), a 77.04% indirectly owned subsidiary of the Company, entered into creditors' voluntary winding up. In the opinion of the directors and according to the relevant laws and regulations, the Group no longer controls Lik Hang. Accordingly, Lik Hang is not accounted for as a subsidiary by the Group. The net liabilities relating to Lik Hang, as a result of its deconsolidation from the Group are therefore no longer being accounted for in the consolidated financial statements which is then reflected as a gain on deconsolidation of a subsidiary under winding up amounting to HK$6,313,000.

5. LOSS FROM OPERATING ACTIVITIES

	Group	
	2008	2007
	HK$'000	HK$'000
The Group's loss from operating activities (including those attributable to discontinued operations) is arrived at after charging/(crediting):		
Gross rental income	**(1,859)**	(1,577)
Less: outgoings	**558**	529
Net rental income	**(1,301)**	(1,048)
Auditors' remuneration	**1,080**	1,380
Impairment of trade and other receivables	**2,080**	5,149
Loss on write-off of prepayments and deposits	**21**	220
Loss on product claims	**–**	46,765
Loss on write-off of inventories	**–**	46,257
Cost of inventories sold	**9,811**	115,049
Depreciation on property, plant and equipment	**2,062**	7,393
Impairment on investment property	**1,450**	7,620
Impairment on interests in associates	**–**	9,500
Amortisation of timber concessions and cutting rights	**25**	7
Loss on disposal of properties, plant and equipment	**30**	661
Write-off of properties, plant and equipment	**–**	5,529
Exchange difference, net	**(346)**	621
Minimum lease payments under operating lease for land and buildings	**2,474**	3,393

	Group	
	2008	2007
	HK$'000	HK$'000
Employee benefit expenses (including Directors' emoluments):		
Wages and salaries	**18,651**	11,782
Retirement fund contributions	**174**	237
Employee share option expenses	**–**	5,374
	18,825	17,393

6. FINANCE COSTS

	Group	
	2008	2007
	HK$'000	HK$'000
Interest on bank loans and overdrafts wholly repayable within five years	**571**	5,079
Interest on convertible bonds	**22,308**	2,557
	22,879	7,636
Attributable to discontinued operations	**512**	5,052
Attributable to continuing operations	**22,367**	2,584
	22,879	7,636

7. DIRECTORS' AND EMPLOYEES' EMOLUMENTS

(a) Directors' emoluments

The emoluments paid or payable to each of the five (2007: six) directors were as follows:

2008

		Other emoluments			
	Fees HK$'000	Salaries and other benefits HK$'000	Contributions to retirement schemes HK$'000	Share-based payment HK$'000	Total HK$'000
Hui Tung Wah, Samuel	–	1,400	–	–	1,400
Sung Yan Wai, Petrus	–	877	12	–	889
Wong Che Keung, Richard	110	–	–	–	110
Tong Yee Yung, Joseph	110	–	–	–	110
Wong Kin Chi	240	–	–	–	240
Total for 2008	**460**	**2,277**	**12**	**–**	**2,749**

7. DIRECTORS' AND EMPLOYEES' EMOLUMENTS (Continued)

(a) Directors' emoluments (Continued)

2007

		Other emoluments			
	Fees	Salaries and other benefits	Contributions to retirement schemes	Share-based payment	Total
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Au Hoi Tsun, Peter	–	313	–	237	550
Hui Tung Wah, Samuel	–	480	–	195	675
Sung Yan Wai, Petrus	–	1,022	10	436	1,468
Wong Che Keung, Richard	100	–	–	33	133
Tong Yee Yung, Joseph	100	–	–	33	133
Wong Kin Chi	240	–	–	33	273
Total for 2007	440	1,815	10	967	3,232

Emoluments paid to Independent Non-executive Directors during the Year were HK$460,000 (2007: HK$539,000).

There were no arrangements under which a director waived or agreed to waived any emolument during the Year.

(b) Employees' emoluments

During the year, the five highest paid individuals included two directors (2007: three directors), details of those emoluments are set out above. The emoluments of the remaining three (2007: two) highest paid individuals were as follows:

	2008	2007
	HK$'000	HK$'000
Salaries and other benefits	**3,475**	2,314
Contributions to retirement schemes	**–**	24
Share-based payment	**–**	619
	3,475	2,957

7. DIRECTORS' AND EMPLOYEES' EMOLUMENTS (Continued)

(b) Employees' emoluments (Continued)

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

	2008 Number of employees	2007 Number of employees
HK$500,001 to HK$1,000,000	**1**	–
HK$1,000,001 to HK$1,500,000	**2**	1
HK$1,500,001 to HK$2,000,000	**–**	1
	3	2

8. TAX

Hong Kong profits tax has been provided at the rate of 16.5% (2007:17.5%) on the estimated assessable profits arising in Hong Kong during the year. The lower Hong Kong profits tax is effective from the year of assessment 2008/2009, and so is applicable to the assessable profits arising in Hong Kong for the whole year ended 31 December 2008. Taxes on profits assessable elsewhere have been calculated at the rates of tax prevailing in the countries in which the Group operates, based on existing legislation, interpretations and practices in respect thereof.

	Group	
	2008 HK$'000	2007 HK$'000
Current year provision:		
Hong Kong	**–**	23
Elsewhere	**84**	–
	84	23
Deferred tax	**–**	(17)
Taxation	**84**	6

8. TAX (Continued)

The reconciliation between loss before taxation and taxation in the consolidated income statement is as follows:

	Group	
	2008	2007
	HK$'000	HK$'000
Loss before taxation	**(111,691)**	(144,510)
Tax at the domestic income tax rate of 16.5% (2007: 17.5%)	**(18,429)**	(25,289)
Tax effect of different tax rates of subsidiaries operating in other jurisdictions	**(3,415)**	15,560
Tax effect of expenses that are not deductible in determining taxable profit	**13,382**	11,610
Profits and losses attributable to associates	**8,412**	–
Tax effect of tax depreciation not recognised	**–**	(132)
Tax effect of income that are not taxable in determining taxable profit	**(798)**	(4,317)
Tax effect of unused tax losses not recognised	**932**	2,574
Taxation	**84**	6
Represented by:		
Tax charged to continuing operations	**–**	23
Tax charged/(credited) attributable to discontinued operations	**84**	(17)
	84	6

9. DISCONTINUED OPERATIONS

During the year, the Group took the decision to close down Lik Hang and Dong Guan Humen Kin Hang Electronic Company Limited, a 77.04% indirectly owned subsidiary of the Company. These two companies were the electronic component manufacturing and trading business arm for the Group. Lik Hang was then entered into a creditors' voluntary winding up on 5 December 2008.

The Group has also ceased its trading of building materials and sundry products operation during the year.

9. DISCONTINUED OPERATIONS (Continued)

The results of the discontinued operations for the Year are presented below:

	2008 HK$'000	2007 HK$'000
Turnover	**5,727**	113,937
Other revenue	**2,632**	9,480
Expenses	**(10,631)**	(226,254)
Finance costs	**(512)**	(5,052)
Loss before tax from discontinued operations	**(2,784)**	(107,889)
Tax (charged)/credited	**(84)**	17
Loss for the year from discontinued operations	**(2,868)**	(107,872)

The net cash flows incurred by the discontinued operations for the Year are as follows:

	2008 HK$'000	2007 HK$'000
Net cash generated from operating activities	**24,952**	4,548
Net cash generated from investing activities	**16,864**	5,614
Net cash used in financing activities	**(41,644)**	(10,158)
Total net cash inflow from discontinued operations	**172**	4

10. NET LOSS ATTRIBUTABLE TO EQUITY HOLDERS OF THE COMPANY

The net loss attributable to equity holders dealt with in the financial statements of the Company is HK$120,932,000 (2007: HK$123,541,000).

11. DIVIDEND

No dividend was proposed or paid for the year (2007: Nil).

12. LOSS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE COMPANY

The calculation of basic loss per share amounts is based on the loss for the year attributable to ordinary equity holders of the Company, and the weighted average number of ordinary shares in issue during the Year.

Diluted loss per share amounts for the years ended 31 December 2008 and 2007 have not been disclosed, as the options and the convertible bonds outstanding during these years had an anti-dilutive effect on the basic loss per share for these years.

The calculations of basic and diluted loss per share are based on:

	2008	2007
	HK$'000	HK$'000
Loss		
Loss attributable to ordinary equity holders of the Company, used in the basic loss per share calculation:		
From continuing operations	**(100,660)**	(36,486)
From discontinued operations	**(2,868)**	(94,158)
	(103,528)	(130,644)

	Number of shares	
	2008	2007
Shares		
Weighted average number of ordinary shares in issue during the year used in the basic loss per share calculation	**314,089,152**	180,258,549

13. PROPERTY, PLANT AND EQUIPMENT

Group

	Leasehold improvements HK$'000	Plant and machinery HK$'000	Furniture and equipment HK$'000	Motor vehicles HK$'000	Total HK$'000
Cost					
1 January 2007	11,182	21,646	7,999	1,269	42,096
Additions through acquisition of subsidiaries	21	9,904	1,037	3,696	14,658
Additions	401	1,156	79	–	1,636
Disposals	(959)	–	(252)	(120)	(1,331)
Write-off	(10,369)	(22,573)	(7,617)	(1,008)	(41,567)
31 December 2007 and 1 January 2008	276	10,133	1,246	3,837	15,492
Additions	673	5,973	704	366	7,716
Disposals	(1)	(1)	(1)	(141)	(144)
31 December 2008	948	16,105	1,949	4,062	23,064
Accumulated depreciation					
1 January 2007	5,248	15,916	7,417	1,203	29,784
Additions through acquisition of subsidiaries	7	2,019	321	767	3,114
Charge for the year	4,341	2,719	243	90	7,393
Disposals	(452)	–	(88)	(120)	(660)
Write-off	(9,111)	(18,465)	(7,462)	(1,000)	(36,038)
31 December 2007 and 1 January 2008	33	2,189	431	940	3,593
Charge for the year	286	1,117	361	298	2,062
Disposals	(1)	(1)	(1)	(111)	(114)
31 December 2008	318	3,305	791	1,127	5,541
Net book value					
31 December 2008	**630**	**12,800**	**1,158**	**2,935**	**17,523**
31 December 2007	243	7,944	815	2,897	11,899

14. PREPAID LAND LEASE PAYMENT

	Group HK$'000
Carrying amount at 1 January 2007 and 2008	–
Additions through acquisition of a subsidiary	1,448
Carrying amount at 31 December	1,448

The leasehold land is held under a long term lease and is situated outside Hong Kong.

15. TIMBER CONCESSIONS AND CUTTING RIGHTS

	Group HK$'000
Cost	
1 January 2007	–
Additions through acquisition of subsidiaries	9,438
31 December 2007, 1 January 2008 and 31 December 2008	9,438
Accumulated amortisation	
1 January 2007	–
Additions through acquisition of subsidiaries	98
Charge for the year	7
31 December 2007 and 1 January 2008	105
Charge for the year	25
31 December 2008	130
Net carrying amount	
31 December 2008	**9,308**
31 December 2007	9,333

The recoverable amounts of the timber concessions and cutting rights are determined based on value-in-use calculations for which the key assumptions are the discount rates, budgeted profit margin and turnover during the forecast period, which are the same as applied for testing the recoverable amount of goodwill as referred to in note 17 below. The estimated recoverable amount of the timber concessions and cutting rights exceeds their carrying amount at the balance sheet date and, therefore, no impairment loss is recognised.

16. INVESTMENT PROPERTY

	Group	
	2008	2007
	HK$'000	HK$'000
1 January, at valuation	**1,450**	9,070
Less: Impairment	**(1,450)**	(7,620)
31 December, at valuation	**–**	1,450
Analysed by lease term and geographical location:		
Medium term leasehold properties situated outside Hong Kong	**–**	1,450

Details of the investment property of the Group as at 31 December 2008 are as follows:

Location	Lease	Term Use
No. 15, Lane 2, Bao An County, Gong Yuan Road East, Shenzhen, PRC	Medium term lease	Industrial

The investment property was fully impaired as the director considered there is remote chance for it to generate future economic benefit.

17. GOODWILL

	Group	
	2008	2007
	HK$'000	HK$'000
		(Restated)
1 January	**361,706**	–
Additions through acquisition of a subsidiary	**7,625**	361,706
31 December	**369,331**	361,706

The additions to goodwill during the year are attributable to the acquisition of the 100% equity interest in the Dynasty Forestry Industry N.V. ("Dynasty") by Beach Paradise N.V., a 60.39% owned subsidiary of the Company.

17. GOODWILL (Continued)

Impairment testing of goodwill

As at 31 December 2008, the directors allocated the entire goodwill of HK$369,331,000 to the cash generating unit of forestry and timber business segment for the purpose of testing its impairment. The recoverable amount of cash generating unit is determined based on value-in-use calculations. The key assumptions for the value-in-use calculations are based upon the discount rates, and budgeted profit margin and turnover during the forecast period. The budgeted profit margin, turnover and growth rates are based on judgment of the directors about the forestry and timber business segment's ability to harvest and process and to generate economic income stream through the sales of the logs and lumber to its customers. The projections (including profit margin, revenue and the growth rates) are based on the directors' anticipations of the most likely actions which will be taken by the Greenheart Group in the operation of the business with reference to past performance, sustainable annual allowable cut, and expectations for future market development. Key assumptions for the value-in-use calculations are as follows:

Product price increment	6% to 12% for logs and 7% to 12% for lumber (over next 5 years)
Discount rate	12%
Commencement of the operation of new lumber manufacturing facilities in Suriname	In 2010

For the estimation of the product price increment rate and the long term growth rate, the directors have taken the growth of the forest industry and the global economy as a whole and the sustainable annual allowable cut under the local CELO forestry administration system in Suriname.

CELO system is a sustainable forestry management system practiced by the Suriname Government which allows a maximum harvest quantity of up to $40m^3$ per hectare over a 20-year growth cycle, or $2m^3$ per hectare per year (i.e. $40m^3/20$ years). The Greenheart Group's planned maximum harvest level of $250{,}000m^3$ per year over the total size of the timber concessions and cutting rights of 177,965 hectares equals only $1.4m^3$ per hectare per year.

The directors of the Company are of the opinion that based on the value-in-use calculations prepared in accordance with the above key assumptions, the recoverable amount of the cash generating unit exceeds the aggregate carrying amount of goodwill arising from the acquisitions of the Greenheart Group and its other assets in the consolidated balance sheet at 31 December 2008 and, therefore, no impairment loss is recognised.

18. INTERESTS IN SUBSIDIARIES

	Company	
	2008	2007
	HK$'000	HK$'000
Unlisted shares, at cost	**1**	1
Due from subsidiaries	**950,675**	854,085
	950,676	854,086
Less: Impairment	**(523,828)**	(435,783)
	426,848	418,303

The amounts due from subsidiaries are unsecured, interest-free and there are no fixed terms of repayment.

Particulars of the principal subsidiaries are as follows:

Name of subsidiary	Place of incorporation/ registration and operation	Total issued ordinary/ registered and paid-up capital	Equity interest owned by the Group		Principal activities
			2008	2007	
Directly held:					
Hai Yang Investment Limited	British Virgin Islands ("BVI")	US$1	**100%**	100%	Investment holding
Team Talent Limited	BVI	US$1	**100%**	100%	Investment holding
Silver Mount Group Limited	BVI	US$1	**100%**	100%	Investment holding
Indirectly held:					
Barnet Consultancy Limited	BVI	US$1	**100%**	100%	Provision of corporate services

18. INTERESTS IN SUBSIDIARIES (Continued)

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

Name of subsidiary	Place of incorporation/ registration and operation	Total issued ordinary/ registered and paid-up capital	Equity interest owned by the Group		Principal activities
			2008	2007	
Indirectly held: (Continued)					
Omnitech Holdings Limited	Bermuda	AUD49,489,391	**77.04%**	77.04%	Investment holding
Greenheart Resources Holdings Limited	BVI	–	**60.39%**	–	Investment holding
Octagon International N.V.	Suriname	–	**60.39%**	–	Log harvesting and sales of logs
Superb Manufacturing Company Limited	BVI	US$1	**60.39%**	–	Investment holding
Superb Able Industrial Limited	BVI	US$1	**60.39%**	–	Sales of logs
Greenheart Resources (Hong Kong) Limited	BVI	US$1	**60.39%**	–	Provision of administrative and management service
Top Wood Holdings Limited	BVI	US$1	**60.39%**	–	Trading of equipment
Epro N.V.	Suriname	US$18	**60.39%**	–	Timber concession holding

18. INTERESTS IN SUBSIDIARIES (Continued)

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

Name of subsidiary	Place of incorporation/ registration and operation	Total issued ordinary/ registered and paid-up capital	Equity interest owned by the Group		Principal activities
			2008	2007	
Indirectly held: (Continued)					
Dynasty Forestry Industy N.V.	Suriname	US$1,340	**60.39%**	–	Timber concession holding and manufacturing of lumber
Beach Paradise N.V.	Suriname	US$364	**60.39%**	–	Manufacturing and sales of lumber
Jianxi Guangsi Forest Development Company Limited	PRC/Mainland China	US$320,000	**100%**	–	Tree Plantation

The above table lists the subsidiaries of the Company which, in the opinion of the directors, principally affected the results of the Year or formed a substantial portion of the net assets of the Group. To give details of other subsidiaries would, in the opinion of the directors, result in particulars of excessive length.

In the opinion of the directors, the recoverable amounts of interests in subsidiaries were not less than their respective carrying amounts at the balance sheet date.

19. INTERESTS IN ASSOCIATES

	Group 2008 HK$'000	Group 2007 HK$'000
Share of net assets	**14,687**	60,169
	14,687	60,169
Less: Impairment	**–**	(9,500)
	14,687	50,669

Particulars of the Group's principal associates are as follows:

Name of associate	Class of shares held	Place of incorporation/ registration and operation	Equity interest owned by the Group 2008	Equity interest owned by the Group 2007	Principal activities
PVP Limited	Ordinary	British Virgin Islands ("BVI")	**37.2%**	37.2%	Investment holding
Princeton Venture Partners Limited	Ordinary	BVI	**37.2%**	37.2%	Investment holding and consultancy
South American Investment Limited	Ordinary	BVI	**45.5%**	–	Investment holding

The above table lists the principal associates of the Group which, in the opinion of the directors, principally affected the results of the Year, or formed a substantial portion of the net assets of the Group.

The following table illustrates the summarised financial information of the Group's associates extracted from their management accounts:

	2008 HK$'000	2007 HK$'000
Turnover	**141**	553
Profit/(loss) for the year	**(163,131)**	97
Non-current assets	**–**	159,900
Current assets	**32,577**	2,775
Current liabilities	**(1,073)**	(1,016)

20. AVAILABLE-FOR-SALE INVESTMENTS

	Group	
	2008	2007
	HK$'000	HK$'000
Unlisted equity investments, at cost	**–**	6,000

The available-for-sale investments were held by a subsidiary which was disposed of during the year.

21. INVENTORIES

	Group	
	2008	2007
	HK$'000	HK$'000
Electronic raw materials	**–**	49,257
Logs and lumbers	**6,201**	5,736
	6,201	54,993
Less: Provision	**–**	(46,257)
	6,201	8,736

Included in 2007 inventories were raw materials of HK$3,000,000 stated at net realisable value. There is no such inventory as at 31 December 2008.

22. TRADE AND OTHER RECEIVABLES

	Group	
	2008	2007
	HK$'000	HK$'000
Trade receivables	**2,550**	19,401
Other receivables	**326**	877
	2,876	20,278
Impairment	**(2,080)**	(5,149)
	796	15,129

22. TRADE AND OTHER RECEIVABLES (Continued)

The Group's trading terms with its customers are mainly on credit, except for new customers, where payment in advance is normally required. The credit period is generally one month, extending up to three months for major customers. Each customer has a maximum credit limit. The Group seeks to maintain strict control over its outstanding receivables and has a credit control department to minimise credit risk. Overdue balances are reviewed regularly by senior management. In view of the aforementioned and the fact that the Group's trade receivables relate to a large number of diversified customers, there is no significant concentration of credit risk. Trade receivables are non-interest-bearing.

An aged analysis of the trade receivables as at the balance sheet date, based on the invoice date and net of provisions, is as follows:

	Group	
	2008	2007
	HK$'000	HK$'000
Within 1 month	**796**	7,373
1 to 3 months	**–**	3,885
Over 3 months	**–**	3,871
	796	15,129

22. TRADE AND OTHER RECEIVABLES (Continued)

Details of trade and other receivables denominated in different currencies are as follows:

	Group	
	2008	2007
	HK$'000	HK$'000
Hong Kong dollars	**3**	6,043
United States dollars	**793**	4,435
Australian dollars	**–**	1,393
Chinese Renminbi	**–**	3,258
	796	15,129

	Group	
	2008	2007
	HK$'000	HK$'000
At 1 January	**5,149**	–
Impairment losses recognised	**2,080**	5,149
Amount written off as uncollectible	**(5,149)**	–
At 31 December	**2,080**	5,149

The aging analysis of the trade and other receivables that are neither individually nor collectively considered to be impaired is as follows:

	Group	
	2008	2007
	HK$'000	HK$'000
Neither past due nor impaired	**796**	7,373
Less than three months past due	**–**	3,885
Over three months past due	**–**	3,871
	796	15,129

22. TRADE AND OTHER RECEIVABLES (Continued)

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

Receivables that were past due but not impaired relate to a number of independent customers that have a good track record with the Group. Based on past experience, the directors of the Company are of the opinion that no provision for impairment is necessary in respect of these balances as there has not been a significant change in credit quality and the balances are still considered fully recoverable. The Group does not hold any collateral or other credit enhancements over these balances.

The directors consider that the carrying amount of trade and other receivables approximate their fair value.

23. EQUITY INVESTMENT AT FAIR VALUE THROUGH PROFIT OR LOSS

	Group	
	2008	2007
	HK$'000	HK$'000
Listed equity investments, at market value:		
Hong Kong	**–**	914

The above equity investments were held by a subsidiary which was disposed of during the year.

24. CASH AND CASH EQUIVALENTS AND PLEDGED DEPOSITS

		Group		Company	
	Notes	**2008 HK$'000**	2007 HK$'000	**2008 HK$'000**	2007 HK$'000
Cash and bank balances		**81,276**	94,572	**5,399**	8,568
Time deposits		**30,313**	159,739	**30,313**	142,875
		111,589	254,311	**35,712**	151,443
Less: Pledged time deposits: Pledged for long term bank loans	26(a)	**–**	(16,864)	**–**	–
Cash and cash equivalents		**111,589**	237,447	**35,712**	151,443

Cash at banks earns interest at floating rates based on daily bank deposit rates. Short term time deposits are made for varying periods of between one day and three months depending on the immediate cash requirements of the Group, and earn interest at the respective short term time deposit rates. The bank balances and pledged deposits are deposited with creditworthy banks with no recent history of default.

25. TRADE AND OTHER PAYABLES

	Group	
	2008 HK$'000	2007 HK$'000
Trade payables	**468**	8,941
Other payables	**9,096**	18,899
	9,564	27,840

25. TRADE AND OTHER PAYABLES (Continued)

The aging analysis of trade and other payables at the balance sheet date is as follows:

	Group	
	2008	2007
	HK$'000	HK$'000
Current	**3,663**	5,072
One to three months	**–**	8,779
More than three months	**5,901**	13,989
	9,564	27,840

Details of trade and other payables denominated in different currencies are as follows:

	Group	
	2008	2007
	HK$'000	HK$'000
Hong Kong dollars	**3,380**	8,850
United States dollars	**5,915**	14,148
Australian dollars	**269**	1,351
Chinese Renminbi	**–**	3,491
	9,564	27,840

The directors consider that the carrying amount of trade and other payables approximates to their fair values.

26. INTEREST-BEARING BANK AND OTHER BORROWINGS

Group	2008			2007		
	Effective interest rate (%)	Maturity	HK$'000	Effective interest rate (%)	Maturity	HK$'000
Current						
Loans from a financial institution	–	–	–	6 – 11	2008	2,000
Bank overdrafts – secured	–	–	–	8 – 12	On demand	6,256
Bank loans – secured	–	–	–	6.25 – 7.5	2008	34,289
			–			42,545

	Group and Company	
	2008	2007
	HK$'000	HK$'000
Analysed into:		
Bank loans and overdrafts repayable:		
Within one year or on demand	–	40,545
Other borrowings repayable:		
Within one year	–	2,000
	–	42,545

The above secured bank borrowings as at 31 December 2007 were secured by:

(a) Charges over time deposits and guarantee funds of approximately HK$16,864,000.

(b) Against guarantee issued by certain subsidiaries and a director of these subsidiaries.

27. OTHER LOANS PAYABLE

Other loans payable are unsecured, interest-free and there are no fixed terms for repayment.

28. CONVERTIBLE BONDS

On 20 August 2007, the Group entered into an agreement with the shareholders of Greenheart Resources Holdings Limited ("Greenheart") whereby the Group agreed to acquire a 60% interest in Greenheart ("Acquisition") at a total consideration of HK$375,000,000 to be satisfied partially in cash of HK$18,000,000 and partially by the issue of HK$120,000,000 ordinary shares of the Company of HK$0.01 each ("Consideration Shares") at HK$2.00 per Consideration Share and HK$237,000,000 by the issue of convertible bonds ("Convertible Bonds") which are convertible into shares of the Company of HK$0.01 each at an initial conversion price of HK$2.00 (subject to adjustment) per conversion share during the period commencing from the completion date of the Acquisition (i.e. 8 November 2008) to 8 November 2009 or if that is not a business day, it will be first business day thereafter.

As written confirmations were obtained from majority bondholders whose names appear on the register of Convertible Bonds holders of the Company as at 31 December 2008 for their agreements not to request the repayment of the Convertible Bonds upon the current maturity date (i.e. 9 November 2009) and to extend the redemption date of the Convertible Bonds further to such time as the Group, after taking into account the Group's daily operation, capital and financing needs, have sufficient funds to fully repay the Convertible Bonds and Sino-Forest Corporation, which is the ultimate beneficial owner of HK$212,328,000 Convertible Bonds after its acquisition of HK$167,631,000 Convertible Bonds from the original bondholders on 6 February 2009, for its agreement to enter into discussion with the Company to extend the maturity date of the Convertible Bonds from 9 November 2009 to a date not earlier than 30 April 2010, Convertible Bonds with principal amounts as HK$212,328,000 was classified as long term liabilities and the remaining HK$23,485,000 was classified as current liabilities as at 31 December 2008.

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

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

28. CONVERTIBLE BONDS (Continued)

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

	Group and Company	
	2008	2007
	HK$'000	HK$'000
Fair value of the Convertible Bonds	**258,004**	256,849
Equity component	**(45,234)**	(45,234)
Liability component	**212,770**	211,615
Interest charged	**22,308**	2,557
Interest payable	**(9,480)**	(1,402)
Liability component as at 31 December	**225,598**	212,770
Analysed into:		
Current	**23,485**	–
Non-current	**202,113**	212,770
	225,598	212,770

29. SHARE CAPITAL

Shares

	Number of ordinary shares of HK$0.01 each	Amount HK$'000
Authorised:		
1 January 2007, 31 December 207 and 31 December 2008	15,000,000,000	150,000
Issued and fully paid:		
1 January 2007	150,439,152	1,504
Issue of ordinary shares	163,650,000	1,637
31 December 2007 and 2008	314,089,152	3,141

(i) On 26 June 2007, the Company raised approximately HK$26,200,000 (net of expenses) by issuing 30,000,000 new ordinary shares at HK$0.90 per share for cash to provide general working capital.

(ii) On 8 November 2007, the Company issued 60,000,000 new ordinary shares at HK$2.00 as part of the consideration for acquisition of 60% interest in Greenheart.

29. SHARE CAPITAL (Continued)

(iii) On 12 December 2007, the Company raised HK$148,000,000 (net of expenses) by issuing 70,000,000 new ordinary shares at HK$2.20 for cash to provide additional working capital.

(iv) In 2007, 3,650,000 share options pursuant to the Company's share option scheme were exercised resulting in the issue of 3,650,000 new ordinary shares for a total cash consideration of approximately HK$3,380,000.

(v) There was no movement in the Company's share capital during the year ended 31 December 2008.

30. SHARE OPTION SCHEME

At the Special General Meeting held on 22 March 2002, a new share option scheme in compliance with the new listing requirements was approved for adoption by the Company. Please refer to the Report of the Directors for details.

At the balance sheet date, there were 14,074,000 share options outstanding under the share option scheme adopted by the Company on 22 March 2002.

The number and weighted average exercise prices of share options are as follows:

	2008		2007	
	Weighted average exercise price	**Number of options**	Weighted average exercise price	Number of options
Outstanding at the beginning of the year	**1.41**	**14,818,000**	HK$0.85	4,274,000
Granted during the year	**–**	**–**	HK$1.41	15,174,000
Exercised during the year	**–**	**–**	HK$0.93	(3,650,000)
Lapsed during the year	**1.01**	**(744,000)**	HK$0.79	(980,000)
Outstanding at the end of the year	**1.43**	**14,074,000**	HK$1.41	14,818,000
Exercisable at the end of the year	**1.43**	**14,074,000**	HK$1.41	14,818,000

The options outstanding at 31 December 2008 had an exercise price of HK$0.46, HK$0.80, HK$1.36 and HK$1.744 (2007: HK$0.46, HK$0.80, HK$0.95, HK$1.36 and HK$1.744) and a weighted average remaining contractual life of 3.41 years (2007: 4.23 years).

30. SHARE OPTION SCHEME (Continued)

Valuation of share options

The fair values of the options granted on 16 April 2007, 14 June 2007 and 24 October 2007 were calculated using the Black-Scholes Option Pricing Model. The inputs into the model were as follows:

	16 April 2007	14 June 2007	24 October 2007
Share price at the date of grant	HK$0.46	HK$1.36	HK$1.74
Exercise price	HK$0.46	HK$1.36	HK$1.744
Risk free rate	4.036%	4.493%	3.427%
Expected life	2.5 years	2.5 years	2.5 years
Expected volatility	26.09%	28.86%	42.65%

Expected volatility were the weighted average of volatilities of comparable listed companies in Hong Kong.

The Group recognised the total expense of HK$5,375,000 in relation to share options granted by the Company in 2007. No such expenses are recognised in the current year.

The Black-Scholes option pricing model was developed to estimate the fair value of the share options. The value of an option varies with different variables of certain subjective assumptions. Any changes in variables and assumptions so adopted may materially affect the estimation of the fair value of an option.

Options which are lapsed prior to their exercise date are deleted from the register of outstanding options.

31. RESERVES

The amounts of the Group's reserve and the movements therein for the current and prior year are presented in the consolidated statement of changes in equity on page 35 of the financial statements.

Company

	Share Premium HK$'000	Contributed Surplus HK$'000	Employee Compensation Reserve HK$'000	Equity Component of Convertible Bonds HK$'000	Accumulated Losses HK$'000	Total HK$'000
1 January 2007	116,230	125,376	523	–	(112,075)	130,054
Loss for the year	–	–	–	–	(123,541)	(123,541)
Issue of new shares	302,743	–	–	–	–	302,743
Share issue expenses	(6,665)	–	–	–	–	(6,665)
Share options granted	–	–	5,375	–	–	5,375
Share options lapsed	–	–	(515)	–	–	(515)
Convertible bonds issued	–	–	–	45,234	–	45,234
31 December 2007 and 1 January 2008	412,308	125,376	5,383	45,234	(235,616)	352,685
Loss for the year	–	–	–	–	(120,932)	(120,932)
Share options lapsed	–	–	(30)	–	30	–
31 December 2008	**412,308***	**125,376***	**5,353***	**45,234**	**(356,518)***	**231,753**

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

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

* These reserve accounts comprise the reserves of HK$186,519,000 (2007: HK$307,451,000) in the Company's balance sheet as at 31 December 2008.

32. NOTES TO THE CONSOLIDATED CASH FLOW STATEMENT

(a) Reconciliation of loss before taxation to net cash used in operations

	Group	
	2008	2007
	HK$'000	HK$'000
Loss before taxation		
– Continuing operations	**(111,691)**	(36,621)
– Discontinued operations	**(2,784)**	(107,889)
Adjustments for:		
Profit on disposal of subsidiaries	**(1,898)**	–
Gain on deconsolidation of a subsidiary under winding up	**(6,313)**	–
Interest income	**(2,102)**	(2,638)
Interest expenses	**22,879**	7,636
Depreciation on properties, plant and equipment	**2,062**	7,393
Amortisation of timber concessions and cutting rights	**25**	7
Impairment of trade and other receivables	**2,080**	5,149
Loss on product claims	**–**	46,765
Loss on write-off of prepayments and deposits	**–**	220
Revaluation gain on listed investments	**–**	(465)
Impairment on interests in associates	**–**	9,500
Impairment on investment property	**1,450**	7,620
Impairment on long term investments	**–**	–
Loss on write-off of inventories	**–**	46,257
Loss on disposal of property, plant and equipment	**30**	661
Write-off of properties, plant and equipment	**–**	5,529
Waiver of trade and other payables	**–**	(8,828)
Profit on disposal of listed investments	**–**	(2,512)
Employee share options/(write back on lapse of options)	**–**	5,375
Share of results of associates	**50,982**	(36)
Operating cash flows before movements of working capital	**(45,280)**	(16,877)
Decrease in inventories	**2,535**	6,459
Increase in trade and other receivables	**(7,506)**	(4,347)
(Increase)/decrease in prepayments and deposits	**(481)**	43
Decrease in trade and other payables	**(5,765)**	(466)
Decrease in deposits received	**(610)**	(1,880)
Cash used in operations	**(57,107)**	(17,068)

32. NOTES TO THE CONSOLIDATED CASH FLOW STATEMENT (Continued)

(b) Business Combination

On 30 September 2008, the Group acquired 100% interest in Dynasty Forest Industry N.V. ("Dynasty") from an independent third party. The fair values of the identifiable assets and liabilities of Dynasty as at the date of acquisition and the corresponding carrying assets immediately before the acquisition were as follows:

Group

	2008		2007
	Previous Company Amount HK$'000	**Fair Value recognised acquisition HK$'000**	Fair Value HK$'000
Fair value of net assets acquired:			
Timber concessions and cutting rights	–	–	9,340
Properties, plant and equipment	–	–	11,544
Inventories	–	–	6,580
Prepaid land lease payments	**1,907**	**1,448**	–
Prepayments and deposits	–	–	1,335
Trade and other receivables	–	–	708
Cash and bank balances	**10**	**10**	84,718
Trade and other payables	–	–	(5,094)
Tax payables	–	–	(3,352)
Deposits received	–	–	(23,492)
Minority interests	–	–	(32,598)
	1,917	**1,458**	49,689
Goodwill on acquisition	–	**7,625**	361,706
	1,917	**9,083**	411,395
Satisfied by:			
Cash paid		**7,416**	18,000
Prepayments and deposits		**1,277**	–
Other payable		**390**	–
Direct expenses incurred		–	12,390
Long term investment		–	4,156
Ordinary shares issued		–	120,000
Convertible Bonds issued		–	256,849
		9,083	411,395

32. NOTES TO THE CONSOLIDATED CASH FLOW STATEMENT (Continued)

(b) Business Combination (Continued)

Analysis of net (outflow)/inflow of cash and cash equivalents in respect of the acquired subsidiaries:

	2008 HK$'000	2007 HK$'000
Cash paid	(7,416)	(18,000)
Direct expenses paid by cash	–	(11,915)
Cash and bank balances of acquired subsidiaries	10	84,718
	(7,406)	54,803

32. NOTES TO THE CONSOLIDATED CASH FLOW STATEMENT (Continued)

(c) Disposal of subsidiaries

	Group	
	2008	2007
	HK$'000	HK$'000
Net assets disposed of:		
Equity investments at fair value through profit and loss	**914**	–
Trade and other receivables	**19,759**	–
Available-for-sale investments	**6,000**	–
Cash and bank balances	**14**	–
Trade and other payables	**(6,247)**	–
Minority interests	**(22,337)**	–
	(1,897)	–
Gain on disposal of subsidiaries	**1,898**	–
	1	–
Gain on disposal of subsidiaries represented by:		
Continuing operations	**367**	–
Attributable to discontinued operations	**1,531**	–
	1,898	–
Analysis of net outflow of cash and cash equivalents in respect of the disposed subsidiaries:		
Cash received	**1**	–
Cash and bank balances of subsidiaries disposed of	**(14)**	–
	(13)	–

32. NOTES TO THE CONSOLIDATED CASH FLOW STATEMENT (Continued)

(d) Deconsolidation of a subsidiary

	2008 HK$'000	2007 HK$'000
Net assets deconsolidated:		
Cash and bank balances	341	–
Trade and other payables	(6,654)	–
Net liabilities deconsolidated	(6,313)	–
Cash and bank balances of deconsolidated subsidiaries	(341)	–

33. CONTINGENT LIABILITIES

	Group		Company	
	2008 HK$'000	2007 HK$'000	2008 HK$'000	2007 HK$'000
Corporate guarantees given to banks and others	–	62,390	–	–

34. COMMITMENTS

	Group 2008 HK$'000	Group 2007 HK$'000
Capital commitments		
– contracted but not provided for*	**297,075**	253,519
Total minimum commitments under non-cancellable operating leases for land and buildings due:		
As lessee		
Within one year	**2,701**	3,475
In the second to fifth years, inclusive	**1,832**	7,019
After five years	**–**	3,707
	4,533	14,201
As lessor		
Within one year	**471**	1,577
In the second to fifth years, inclusive	**–**	394
	471	1,971

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

* Included in capital commitments is an amount of HK$297,075,000 (2007: HK$247,562,500) representing the total consideration payable by the Group to the vendors of Greenheart Resources Holdings Limited ("Greenheart") under a call option to purchase the remaining 39.61% of the issued share capital of Greenheart owned by the vendors, which will be settled by either cash, new shares to be issued by the Company with conversion price of HK$2.00 per share and other terms similar to those of the Convertible Bonds or any combination of the above as the Group and the majority vendors may agree. However, if there is or needs to be any adjustment to the conversion price of the Converible Bonds prior to the completion of the sale and purchase of the shares, the price of any such consideration shares and the conversion price of any such convertible bonds will be the then applicable conversion price of Convertible Bonds instead of HK$2.00. The call option is exercisable by the Group to require the vendors to sell the shares to the Group up to but excluding 8 May 2009.

35. RELATED PARTY TRANSACTIONS

(i) In addition to the related party transactions detailed elsewhere in the financial statements, the Group had the following material transactions with related parties during the year:

	Notes	Group 2008 HK$'000	Group 2007 HK$'000
Interest income charged to Princeton Venture Partners Limited	(a)	**–**	416

Notes:

(a) Interest income was calculated at prime rate + 2% per annum in 2007.

(ii) Remuneration for key management personnel, including amounts paid to the Company's Directors and highest paid employees as disclosed in note 7, is as follows:

	Group 2008 HK$'000	Group 2007 HK$'000
Short-term employee benefits	**6,215**	4,569
Post-employment benefits	**12**	34
Equity compensation benefits	**–**	1,586
	6,227	6,189

36. FINANCIAL INSTRUMENTS BY CATEGORY

The carrying amounts of each of the categories of financial instruments as at the balance sheet date are as follows:

	Group 2008	Company 2008
	Loans and receivables HK$'000	**Loans and receivables** HK$'000
Financial assets		
Trade and other receivables	**796**	**–**
Cash and bank balances	**111,589**	**35,712**
	112,385	**35,712**

	Group 2008	Company 2008
	Financial liabilities at amortised costs HK$'000	**Financial liabilities at amortised costs** HK$'000
Financial liabilities		
Trade and other payables	**9,564**	**2,294**
Convertible bonds	**225,598**	**225,598**
	235,162	**227,892**

36. FINANCIAL INSTRUMENTS BY CATEGORY (Continued)

	Group 2007			Company 2007
	Financial assets at fair value through profit and loss HK$'000	Loans and receivables HK$'000	Total HK$'000	Loans and receivables HK$'000
Financial assets				
Trade and other receivables	–	15,129	15,129	–
Equity investments at fair value through profit or loss	914	–	914	–
Cash and bank balances	–	237,447	237,447	151,443
	914	252,576	253,490	151,443

	Group 2007	Company 2007
	Financial liabilities at amortised costs HK$'000	Financial liabilities at amortised costs HK$'000
Financial liabilities		
Trade and other payables	27,840	1,403
Interest bearing bank borrowings	42,545	–
Other loans payable	4,562	–
Convertible bonds	212,770	212,770
	287,717	214,173

37. FINANCIAL RISK AND CAPITAL MANAGEMENT AND ESTIMATION OF FAIR VALUES

a) Financial risk management

The Group's activities expose it to a variety of financial risks, which include market risk (including foreign currency risk, interest rate risk and price risk), credit risk, liquidity risk and cash flow interest rate risk. The Group does not have any written risk management policies and guidelines. The directors monitor the financial risk management of the Group and take such measures as considered necessary from time to time to minimise such financial risks

i) Foreign currency risk management

Foreign currency risk is the risk that the value of a financial instrument will fluctuate due to changes in foreign exchange rates.

The Group is exposed to foreign currency risk primarily through sales and purchases that are denominated in a currency other than the functional currency of the operations to which they relate. The currencies giving rise to this risk are primarily United States dollars. The Group does not hold or issue any derivative financial instruments for trading purposes or to hedge against fluctuations in foreign exchange rates. The Group mitigates this risk by conducting the sales and purchases transactions in the same currency, whenever possible.

Foreign exchange rate sensitivity analysis
As United States dollars are pegged to Hong Kong dollars, in the opinion of the directors, the Group does not expect any significant movements in this exchange rate.

37. FINANCIAL RISK AND CAPITAL MANAGEMENT AND ESTIMATION OF FAIR VALUES (Continued)

a) Financial risk management (Continued)

ii) Interest rate risk management

Convertible bonds with fixed interest rates is the sole financial liability of the Group, therefore, the Group is not exposed to significant fair value interest rate risk due to the short maturity of the items. The Group currently does not have an interest rate hedging policy and will consider enter into interest rate hedging should the need arise.

Interest rate sensitivity analysis
The sensitivity analysis below has been determined assuming that a change in interest rates had occurred at the balance sheet date and had been applied to the exposure to interest rates for financial instruments in existence at that date. A 1% increase or decrease is used when reporting interest rate risk internally to key management personnel and represents management's assessment of the reasonably possible change in interest rates.

If interest rates had been 1% higher/lower and all other variables were held constant, there would be no impact on the Group's loss for the year ended 31 December 2008 and the accumulated loss as of 31 December 2008 (2007: decrease/increase by HK$536,000).

The decrease in the Group's sensitivity to interest rates in the current year was mainly because all bank loans and other borrowings were fully repaid, except for the Convertible Bonds.

iii) Price risk management

The prices received for the Group's products depend on numerous factors, many of which are beyond its control and the exact effect of which cannot be accurately predicted. Such factors include general economic and political activities, including the extent of governmental regulation and taxation in the countries where the Group operates. In the opinion of the directors, the Group does not have significant exposure to price risks.

37. FINANCIAL RISK AND CAPITAL MANAGEMENT AND ESTIMATION OF FAIR VALUES (Continued)

a) Financial risk management (Continued)

iv) Credit risk management

Credit risk arises from the possibility that customers may not be able to settle obligations within the normal terms of transactions. The Group performs ongoing credit evaluation of the debtors' financial condition and maintains an account for allowance for doubtful trade and other accounts receivable based upon the expected collectibles of all trade and other accounts receivable.

At the balance sheet date, there were no major concentrations of credit risk.

The maximum exposure to credit risk is therefore represented by the carrying amount of each financial asset as stated in the balance sheet.

Cash is held with financial institutions of good standing.

v) Liquidity risk management

Liquidity risk is the risk that an enterprise will encounter difficulty in raising funds to meet commitments associated with financial instruments. Liquidity risk may result from an inability to sell a financial asset quickly at close to its fair value.

Prudent liquidity risk management implies maintaining sufficient cash. The Group monitors and maintains a level of bank balances deemed adequate to finance the Group's operations.

37. FINANCIAL RISK AND CAPITAL MANAGEMENT AND ESTIMATION OF FAIR VALUES (Continued)

b) Management of capital

The primary objective of the Group's capital management is to safeguard the Group's ability to continue as a going concern and to maintain healthy capital ratios in order to support its business and maximise shareholder value.

The Group manages its capital structure and makes adjustments to it, in light of changes in economic conditions and the risk characteristics of the underlying assets. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares. The Group is not subject to any externally imposed capital requirements. No changes were made in the objectives, policies or processes during the years ended 31 December 2008 and 31 December 2007.

The Group monitors capital using a gearing ratio, which is net debt divided by the total capital plus net debt. Net debt includes interest-bearing bank borrowings less cash and cash equivalents. Capital includes convertible bonds and equity attributable to equity holders of the Company.

c) Estimation of fair values

The notional amounts of financial assets and liabilities with a maturity of less than one year (including trade and other receivables, cash at bank, trade and other payables) are assumed to approximate their fair values.

The fair value of non-trade balances due from/to group and related companies has not been determined as the timing of the expected cash flows of these balances cannot be reasonably determined because of the relationship.

38. COMPARATIVE AMOUNTS

Certain comparative amounts have been reclassified and restated to confirm with the current year's presentation and accounting treatment.

39. APPROVAL OF THE FINANCIAL STATEMENTS

The financial statements were approved and authorised for issue by the board of directors on 23 April 2009.