OMNICORP

ANNUAL REPORT 2007

OMNICORP LIMITED
兩儀控股有限公司*

(Incorporated in Bermuda with limited liability)

Stock Code:94

* For identification purpose only

Contents

Corporate Information

BOARD OF DIRECTORS

Wong Kin Chi *(Chairman and Independent non-executive Director)*
Sung Yan Wai, Petrus *(Acting Managing Director and Acting Chief Executive Officer)*
Hui Tung Wah, Samuel
Wong Che Keung, Richard *(Independent non-executive Director)*
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

Cheng Chai Fu, Bosco

QUALIFIED ACCOUNTANT

Tam Wing Yiu, Alex

REGISTERED OFFICE

Canon's Court
22 Victoria Street
Hamilton HM12
Bermuda

PRINCIPAL PLACE OF BUSINESS

Rooms 4120 – 4124
41/F
Sun Hung Kai Centre
30 Harbour Road
Wanchai
Hong Kong
Tel: (852) 2526 2588
Fax: (852) 2521 6088
e-mail: info@omnicorplimited.com

AUDITORS

Moore Stephens

SOLICITORS

Sit, Fung, Kwong & Shum

PRINCIPAL BANKERS

The Hongkong and Shanghai Banking Corporation 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

STOCK CODE

94

2007 was a mixed year for the Group with both unprecedented challenge and new opportunities. For the year ended 31 December 2007 ("the Year"), the Group suffered a loss after tax and before minority interest of HK$144,516,000 compared with a loss of HK$14,384,000 for 2006. Such significant increase in loss was mainly due to the disappointing performance of the Group's electronic component business operating under Lik Hang Holdings Limited ("Lik Hang") which is wholly owned by the Group's 77.04% subsidiary, Omnitech Holdings Limited ("OHL"), a company listed on the Australian Stock Exchange.

Over the past year or so, the Pearl River Delta Region has become increasingly difficult for low margin and labour intensive manufacturing businesses such as Lik Hang. In fact many factories have closed down or moved to other locations further inland or even outside China. Due to such difficult external environments, coupled with the highly competitive nature of the electronics industry, the appreciation of the Chinese Yuan, serious labour shortage, and rising raw material costs, we have taken the difficult but necessary decision to scale down the electronic component business, as the risk of further large scale investments in this business is considered to be too high.

To broaden the Group's business activities and to seek better return for the shareholders, we successfully acquired a 60% interest in Greenheart Resources Holdings Limited ("Greenheart") in November 2007 with an option to acquire the remaining 39.61% in the next 18 months. This acquisition has given the Group the opportunity to enter the forestry and timber business. Greenheart controls almost 178,000 hectares of tropical forest concessions and cutting rights in Suriname, South America. Logging commenced in late 2005, and Greenheart is currently logging on a high selective basis pending the completion of phase two of its business plan which includes the construction of new sawmill facilities to process harvested logs into lumber by 2009.

Due to over logging and deforestation in the past and increasingly keen competition for use of scarce land resources for agriculture, plantation, biofuel, and other purposes, supply of timberland and wood fiber sources has been diminishing rapidly. On the other hand, global demand for timber and wood fiber has been rising particularly from emerging countries such as China and India. We believe that Greenheart provides a good platform for the Group to expand into this exciting business, and will make significant contribution to the Group's results in the future.

We are particularly pleased that Greenheart practices Sustainable Forestry Management ("SMF") and Reduced Impact Logging, which will ensure the preservation and healthy growth of precious tropical rainforest and its rich biodiversity. We also adopt and endorse the Social Responsible Corporate Policy of Greenheart, and through both the Group and special purpose organizations such as Greenheart Foundation, we support and contribute to the well being of local communities in the countries that we operate in.

In view of the positive outlook of the wood fibre industry, subsequent to the year end, on 9 January 2008, leveraging its strong connections in China's forestry industry, the Group entered into a memorandum of understanding ("MOU") with an independent third party ("the Counterparty") whereby it is proposed that the Counterparty will (a) arrange and procure the forest tree holder(s) to grant to the Group an exclusive right to purchase the plantation trees on 100,000 hectares of forest land in Jiang Xi and Fu Jian Provinces, China, over a 5-year period and procure the forest land holder(s) of these forest lands to grant to the Group an option to lease the forest land for 30 years after harvesting ("the Proposed Transaction").

Following that, on 27 February 2008, the Group entered into another MOU with a wholly owned subsidiary of Sino Forest Corporation ("the SF Subsidiary") in relation to the proposed engagement of the SF Subsidiary to provide certain management and consultancy services for the plantation and forestry operation of the Group in China ("The Proposed Engagement"). The Proposed Engagement will be subject to, among other things, the completion of the Proposed Transaction. SF, which is listed on the Toronto Stock Exchange with a market capitalization value of around US$3 billion at the date of this statement, is a strategic shareholder of the Group, and is a leading, foreign-owned, commercial forestry operator in China.

Looking ahead, the Group intends to pursue its ambition to become one of the major and preferred providers of wood fibre, both hard and soft wood, operating under SFM by upgrading our existing Greenheart operations and actively acquiring new forest concessions and timber-related business, particularly in South America, China and Asia.

Meanwhile, we pledge that the Group will continue to make solid and determination steps ahead in developing our business towards the "Triple Bottom Line" target balancing economic performance, environmental consideration and social responsibilities. As an essential part of achieving this target, during the Year, the Group commenced the internal review and assessment of Greenheart's timber operation in Suriname with an objective of ensuring its timber operation gains the Forest Stewardship Council ("FSC") certificate within the next 18 months to 24 months.

APPRECIATION

Finally, I would like to take this opportunity to extend my gratitude to the other Directors for their valuable contributions to the Group and would also like to thank our customers, suppliers and shareholders for their continuous support and our staff members for their dedication and hard work. I would also like to take this opportunity to thank Mr. Sung Kai Hing and Mr. Au Hoi Tsun who resigned as Directors on 11 January 2007 and 9 July 2007, respectively, for their years of contribution.

Wong Kin Chi
Chairman

Hong Kong, 7 April 2008

REVIEW OF OPERATIONS

For the year ended 31 December 2007 (the "Year"), Omnicorp Limited (the "Company") together with its subsidiaries (the "Group"), made a loss after tax and before minority interests of HK$144,516,000 compared with a loss of HK$14,384,000 for 2006. Net loss attributable to shareholders for the Year amounted to HK$130,644,000 compared with a net loss of HK$30,656,000 for last year. The loss for the Year was mainly due to the poor results of the Group's electronic components division ("Lik Hang"), operating under Lik Hang Holdings Limited, a wholly owned subsidiary of Omnitech Holdings Limited ("OHL"). OHL is a 77.04% owned subsidiary listed on the Australian Stock Exchange.

Total turnover of the Group for the Year amounted to HK$119,552,000, a decrease of 39.7% compared with the turnover of HK$198,413,000 for 2006 and the gross margin decreased significantly from 11.2% for 2006 to 3.8% for the Year. This decrease in turnover and the gross margin was also mainly attributable to the disappointing operating results of Lik Hang.

Due to the disappointing results of Lik Hang, the Board has taken the decision to scale down the electronic components division to seek better return of the Group's resources. Lik Hang has been operating in the highly competitive electronic industry characterized by thin margin and fast technology obsolescence. During the past year, the operating environments in the Pearl River Delta where Lik Hang's manufacturing facilities were located have become increasingly difficult for labour intensive manufacturing business. A number of factories have closed down and/or tried to move to other locations in other inland provinces or outside China. A number of factors including a new labour law and labour shortage, appreciation of the Chinese Yuan, and raw materials price increases have further increased operating costs and reduced margins. In an attempt to remain competitive, Lik Hang moved to product lines with a lower selling value. In the second half of the Year, for a variety of reasons, some of Lik Hang's products failed to meet the agreed product quality standards, resulting in claims from customers and lost orders, which in addition also had the effect of making certain inventories obsolete and causing a substantial increase in other operating expenses. After the end of the Year, Lik Hang's manufacturing facilities were closed down resulting in loss of fixed assets and inventories. As a result of the adverse factors highlighted above, Lik Hang recorded a significant decrease of 41.5% in revenue from HK$194,667,000 for 2006 to HK$113,937,000 for the Year and a loss of HK$107,034,000 compared with a profit of HK$10,106,000 for 2006.

As part of the continuing efforts to seek new business activities to provide better return for its shareholders, the Company completed the acquisition of 60% of Greenheart Resources Holdings Limited ("Greenheart") in November 2007 with an option to acquire the remaining 39.61% within the next 18 months. Greenheart controls tropical forest concessions and cutting rights of approximately 178,000 hectares in Suriname, South America and practises Sustainable Forestry Management which includes Reduced Impact Logging and a strict sustainable log harvesting quota under the local CELOS forestry administration system. Having commenced logging in late 2005, Greenheart currently harvests logs on a selective basis whereby only those species of logs with high commercial value as round logs and comparable durable technical property will be harvested. Greenheart also produces a small amount of lumber from a leased sawmill. Following its business plan, Greenheart is building its own new sawmill facilities with total annual output capacity of 100,000 m^3 of lumber scheduled to be operational in 2009. Full scale log harvesting will commence after that to provide the new sawmills with log input. For the Year, Greenheart contributed a loss of HK$3,558,000 from sales of HK$4,038,000, representing two months' post acquisition operating results.

Administrative expenses decreased slightly from HK$28,726,000 for 2006 to HK$26,259,000 for the Year. Other operating expenses increased from HK$29,478,000 for 2006 to HK$129,352,000 mainly due to the loss of on product claims of HK$46,765,000, loss on inventories write off of HK$46,257,000 and bad and doubtful debts of HK$5,149,000 incurred by Lik Hang.

Equity attributable to the Company's shareholders as at 31 December 2007 amounted to HK$356,551,000 or HK$1.13 per share (31 December 2006: HK$138,887,000 or HK$0.9 per share). This significant increase is mainly due to net effect of the issuance of 103,650,000 new shares for cash, the issuance of 60,000,000 new shares and the equity components of HK$237,000,000 convertible bonds issued in relation to the acquisition of 60% interest in Greenheart and the operating loss incurred for the Year.

LIQUIDITY, FINANCIAL RESOURCES AND CAPITAL STRUCTURE

The Group has continued to adopt prudent financial policies.

The Group's current assets and current liabilities as at 31 December 2007 were HK$281,487,000 and HK$98,447,000, respectively (31 December 2006: HK$168,999,000 and HK$83,759,000 respectively). As at 31 December 2007, the Group had cash and bank deposits of approximately HK$254,311,000 (31 December 2006: HK$35,569,000), and short-term bank borrowings of HK$42,545,000 (31 December 2006: HK$53,880,000).

As at 31 December 2007, the Group's gearing ratio, which was calculated on the basis of bank borrowings and other loan to shareholders' funds, was 11.9% (31 December 2006: 38.8%).

The Group has limited exposure to the foreign exchange fluctuations risks as most of its sales are denominated in Hong Kong dollars and United States dollars, being the same currencies in which the Group's related costs and expenses are denominated. The Directors considered that the recent appreciation of Renminbi and depreciation of the US Dollars may have a negative but immaterial 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 2007.

During the Year, the Company successfully raised additional working capital through the following fund raising activities:

1) In June 2007, the Company entered into a placing agreement with a placing agent for placing an aggregate of 30,000,000 new shares at HK$0.90 per share (the "1st Placing") to independent investors. The net proceeds raised by the 1st Placing amounted to approximately HK$26,200,000, which are, as planned, being used as general working capital of the Group. Details of the 1st Placing are contained in the Company's announcement dated 13 June 2007.

2) In December 2007, the Company completed the placing of 70,000,000 new ordinary shares at HK$2.2 per share (the "2nd Placing") to independent investors. The net proceeds raised by the 2nd Placing amounted to approximately HK$148,000,000, which are being used as general working capital of the Group and for the expansion of the Group' forestry business. Details of the 2nd Placing are contained in the Company's circular dated 22 October 2007.

In addition, during the Year, the Company issued 60,000,000 new ordinary shares at HK$2.00 as part of the consideration for the acquisition of 60% interest in Greenheart and 3,650,000 share options pursuant to the Company's share option scheme were also exercised resulting in the issue of 3,650,000 new ordinary shares for a total cash consideration of approximately HK$3,380,000.

As at 31 December 2007, the Company had 314,189,152 shares in issue.

PLEDGE ON ASSETS

As at 31 December 2007, the Group pledged bank balances in the amount of HK$16,864,000 (31 December 2006: HK$22,479,000) as securities for banking facilities to certain subsidiaries.

PROSPECTS

The management is very disappointed with the overall loss of the Group for the Year, and particularly the poor results of the electronic components division. Given the increasingly difficult operating environments in the Pearl River Delta for this type of labour intensive manufacturing business and the added risks of a strong Chinese Yuan, raw material cost hikes, low product margins, the Company has decided to scale down the electronic component business to seek better return on its resources.

The Board is particularly excited by the acquisition of Greenheart, which now forms the foundation of a forestry and timber division. The Board believes that demand for wood and related products globally and particularly in China, India, and other emerging markets will continue to remain strong driven by higher living standards. On the other hand global supply of wood fiber is diminishing due to over-logging and deforestation, competitive use of scarce land resource for agriculture and other types of plantation such as palm oil, sugar cane and bio-fuel produces. The current world trend of preserving forest for carbon credit to combat global warming will also add to the tightening supply of timberland. The Board is confident that the forestry and timber business will provide exciting contribution and return to the Company in the future.

The management of the Company and Greenheart believe and practice Sustainable Forestry Management. A Social Responsible Corporate Policy is also adopted with the setting up of Greenheart Foundation, which together with the Group provide employment, job training, and other assistance to local communities. Greenheart also differentiates itself from traditional forestry companies through the active development of non-timber forest products and ecosystem services such as greenhouse gas emission reduction, various types of carbon and bio-diversity credits, and waste wood utilization. Such non-timber income will eventually provide additional revenue and profit to the Company while contributing to the protection of the tropical rain forest and its rich bio-versity.

While the Company will continue to expand its tropical hard wood business in Suriname and surrounding countries in South America, the Company has also planned to enter the soft wood and plantation business in China and nearby countries, to broaden the wood fiber supply source of the Company. As a result after the Year end on 10 January 2008, the Group announced that it entered into a Memorandum of Understanding ("MOU") with an independent third party for the acquisition of 100,000 hectares of plantation land with approximately 10 to 12 million cubic meters of standing timber of mostly pine and Chinese fir in Jiangxi and Fujian Province in China ("the Proposed Acquisition").

Following that, on 27 February 2008, the Group announced that it entered into another MOU with a wholly owned subsidiary of Sino Forest Corporation ("the SF Subsidiary"), a company listed on the Toronto Stock Exchange with a market capitalization value of around US$3 billion at the date of this report and a strategic shareholder of the Group, in relation to the proposed engagement of the SF Subsidiary to provide certain management and consultancy services for the plantation and forestry operation of the Group in China ("The Proposed Engagement").

The Directors believe that should this Proposed Acquisition materialize, it will significantly increase the size of the Group's timberland holdings and provide an entry into the exciting wood plantation business for fast growing species such as eucalyptus and poplar in China.

EMPLOYEES AND REMUNERATION POLICIES

While the Group will continue to adopt strict financial discipline and cost control, it will actively pursue a personnel policy which will provide performance based rewards and incentives in order to retain and attract high caliber executives and employees.

As at 31 December 2007, the Group had approximately 850 employees, out of which approximately 780 were production workers in China and Suriname. In addition to the provision of annual bonuses, medical insurance and in-house and external training programs, discretionary bonuses and share options are also available to employees based on their individual performance. The remuneration policy and packages of the Group are reviewed from time to time.

Mr. Wong Kin Chi, aged 56, is the Chairman and an independent non-executive director of the Company. Mr. Wong joined the Board in September 2004. He holds a MBA degree from the University of Durham, the 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 for well over 10 years. Mr. Wong is currently running a company rendering professional services to clients with respect to financial and education management. Prior to this, he had over 20 years of experience serving as financial controller and senior executive in a number of multi-national corporations and as auditor in a Big Four international accounting firm. Mr. Wong is also an independent non-executive director of A-S China Plumbing Products Limited, a company whose shares are listed on the Growth Enterprise Market of The Stock Exchange of Hong Kong Limited (the "Stock Exchange").

Mr. Sung Yan Wai, Petrus, aged 47, 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 Holdings Limited, the Company's subsidiary whose shares are listed on the Australian Stock Exchange. 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. Prior to that, 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 53, 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 and rejoined the Company as Deputy Chief Executive Officer from 1 May 2005, having served for 2 years as senior vice president of a Toronto-listed company. Mr. Hui comes from a strong financial and general management background having spent about 30 years working in senior management positions 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, a company whose shares are listed on the main board of the Stock Exchange and a non-executive director of WLS Holdings Limited, a company whose shares are listed on the Growth Enterprise Market of the Stock Exchange. Mr. Hui holds a Bachelor Degree in Social Sciences from the University of Hong Kong and a Master Degree in Business Administration from the Brunel University in the United Kingdom.

Mr. Wong Che Keung, Richard, aged 62, 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 both locally and overseas.

Mr. Tong Yee Yung, Joseph, aged 53, 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 from the University of East Asia with a MBA. 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 Company has always recognized the importance of transparency and accountability. With regard to its shareholders, it is the belief of the Board of Directors ("the Board") that shareholders can maximize their benefits from good corporate governance.

The Company has adopted the code provisions set out in the Code on Corporate Governance Practices (the "CG Code") contained in Appendix 14 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules"), which became effective on 1 January 2005 and in replacement of the Code of Best Practice, as its own code of corporate governance practices.

Accordingly, in the opinion of the Directors, the Company has met the code provisions set out in the CG Code.

THE BOARD

The Board is responsible for the leadership and control of the Company and oversees the business of the Company and its subsidiaries (the "Group"), strategic decisions and performances. The Board meets regularly and as and when required. During the Year, the Board held 24 meetings. Notice of board meetings is given to all Directors and they can include matters for discussion in the agenda if the need arises. The Company Secretary assists the Chairman in preparing the agenda for meetings and ensures that all relevant rules and regulations are followed. The attendance of the Directors at the board meetings was as follows:

Name of directors	Number of attendance
Mr. Wong Kin Chi	21/24
Mr. Sung Yan Wai, Petrus	24/24
Mr. Hui Tung Wah, Samuel	22/24
Mr. Wong Che Keung, Richard	21/24
Mr. Tong Yee Yung, Joseph	21/24
Mr. Au Hoi Tsun, Peter (resigned on 9 July 2007)	15/15
Mr. Sung Kai Hing, Simon (resigned on 11 January 2007)	0

Board Minutes are kept by the Company Secretary of the Company and are sent to the Directors for records and are open for inspection by the Directors.

The Directors are enabled, upon the reasonable request, to seek independent professional advice in appropriate circumstances, at the Company's costs. The Board provides separate appropriate independent professional advice to the Directors to assist the relevant Directors to discharge their duties, where necessary.

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

CHAIRMAN AND ACTING CHIEF EXECUTIVE OFFICER

The Chairman and the Acting Chief Executive Officer of the Company are separate persons in order to ensure a balance of power and authority, so that power is not concentrated in any one individual.

The Chairman, Mr. Wong Kin Chi, is responsible for the leadership and effective running of the Board and the Acting Chief Executive Officer, Mr. Sung Yan Wai, Petrus, is delegated with the authority to manage the business of the Group in all aspects effectively.

BOARD COMPOSITION

The Board comprises two Executive Directors, being Mr. Sung Yan Wai, Petrus and Mr. Hui Tung Wah, Samuel and three Independent Non-Executive Directors, being Mr. Wong Che Keung, Richard, Mr. Tong Yee Yung, Joseph and Mr. Wong Kin Chi (Chairman).

The Board members have no financial, business, family or other material/relevant relationships with each other. Such balanced board composition ensures that strong independence exists across the Board. The biographies of the Directors are set out in pages 10 to 11 to the annual report, which demonstrates a diversity of skills, expertise, experience and qualifications.

The Company has received annual confirmation of independence from the three Independent Non-Executive Directors in accordance with Rule 3.13 of the Listing Rules. The Board has assessed their independence and concluded that all the Independent Non-Executive Directors are independent within the definition of the Listing Rules.

APPOINTMENTS, RE-ELECTION AND REMOVAL

All Non-Executive Directors were appointed for a specific term of three years beginning from 15 June 2006 and were subject to re-election.

In accordance with Bye-Law 97 of the Company's Bye-Laws, Messrs. Hui Tung Wah, Samuel and Tong Yee Yung, Joseph will retire by rotation, and being eligible, will offer themselves for reelection at the forthcoming annual general meeting.

According to the private act of the Company enacted in 1991 (the "Act"), no Director holding the office of Chairman or Managing Director shall be subject to retirement by rotation as provided in the Bye-Laws. As the Company is bound by the provisions of the Act, at present, the Bye-Laws cannot be amended to fully reflect the requirements of the CG Code. However, each of the Chairman of the Board and the Acting Managing Director of the Company has respectively confirmed that he will voluntarily be subject to retirement by rotation in accordance with the CG Code.

RESPONSIBILITIES OF DIRECTORS

Every newly appointed director is ensured to have a proper understanding of the operations and business of the Group and that he is fully aware of his responsibilities under statute and common law, the Listing Rules, applicable legal requirements and other regulatory requirements and the business and governance policies of the Company. The Directors are continually updated with legal and regulatory developments, business and market changes and the strategic development of the Group to facilitate the discharge of their responsibilities.

The Non-Executive Directors take an active role in board meetings, contribute to the development of strategies and policies and make sound judgement on issues of strategy, policy, performance, accountability, resources, key appointments and standard of conduct. They will take lead where potential conflicts of interests arise. All of them are also members of audit and remuneration committees and scrutinize the overall performance of the Group in achieving agreed corporate goals and objectives, and monitoring the reporting of performance.

DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted a code of conduct rules (the "Model Code") regarding securities transactions by the Directors on terms no less exacting than the required standard set out in the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 of the Listing Rules.

All Directors confirm that they have complied with the Model Code throughout the year under review.

SUPPLY OF AND ACCESS TO INFORMATION

The Management has the obligation to supply the Board and its committees with adequate information in a timely manner to enable it to make informed decisions. Where any Director requires more information than is volunteered by the Management, each Director has separate and independent access to the Company s senior management to make further enquires if necessary.

All Directors are entitled to have unlimited access to the Board papers and relevant materials. Such information is prepared to enable the Board to make an informed decision on matters placed before it.

NOMINATION OF DIRECTORS

Since the full Board will be involved in the removal and appointment of directors, the Company has not established a Nomination Committee. The Board will, based on its own need, adopt criteria such as expertise, experience, integrity and commitment when selecting and appointing Directors.

REMUNERATION OF DIRECTORS AND SENIOR MANAGEMENT

The Company has established a Remuneration Committee comprising the three Independent Non-Executive Directors. Its terms of reference are summarized as follows:

(i) to make recommendations to the Board on the Company's policy and structure for all remuneration of directors and senior management and on the establishment of a formal and transparent procedure for developing policy on such remuneration;

(ii) to determine the specific remuneration packages of all executive Directors and senior management, including benefits in kind, pension rights and compensation payments, including any compensation payable for loss or termination of their office or appointment, and to make recommendations to the Board of the remuneration of non-executive directors;

(iii) to review and approve performance-based remuneration by reference to corporate goals and objectives resolved by the Board from time to time;

(iv) to review and approve the compensation payable to executive directors and senior management in connection with any loss or termination of their office or appointment to ensure that such compensation is determined in accordance with relevant contractual terms and that such compensation is otherwise fair and not excessive for the Company;

(v) to review and approve compensation arrangements relating to dismissal or removal of directors for misconduct to ensure that such arrangements are determined in accordance with relevant contractual terms and that any compensation payment is otherwise reasonable and appropriate; and

(vi) to ensure that no director or any of his associates is involved in deciding his own remuneration.

Attendance at Remuneration Committee meetings

Name of remuneration committee members	Number of attendance
Mr. Wong Che Keung, Richard	3/3
Mr. Tong Yee Yung, Joseph	3/3
Mr. Wong Kin Chi	3/3

For the year under review, the Remuneration Committee has reviewed and recommended to the Board the salaries and bonuses of the Executive Directors and the senior management.

In order to attract, retain, and motivate executives and key employees serving for the Group, the Company adopted a share option scheme in 2002 and our 77.04% Australian listed subsidiary, Omnitech Holdings Limited ("OHL") adopted its share option scheme in 2004. Such incentive schemes enable eligible persons to obtain an ownership interest in the Company and OHL and thus rewards those participants who contribute to the success of the Group's operations.

Details of the amount of Directors' emoluments are set out in note 8 to the financial statements and details of the Share Option Scheme of the Company and OHL is set out in the Report of the Directors and note 30 to the financial statements.

ACCOUNTABILITY AND AUDIT

The Management provides such explanation and information to the Board so as to enable the Board to make an informed assessment of the financial and other information put before the approval by the Board.

The Directors acknowledge their responsibility to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the Group and in presenting the interim and annual financial statements, and announcements to shareholders. The Directors aim to present a balanced and understandable assessment of the Group's position and prospects. The Board is not aware of any material uncertainties relating to events or conditions that may cast significant doubt upon the Group's ability to continue as a going concern. The Board therefore continues to adopt the going concern approach in preparing the financial statements.

The Board acknowledges its responsibility to present a balanced, clear and understandable assessment in the Company's annual and interim reports, other price-sensitive announcement and other financial disclosures required under the Listing Rules, and reports to the regulators.

INTERNAL CONTROLS

The Board has overall responsiblity for the effectiveness of the Group's internal control systems and the assessment and management of risks. The internal control systems are designed to meet the Group's particular needs and the risks to which it is exposed, and by their nature can only provide reasonable, but not absolute assurance against misstatement or loss. The effectiveness of the internal control system was discussed on an annual basis with the Audit Committee.

The Board, through the Audit Committee, has conducted a review of the effectiveness of internal control systems for the year ended 31 December 2007, covering all material controls, including financial, operational and compliance controls and risks management functions. (the "Report"). The process used in reviewing the effectiveness of these internal control systems included discussion with management and external auditors on risk areas identified by management. The purpose of the Group's internal control system is to provide reasonable, but not absolute, assurance against material misstatement of the Group's financial statements and to manage rather than elimination risks of failure in operational systems so that Group's objectives can be achieved.

The Board will continue to review the effectiveness of the Group's internal control system and may consider to appoint Messrs Moore Stephens, the Company's auditor, to assess the Group's internal control system and report to the shareholders for the year ending 31 December 2008, where necessary.

AUDIT COMMITTEE

The Audit Committee currently comprises all three Independent Non-Executive Directors of the Company, Mr. Wong Che Keung, Richard as the Chairman and Mr. Tong Yee Yung, Joseph and Mr. Wong Kin Chi as the members, who among themselves possess a wealth of management experience in the accounting profession, commercial and banking sectors.

Attendance at Audit Committee meetings

Name of audit committee members	Number of attendance
Mr. Wong Che Keung, Richard	2/2
Mr. Tong Yee Yung, Joseph	2/2
Mr. Wong Kin Chi	2/2

Full minutes of audit committee meetings are kept by a duly appointed secretary of the meeting. Draft and final versions of minutes of the audit committee meetings are sent to all members of the committee for their comment and records respectively, in both cases within a reasonable time after the meeting.

The Audit Committee meets the external auditors at least once a year to discuss any areas of concerns during the audits without the presence of the management. The Audit Committee reviews the interim and annual reports before submission to the Board. The Committee focuses not only on the impact of the changes in accounting policies and practices but also on the compliance with accounting standards, the Listing Rules and the legal requirements in the review of the Company's interim and annual reports.

AUDITORS' REMUNERATION

During the Year, the remuneration paid/payable to the Company's auditors, Messrs Moore Stephens was as follows:

Services rendered	**Fee paid/payable**
	HK$'000
Audit services	1,380
Non-audit services	1,095
	2,475

COMMUNICATIONS WITH SHAREHOLDERS

In respect of each substantially separate issue at a general meeting, a separate resolution is proposed by the Chairman of that meeting.

The Managing Director of the Company attended the 2007 annual general meeting and was available to answer questions at the meeting.

VOTING BY POLL

The Company informs the shareholders (in its circulars convening a general meeting) the procedures for voting by poll and the rights of shareholders to demand a poll to ensure compliance with the requirements on the poll voting procedures. In accordance with Bye-Law 67 of the Company, at any general meeting a resolution put to the vote of the meeting shall be decided on a show of hands, unless a poll is (before or on the declaration of the result of the show of hands) demanded by:

(i) the chairman;

(ii) at least three shareholders present in person or by a duly authorized corporate representative or by proxy for the time being entitled to vote at the meeting;

(iii) any shareholder or shareholders present in person or by a duly authorized corporate representative or by proxy and representing not less than one-tenth of the total voting rights of all shareholders having the rights to vote at the meeting;

(iv) a shareholder or shareholders present in person or by a duly authorized corporate representative or by proxy and holding shares in the Company conferring a right to vote at the meeting being shares on which an aggregate sum has been paid up equal to not less than one-tenth of the total sum paid up on all the shares conferring that right; or

(v) if required by the Listing Rules, by the chairman of the meeting or any Director or Directors who, individually or collectively, hold proxies in respect of shares representing 5% or more of the total voting rights at the meeting.

The Company should count all proxy votes, and except where a poll is required, the chairman of a meeting should indicate to the meeting the level of proxies lodged on each resolution and the balance for and against the resolution, after it has been dealt with on a show of hands. The Company should ensure that votes cast are properly counted and recorded.

The chairman of a meeting should at the commencement of the meeting ensure that an explanation is provided of:

(i) the procedure for demanding a poll by shareholders before putting a resolution to the vote on a show of hands; and

(ii) the detailed procedures for conducting a poll and then answer any questions from shareholders whenever voting by way of a poll is required.

REPORT OF THE DIRECTORS

The Directors herein present their report and the audited financial statements of the Company and its subsidiaries ("the Group") for the year ended 31 December 2007 (the "Year").

PRINCIPAL ACTIVITIES

The principal activity of the Company is investment holding. The principal activities of the subsidiaries during the Year consisted of manufacture and sale of electronic components and products, property holding and investment holding. After the completion of the acquisition of 60% of the issued share capital of Greenheart Resources Holdings Limited by the Group in November 2007, the Group also expanded into the business of log harvesting, lumber processing, marketing and sales of logs and lumber products.

In view of the current market competitive market in the electronic industry and policy shift in Mainland China affecting low end manufacturing, the Company has been scaling down its investment in the business of manufacture and sale of electronic components and products and is exploring any options which may be availed. After the end of the Year, the Group's manufacturing facilities of its electronic components division in Dongguan, China were closed down.

RESULTS AND DIVIDENDS

The Group's loss for the year ended 31 December 2007 and the state of affairs of the Company and the Group at that date are set out in the financial statements on pages 39 to 112. No interim dividend was paid during the Year (2006: special interim dividend of HK$0.2 per share) and the Board does not recommend the payment of a final dividend in respect of the Year (2006: Nil).

SUMMARY FINANCIAL INFORMATION

A summary of the published results and of the assets and liabilities of the Group for the last five financial years, as extracted from the audited financial statements and reclassified as appropriate, is set out below:

	Year ended 31 December				
	2007	2006	2005	2004	2003
	HK$'000	HK$'000 (Note)	HK$'000 (Note)	HK$'000	HK$'000
Results					
Turnover	**119,552**	383,756	393,273	176,760	248,373
Profit/(loss) before taxation	**(144,510)**	(14,060)	(5,439)	8,983	12,947
Taxation	**(6)**	(324)	(969)	(340)	2,341
Profit/(loss) before minority interests	**(144,516)**	(14,384)	(6,408)	8,643	15,288
Minority interests	**13,872**	(16,272)	(13,383)	(1,468)	(4,429)
Net profit/(loss) attributable to shareholders	**(130,644)**	(30,656)	(19,791)	7,175	10,859

Note: The results for the years ended 31 December 2006 and 2005 were presented according to continuing and discontinued operations in the financial statements pursuant to HKFRS 5.

	31 December				
	2007	2006	2005	2004	2003
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Assets and liabilities					
Properties, plant and equipment	**11,899**	12,312	30,995	32,077	9,859
Timber concessions and cutting rights	**9,333**	–	–	–	–
Investment properties	**1,450**	9,070	10,430	12,000	18,000
Long term investments	**6,000**	10,000	23,700	23,700	56,712
Interests in associates	**50,669**	59,717	50,689	64,828	48,400
Goodwill	**361,706**	–	21,767	21,767	10,197
Current assets	**281,487**	168,999	328,519	262,590	127,352
Total assets	**722,544**	260,098	466,100	416,962	270,520
Current liabilities	**(98,447)**	(83,759)	(187,491)	(156,409)	(63,437)
Convertible bonds	**(212,770)**	–	–	–	–
Long term interest bearing borrowings	**–**	(1,385)	(3,124)	(3,834)	–
Deferred tax liabilities	**–**	(17)	(17)	(44)	(85)
Minority interests	**(54,776)**	(36,050)	(74,084)	(63,310)	(37,808)
Total liabilities and minority interests	**(365,993)**	(121,211)	(264,716)	(223,597)	(101,330)
Net assets	**356,551**	138,887	201,384	193,365	169,190

ACCOUNTING POLICIES

The principal accounting policies of the Group are set out in note 2 to the financial statements.

PROPERTIES, PLANT AND EQUIPMENT AND INVESTMENT PROPERTY

Details of movements in the properties, plant and equipment and investment property of the Group during the year are set out in notes 14 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.

BANK BORROWINGS

Details of the Group's bank borrowings at the balance sheet date are set out in note 26 to the financial statements.

SHARE CAPITAL

Details of movements in the Company's share capital are set out in note 30 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.

RESERVES

Details of movements in the reserves of the Group and the Company during the Year are set out in note 31 to the financial statements.

DISTRIBUTABLE RESERVES

At 31 December 2007, the Company's share premium account, in the amount of HK$412,308,000 (2006: HK$116,230,000), was available to be distributed in the form of fully paid bonus shares. At 31 December 2007, the Company had contributed surplus and accumulated losses of HK$125,376,000 and HK$235,616,000 respectively (2006: HK$125,376,000 and HK$112,075,000, respectively). Details of movements in the distributable reserves of the Company are set out in note 31 to the financial statements.

MAJOR CUSTOMERS AND SUPPLIERS

For the year ended 31 December 2007:

(i) the aggregate amount of turnover attributable to the Group's five largest customers represented less than 30% of the Group's total turnover.

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

DIRECTORS

The Directors of the Company during the Year and up to the date of this report were:

Wong Kin Chi**
Sung Yan Wai, Petrus
Hui Tung Wah, Samuel
Wong Che Keung, Richard**
Tong Yee Yung, Joseph**
Au Hoi Tsun, Peter (resigned on 9 July 2007)
Sung Kai Hing, Simon (resigned on 11 January 2007)

** Independent non-executive Directors

In accordance with Bye-Law 97 of the Company's Bye-Laws, Messrs. Hui Tung Wah, Samuel and Tong Yee Yung, Joseph will retire by rotation, and being eligible, will offer themselves for reelection at the forthcoming annual general meeting.

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 other than statutory compensation.

DIRECTORS' INTERESTS AND SHORT POSITIONS IN SHARES

As at 31 December 2007, the interests and short positions of each Director and Chief Executive of the Company in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which are required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which he is taken or deemed to have under such provisions of the SFO) or which were required, pursuant to section 352 of the SFO, to be entered in the register maintained by the Company referred to therein, or are required pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers of the Listing Rules to be notified to the Company and the Stock Exchange were as follows:

Long positions in the shares of the Company

Name of Director	Capacity/Nature of interests	Number of shares	Percentage of holding (%)
Hui Tung Wah, Samuel	Beneficial owner	280,000	0.09
	Family interest (Note)	75,000	0.02
		355,000	0.11
Wong Kin Chi	Beneficial owner	150,000	0.05

Note: These 75,000 shares were jointly owned by Mr. Hui Tung Wah, Samuel and his spouse.

The interests of the Directors in the share option of the Company are separately disclosed under the heading "Share Option Scheme".

Save as disclosed above and in the section headed "Share Option Scheme" below, none of the Directors and Chief Executive of the Company and their associates had registered an interest or short positions in the shares and underlying shares of the Company or any of its associated corporations which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO or 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

Apart from as disclosed under the heading "Directors' Interests and Short Positions in Shares" above and "Share Option Scheme" below, at no time during the Year were rights to acquire benefits by means of acquisition of shares in the Company granted to any Director or their respective spouse or children under 18 years of age; or were any such rights exercised by them; or was the Company or any of its subsidiaries a party to any arrangement to enable the Directors to acquire such rights in any other body corporate.

SHARE OPTION SCHEME

A. The Company

The Company adopted a share option scheme (the "Scheme") at its general meeting held on 22 March 2002. Details of the Scheme are set out as follows:

1. *Summary of the Scheme*

The purpose of the Scheme is to enable the Company to grant options to employees, executives or officers of the Company or any of its subsidiaries (including executive and non-executive Directors of the Company or any of its subsidiaries) and any suppliers, consultants, advisers, agents, shareholders, customers, partners or business associates, who at the discretion of the Board, have contributed to the Company or any of its subsidiaries as incentives and rewards for their contributions to the Company or such subsidiaries. The maximum number of shares which may be issued upon exercise of all options to be granted under the Scheme and any other share option scheme(s) of the Company must not exceed 10% of the shares in issue on the date of approval and adoption of the Scheme, i.e. 454,367,682 shares and 4,543,676 shares after share consolidation of the Company effective 2 December 2002. The Company may refresh the 10% scheme mandate limit by ordinary resolution of the shareholders at general meeting provided that the total number of shares which may be issued upon exercise of all options to be granted under the Scheme and any other share option scheme(s) of the Company shall not exceed 10% of the shares in issue as at the date of approval of the refreshment of the scheme mandate limit.

At the annual general meeting of the Company held on 18 May 2007, the scheme mandate limit was refreshed to allow the Company to grant options entitling holders to subscribe for up to a maximum of 15,043,915 shares, representing 10% of the shares in issue as at the date of the said annual general meeting. Since then, 15,174,000 options carrying the rights to subscribe for 15,174,000 shares have been granted pursuant to the Scheme and the all outstanding options granted and yet to be exercised as at the date of this report is 14,788,000.

The total number of shares issued and which may fall to be issued upon exercise of the options granted under the Scheme and any other share option scheme(s) of the Company to each eligible participant in any 12-month period up to the date of grant shall not exceed 1% of the shares in issue as at the date of grant.

The exercise price shall be determined by the Board save that the price will not be less than the highest of (a) the closing price of the shares of the Company as stated in the Stock Exchange's daily quotations sheet on the date of grant, which must be a business day; (b) the average of the closing prices of the shares of the Company as stated in the Stock Exchange's daily quotations sheet for the five business days immediately preceding the date of grant; and (c) the nominal value of a share of the Company.

There is no general requirement that an option must be held for any minimum period before it can be exercised, but the 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 the Company of HK$1.00 by way of consideration is received by the Company, such date must be on or before the 30th day after the option is offered to the relevant grantee. The Scheme is valid and effective for a period of 10 years after the date of adoption of the Scheme, which is until 21 March 2012.

2. *Outstanding options*

There were 14,818,000 share options remained outstanding as of 31 December 2007. Details of the outstanding share options are as follows:

Name or category of participant	At 1 Jan 2007	Granted during the year	Exercised during the year	Lapsed during the year	At 31 Dec 2007	Date of grant of share options	Exercise period	Exercise price HK$	Total balance at 31 Dec 2007
Directors									
Wong Kin Chi	70,000	–	(70,000)	–	–	14/06/2005	15/06/2005 to 14/06/2010	0.80	30,000
	–	30,000	(30,000)	–	–	16/04/2007	17/04/2007 to 21/03/2012	0.46	
	–	50,000	(50,000)	–	–	14/06/2007	15/06/2007 to 21/03/2012	1.36	
	–	30,000	–	–	30,000	24/10/2007	25/10/2007 to 21/03/2012	1.744	
Sung Yan Wai, Petrus	240,000	–	–	–	240,000	14/07/2003	15/07/2003 to 14/07/2008	0.95	2,090,000
	250,000	–	–	–	250,000	14/06/2005	15/06/2005 to 14/06/2010	0.80	
	–	300,000	–	–	300,000	16/04/2007	17/04/2007 to 21/03/2012	0.46	
	–	1,200,000	–	–	1,200,000	14/06/2007	15/06/2007 to 21/03/2012	1.36	
	–	100,000	–	–	100,000	24/10/2007	25/10/2007 to 21/03/2012	1.744	
Hui Tung Wah, Samuel	800,000	–	–	–	800,000	14/06/2005	15/06/2005 to 14/06/2010	0.80	1,350,000
	–	50,000	–	–	50,000	16/04/2007	17/04/2007 to 21/03/2012	0.46	
	–	300,000	–	–	300,000	14/06/2007	15/06/2007 to 21/03/2012	1.36	
	–	200,000	–	–	200,000	24/10/2007	25/10/2007 to 21/03/2012	1.744	

Name or category of participant	At 1 Jan 2007	Granted during the year	Exercised during the year	Lapsed during the year	At 31 Dec 2007	Date of grant of share options	Exercise period	Exercise price HK$	Total balance at 31 Dec 2007
Wong Che Keung, Richard	72,000	–	–	–	72,000	14/07/2003	15/07/2003 to 14/07/2008	0.95	252,000
	70,000	–	–	–	70,000	14/06/2005	15/06/2005 to 14/06/2010	0.80	
	–	30,000	–	–	30,000	16/04/2007	17/04/2007 to 21/03/2012	0.46	
	–	50,000	–	–	50,000	14/06/2007	15/06/2007 to 21/03/2012	1.36	
	–	30,000	–	–	30,000	24/10/2007	25/10/2007 to 21/03/2012	1.744	
Tong Yee Yung, Joseph	72,000	–	–	–	72,000	14/07/2003	15/07/2003 to 14/07/2008	0.95	252,000
	70,000	–	–	–	70,000	14/06/2005	15/06/2005 to 14/06/2010	0.80	
	–	30,000	–	–	30,000	16/04/2007	17/04/2007 to 21/03/2012	0.46	
	–	50,000	–	–	50,000	14/06/2007	15/06/2007 to 21/03/2012	1.36	
	–	30,000	–	–	30,000	24/10/2007	25/10/2007 to 21/03/2012	1.744	
Au Hoi Tsun, Peter (Note 1)	540,000	–	(540,000)	–	–	14/07/2003	15/07/2003 to 14/07/2008	0.95	–
	300,000	–	(300,000)	–	–	14/06/2005	15/06/2005 to 14/06/2010	0.80	
	–	300,000	(300,000)	–	–	16/04/2007	17/04/2007 to 21/03/2012	0.46	
	–	700,000	(700,000)	–	–	14/06/2007	15/06/2007 to 21/03/2012	1.36	
Sung Kai Hing, Simon (Note 2)	800,000	–	–	(800,000)	–	14/06/2005	15/06/2005 to 14/06/2010	0.80	–
Sub-Total	3,284,000	3,480,000	(1,990,000)	(800,000)	3,974,000				3,974,000

Name or category of participant	At 1 Jan 2007	Granted during the year	Exercised during the year	Lapsed during the year	At 31 Dec 2007	Date of grant of share options	Exercise period	Exercise price HK$	Total balance at 31 Dec 2007
Others									
Employees (other than Directors)	240,000	–	(120,000)	–	120,000	14/07/2003	15/07/2003 to 14/07/2008	0.95	1,614,000
	520,000	–	(320,000)	(150,000)	50,000	14/06/2005	15/06/2005 to 14/06/2010	0.80	
	–	430,000	(400,000)	(30,000)	–	16/04/2007	17/04/2007 to 21/03/2012	0.46	
	–	1,570,000	(520,000)	–	1,050,000	14/06/2007	15/06/2007 to 21/03/2012	1.36	
	–	394,000	–	–	394,000	24/10/2007	25/10/2007 to 21/03/2012	1.744	
Other participants	180,000	–	–	–	180,000	14/07/2003	15/07/2003 to 14/07/2008	0.95	9,230,000
	50,000	–	–	–	50,000	14/06/2005	15/06/2005 to 14/06/2010	0.80	
	–	300,000	(300,000)	–	–	16/04/2007	17/04/2007 to 21/03/2012	0.46	
	–	4,200,000	–	–	4,200,000	14/06/2007	15/06/2007 to 21/03/2012	1.36	
	–	4,800,000	–	–	4,800,000	24/10/2007	25/10/2007 to 21/03/2012	1.744	
Total	4,274,000	15,174,000	(3,650,000)	(980,000)	14,818,000				14,818,000

Notes:

1. Mr. Au Hoi Tsun, Peter resigned as the managing director of the Company on 9 July 2007.

2. Mr. Sung Kai Hing, Simon resigned as an executive director of the Company on 11 January 2007.

3. Valuation of share option
   Details of the valuation are set out in note 30 to the financial statements.

B. 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").

1. *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.

2. *Outstanding options*

Name or category of participant	At 1 Jan 2007	Exercised during the year	Lapsed during the year	At 31 Dec 2007	Date of grant of share options	Exercise period	Exercise price AUD	Total Balance at 31 Dec 2007
Directors of the Company								
Sung Yan Wai, Petrus	75,000	–	–	75,000	18/05/2005	18/05/2005 to 18/05/2008	0.069	75,000
Au Hoi Tsun, Peter (Note)	200,000	–	–	200,000	18/05/2005	18/05/2005 to 18/05/2008	0.069	200,000

Note: Mr. Au Hoi Tsun, Peter resigned as the managing director of the Company on 9 July 2007.

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.

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 companies or any of its subsidiaries was a party during the Year.

SUBSTANTIAL SHAREHOLDERS' INTERESTS AND SHORT POSITIONS IN SHARES

As at 31 December 2007, the following interests and short positions of 5% or more in the shares and underlying shares of the Company were recorded in the register of interests required to be kept by the Company pursuant to section 336 of the SFO:

Name of Shareholder	Capacity/Nature of interests	Number of Shares Held	Number of Underlying Shares	Percentage of the total issued share capital
Montsford Limited	Beneficial owner (Note 1)	13,932,000	27,515,700	13.20
Zeng Hai Bin	Corporate (Note 1)	13,932,000	27,515,700	13.20
Rise Jet Limited	Beneficial owner (Note 2)	8,586,000	16,957,350	8.13
Lau Tai Hang	Corporate (Note 2)	8,586,000	16,957,350	8.13
Sino-Capital Global Inc.	Beneficial owner (Note 3)	7,860,000	15,523,500	7.44
Sino-Forest Corporation	Corporate (Note 3)	7,860,000	15,523,500	7.44
Chau Chi Piu	Corporate (Note 4)	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. 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.

3. Sino-Capital Global Inc. was wholly owned by Sino-Forest Corporation that was deemed to be interested in 7,860,000 shares and 15,523,500 underlying shares in respect of convertible bonds issued by the Company held by Sino-Capital Global Inc. under the SFO.

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, the Directors are not aware of any other persons who have interests or short positions in the shares or underlying shares of the Company or any of its associated corporations which would fall to be disclosed to the Company pursuant to section 336 of the SFO.

PURCHASE, REDEMPTION OR SALE OF THE COMPANY'S SHARES

During the Year, neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's shares.

COMPLIANCE WITH THE CODE ON CORPORATE GOVERNANCE PRACTICES

The Company has complied throughout the Year with the Code on Corporate Governance Practices set out in Appendix 14 of the Listing Rules.

PUBLIC FLOAT

Based on the information that is publicly available to the Company and within the knowledge of the Directors, as at the date of this report, there is sufficient public float of not less than 25% of the Company's issued shares as required under the Listing Rules.

AUDITORS

Moore Stephens retire and being eligible, offer themselves for re-appointment. A resolution for the reappointment of Moore Stephens as auditors of the Company is to be proposed at the forthcoming annual general meeting.

On Behalf of the Board

Wong Kin Chi
Chairman

Hong Kong, 7 April 2008

MOORE STEPHENS
CERTIFIED PUBLIC ACCOUNTANTS

905 Silvercord, Tower 2
30 Canton Road
Tsimshatsui
Kowloon
Hong Kong

Tel: (852) 2375 3180
Fax: (852) 2375 3828
E-mail: ms@ms.com.hk
Website: www.ms.com.hk

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 39 to 112, which comprise the consolidated and company balance sheets as at 31 December 2007, 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' RESPONSIBILITY 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 to whether the financial statements are free from material misstatement.

An audit involves 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 2007 and of the Group's loss and cash flows for 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, 7 April 2008

	Note	2007 HK$'000	2006 HK$'000
CONTINUING OPERATIONS			
Turnover	3	**119,552**	198,413
Cost of sales		**(115,049)**	(176,243)
Gross profit		**4,503**	22,170
Other revenue		**14,542**	6,311
Distribution costs		**(344)**	(603)
Administrative expenses		**(26,259)**	(28,726)
Other operating expenses		**(129,352)**	(29,478)
LOSS FROM OPERATING ACTIVITIES	6	**(136,910)**	(30,326)
Finance costs	7	**(7,636)**	(8,705)
Share of results of associates		**36**	(30)
LOSS BEFORE TAXATION		**(144,510)**	(39,061)
Taxation	9	**(6)**	(288)
Loss for the year from continuing operations		**(144,516)**	(39,349)
DISCONTINUED OPERATIONS			
Profit for the year from discontinued operations	10	**–**	24,965
LOSS FOR THE YEAR		**(144,516)**	(14,384)
ATTRIBUTABLE TO:			
Equity holders of the Company	11, 13	**(130,644)**	(30,656)
Minority interests		**(13,872)**	16,272
		(144,516)	(14,384)
DIVIDEND	12	**–**	30,088

	Note	**2007** **HK$'000**	2006 HK$'000
LOSS PER SHARE ATTRIBUTABLE TO EQUITY HOLDERS OF THE COMPANY	13		
Basic			
– Continuing operations		**(0.72) dollars**	(0.28) dollars
– Discontinued operations		**–**	0.08 dollars
		(0.72) dollars	(0.20) dollars
Diluted			
– Continuing operations		**N/A**	N/A
– Discontinued operations		**N/A**	N/A

	Notes	2007 HK$'000	2006 HK$'000
NON-CURRENT ASSETS			
Properties, plant and equipment	14	**11,899**	12,312
Timber concessions and cutting rights	15	**9,333**	–
Investment property	16	**1,450**	9,070
Long term investments	17	**6,000**	10,000
Interests in associates	19	**50,669**	59,717
Goodwill	20	**361,706**	–
		441,057	91,099
CURRENT ASSETS			
Inventories	21	**8,736**	54,872
Trade and other receivables	22	**15,129**	61,987
Prepayments and deposits		**2,396**	1,324
Current tax recoverable		**1**	–
Listed investments	23	**914**	15,247
Cash and bank balances	24	**254,311**	35,569
		281,487	168,999
CURRENT LIABILITIES			
Trade and other payables	25	**24,527**	27,721
Interest bearing bank borrowings	26	**42,545**	53,880
Other loan payable	27	**4,562**	–
Deposits received		**23,500**	1,888
Current tax payable		**3,313**	270
		98,447	83,759
NET CURRENT ASSETS		**183,040**	85,240
TOTAL ASSETS LESS CURRENT LIABILITIES		**624,097**	176,339

	Note	2007 HK$'000	2006 HK$'000
NON-CURRENT LIABILITIES			
Convertible bonds	28	**212,770**	–
Interest bearing bank borrowings	27	**–**	1,385
Deferred tax liabilities	29	**–**	17
		212,770	1,402
		411,327	174,937
EQUITY ATTRIBUTABLE TO EQUITY HOLDERS OF THE COMPANY			
Share capital	30	**3,141**	1,504
Reserves	31	**353,410**	137,383
		356,551	138,887
MINORITY INTERESTS		**54,776**	36,050
		411,327	174,937

Sung Yan Wai, Petrus
Director

Hui Tung Wah, Samuel
Director

	Share Capital HK$'000	Share Premium HK$'000	Contributed Surplus HK$'000	Exchange Fluctuation Reserve HK$'000	Enterprises Development Funds HK$'000	Reserve Fund HK$'000	Employee Compensation Reserve HK$'000	Convertible Bond Reserve HK$'000	Accumulated losses HK$'000	Total HK$'000	Minority Interests HK$'000	Equity HK$'000
1 January 2006	1,504	116,230	83,274	10,697	(86)	(118)	1,015	–	(11,132)	201,384	74,084	275,468
Loss for the Year	–	–	–	–	–	–	–	–	(30,656)	(30,656)	16,272	(14,384)
Currency translation difference	–	–	–	507	–	–	–	–	–	507	280	787
Movement for the year	–	–	–	–	–	118	–	–	–	118	–	118
Release on disposal of subsidiaries	–	–	–	(1,972)	86	–	–	–	–	(1,886)	(54,586)	(56,472)
Share option lapsed	–	–	–	–	–	–	(492)	–	–	(492)	–	(492)
Dividend paid	–	–	–	–	–	–	–	–	(30,088)	(30,088)	–	(30,088)
31 December 2006 and 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	–	–	–	499	–	–	–	–	–	499	–	499
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	**3,141**	**412,308**	**83,274**	**9,731**	**–**	**–**	**5,383**	**45,234**	**(202,520)**	**356,551**	**54,776**	**411,327**

Consolidated Cash Flow Statement

For the year ended 31 December 2007

	Note	2007 HK$'000	2006 HK$'000
NET CASH USED IN OPERATIONS	32(a)	**(17,068)**	(10,319)
Taxes paid in Hong Kong		**(24)**	–
Taxes paid outside Hong Kong		**(308)**	(1,001)
Interest paid		**(5,078)**	(9,368)
NET CASH USED IN OPERATING ACTIVITIES		**(22,478)**	(20,688)
CASH FLOWS FROM INVESTING ACTIVITIES			
Interest received		**2,221**	1,296
Acquisition of subsidiaries, net	32(b)	**54,803**	–
Purchases of listed investments		**(156)**	–
Purchases of properties, plant and equipment		**(1,636)**	(2,008)
Loan to associate		**–**	(9,000)
Proceeds from disposals of:			
Properties, plant and equipment		**10**	66
Listed investments		**17,310**	3,892
Subsidiaries		**–**	58,713
Increase in pledged time deposits and guarantee funds		**5,615**	(194)
NET CASH GENERATED FROM INVESTING ACTIVITIES		**78,167**	52,765
CASH FLOWS FROM FINANCING ACTIVITIES			
Dividend paid		**–**	(30,088)
Proceeds from issue of new shares		**184,381**	–
Share issue expenses		**(6,665)**	–
Proceeds from/(repayment of) other loan		**4,562**	(30,000)
Repayment of interest bearing bank borrowings		**(13,730)**	(4,108)
NET CASH GENERATED FROM/(USED IN) FINANCING ACTIVITIES		**168,548**	(64,196)

	Note	2007 HK$'000	2006 HK$'000
INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS		**224,237**	(32,119)
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR		**6,973**	38,314
Effect of exchange rate changes		**(19)**	778
CASH AND CASH EQUIVALENTS AT END OF YEAR		**231,191**	6,973
ANALYSIS OF CASH AND CASH EQUIVALENTS			
Cash and bank balances	24	**254,311**	35,569
Pledged time deposits and guarantee funds	24	**(16,864)**	(22,479)
Bank overdrafts	26	**(6,256)**	(6,117)
		231,191	6,973

Balance Sheet

31 December 2007

	Note	2007 HK$'000	2006 HK$'000
NON-CURRENT ASSETS			
Interests in subsidiaries	18	**418,303**	126,147
CURRENT ASSETS			
Prepayments and deposits		**253**	218
Cash and bank balances		**151,443**	5,568
		151,696	5,786
CURRENT LIABILITIES			
Trade and other payables		**1,403**	375
NET CURRENT ASSETS		**150,293**	5,411
TOTAL ASSETS LESS CURRENT LIABILITIES		**568,596**	131,558
NON-CURRENT LIABILITIES			
Convertible bonds	28	**212,770**	–
		355,826	131,558
CAPITAL AND RESERVES			
Share capital	30	**3,141**	1,504
Reserves	31	**352,685**	130,054
		355,826	131,558

Sung Yan Wai, Petrus	**Hui Tung Wah, Samuel**
Director	*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
– Investment holding

2. SUMMARY OF PRINCIPAL ACCOUNTING POLICIES

(a) Statement of compliance

These financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs"), which collective term includes all applicable individual HKFRSs, Hong Kong Accounting Standards ("HKASs") and Interpretations issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and the disclosure requirements of the Hong Kong Companies Ordinance. These financial statements also comply with the applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited.

(b) Basis of preparation of financial statements

The measurement basis used in the preparation of the financial statements is the historical cost basis except for investment property which is stated at its fair value as explained in note 2(k).

The principal accounting policies and methods of computation used in the preparation of the financial statements for the year ended 31 December 2007 are consistent with those adopted in the financial statements for the year ended 31 December 2006, except for the adoption of the new and revised HKFRSs as explained in note 2(d) below.

(c) 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.

2. SUMMARY OF PRINCIPAL ACCOUNTING POLICIES *(Continued)*

(c) Judgments and estimates *(Continued)*

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:

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 straight-line 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.

2. SUMMARY OF PRINCIPAL ACCOUNTING POLICIES *(Continued)*

(c) Judgments and estimates *(Continued)*

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.

v) Allowance of bad and doubtful trade and other receivables

The Group makes the allowance of bad and doubtful 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 allowance at each balance sheet date.

2. SUMMARY OF PRINCIPAL ACCOUNTING POLICIES *(Continued)*

(d) Adoption of new and revised Hong Kong Financial Reporting Standards

During the current year, the Group has adopted the new and revised HKFRSs which are effective for accounting periods commencing on or after 1 January 2007:

HKAS 1 (Amendment)	Presentation of Financial Statements
HKFRS 7 (Amendment)	Financial Instruments: Disclosures
HK(IFRIC) -Int 7	Applying the Restatement Approach under HKAS 29 Financial Reporting in Hyperinflationary Economies
HK(IFRIC) -Int 8	Scope of HKFRS 2
HK(IFRIC) -Int 9	Reassessment of Embedded Derivatives
HK(IFRIC) -Int 10	Interim Financial Reporting and Impairment

The impact of the adoption of HKFRS 7 and the changes to HKAS 1 has been to expand the disclosures provided in these financial statements regarding the Group's financial instruments and management of capital (see notes 35 and 36 below).

The adoption of the other interpretations has had no material impact on the accounting policies of the Group and the methods of computation in the Group's financial statements.

(e) Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and its subsidiaries made up to 31 December 2007. Where necessary, adjustments are made to the financial statements of subsidiaries to bring the accounting policies used into line with those used by other members of the Group.

A subsidiary is an entity controlled by the Company. Subsidiaries are considered to be controlled if the Company has the power, directly or indirectly, to govern the financial and operating policies, so as to obtain benefits from their activities.

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 significant intercompany transactions and balances within the Group are eliminated on consolidation.

2. SUMMARY OF PRINCIPAL ACCOUNTING POLICIES *(Continued)*

(e) 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 fair values of the 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 values 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 at the balance sheet date, being the portion of the net assets of subsidiaries attributable to equity interests that are not owned by the Company, whether directly or indirectly through subsidiaries, are presented in the consolidated balance sheet and statement of changes in equity within equity, separately from equity attributable to the equity shareholders of the Company. Minority interests in the results of the Group are presented on the face of the consolidated income statement as an allocation of the total profit or loss for the year between minority interests and the equity shareholders of the Company.

Where losses applicable to the minority exceed the minority's interest in the equity of a subsidiary, the excess, and any further losses applicable to the minority, are charged against the Group's interest except to the extent that the minority has a binding obligation to, and is able to, make additional investment to cover the losses. If the subsidiary subsequently reports profits, the Group's interest is allocated all such profits until the minority's share of losses previously absorbed by the Group has been recovered.

(f) Goodwill on consolidation

Goodwill represents the excess of the cost of a business combination or an investment in an associate over the Group's interest in the net fair value of the acquiree's identifiable assets, liabilities and contingent liabilities. Goodwill is stated at cost less accumulated impairment losses. Goodwill is allocated to cash-generating units and is tested annually for impairment. In respect of associates, the carrying amount of goodwill is included in the carrying amount of the interests in the associates.

2. SUMMARY OF PRINCIPAL ACCOUNTING POLICIES *(Continued)*

(f) Goodwill on consolidation *(Continued)*

Any excess of the Group's interest in the net fair value of the acquiree's identifiable assets, liabilities and contingent liabilities over the cost of a business combination or an investment in an associate is recognised immediately in the income statement.

On disposal of a cash generating unit or an associate during the year, any attributable amount of purchased goodwill is included in the calculation of the profit or loss on disposal.

(g) 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.

(h) Investments in subsidiaries

Investments in subsidiaries are stated in the Company's balance sheet at cost less any identified impairment losses. Results of the subsidiaries are accounted for by the Company on the basis of dividends received and receivable.

(i) Investments in associates

An associate is an entity in which the Group or the Company has significant influence, but not control or joint control, over its management, including participation in the financial and operating policy decisions.

An investment in an associate is accounted for in the consolidated financial statements under the equity method and is initially recorded at cost and adjusted thereafter for the post acquisition change in the Group's share of the associate's net assets, unless it is classified as held for sale (or included in a disposal group that is classified as held for sale). The consolidated income statement includes the Group's share of the post-acquisition, post-tax results of the associates for the year, including any impairment loss on goodwill relating to the investments in associates recognised for the year.

2. SUMMARY OF PRINCIPAL ACCOUNTING POLICIES *(Continued)*

(i) Investments in associates *(Continued)*

When the Group's share of losses exceeds its interest in an associate, the Group's interest is reduced to nil and recognition of further losses is discontinued except to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the associate. For this purpose, the Group's interest in the associate is the carrying amount of the investment under the equity method together with the Group's long-term interests that in substance form part of the Group's net investment in the associate. Unrealised profits 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, in which case they are recognised immediately in the income statement.

(j) Property, plant and equipment and depreciation

Property, plant and equipment, other than investment properties, are stated at cost or valuation less accumulated depreciation and any impairment.

The cost of an item of property, plant and equipment (an "Item") comprises its purchase price and any directly attributable costs of bringing the item to its working condition and location for its intended use. Expenditure incurred after the Item has 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 the Item, the expenditure is capitalised as an additional cost of the Item.

When, in the opinion of the directors, the recoverable amounts of property, plant and equipment have declined below their carrying amounts, provisions are made to write down the carrying amounts of such assets to their recoverable amounts. Reductions of the carrying value are charged to the income statement, except to the extent that they reverse previous revaluation surpluses in respect of the same items, when they are charged to the revaluation reserve.

The gain or loss on disposal or retirement of an item recognised in the income statement is the difference between the sale proceeds and the carrying amount of the relevant Item. On disposal of a revalued Item, the relevant portion of the revaluation reserve realised in respect of the previous valuations is transferred to retained profits as a movement in reserves.

2. SUMMARY OF PRINCIPAL ACCOUNTING POLICIES *(Continued)*

(j) Property, plant and equipment and depreciation *(Continued)*

Depreciation is calculated on the straight-line basis to write off the cost or valuation of each item 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%

(k) Investment property

Investment property is land and/or buildings which is owned or held under a leasehold interest to earn rental income and/or for capital appreciation. These include land held for a currently undetermined future use.

Investment property is stated in the balance sheet at fair value. Any gain or loss arising from a change in fair value or from the retirement or disposal of an investment property is recognised in the income statement. Rental income from investment property is accounted for as described in note 2(q).

(l) Long term investments

Long term investments are investments in equity instruments with no reliable fair value measurement and are stated at cost less any impairment as determined by the directors.

(m) Impairment of assets

At each balance sheet date, the Group reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs.

2. SUMMARY OF PRINCIPAL ACCOUNTING POLICIES *(Continued)*

(m) Impairment of assets *(Continued)*

Recoverable amount is the greater of net selling price and value in use. 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.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (cash-generating unit) is reduced to its recoverable amount. Impairment losses are recognised as an expense immediately, unless the relevant asset is land or buildings other than investment property carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease.

Where an impairment loss subsequently reverses, the carrying amount of the asset (cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (cash-generating unit) in prior years. A reversal of an impairment loss is recognised as income immediately, unless the relevant asset is carried at a revalued amount, in which case the reversal of the impairment loss is treated as a revaluation increase.

(n) Inventories

Inventories are stated at the lower of cost and net realisable value after making due allowance for any obsolete or slow moving items. Cost for the Group's electronic components inventory is determined using the weight average costing basis while the cost for the Group's log and lumber inventory is determined using the standard costing basis. In the case of finished goods and work in progress, cost includes direct materials, direct labour, sub-contracting charges and, where applicable, production overheads. Net realisable value is determined by reference to estimated selling prices less all further costs to be incurred in selling and distribution.

When inventories are sold, the carrying amount of those inventories is recognised as an expense in the period in which the related revenue is recognised. The amount of any write-down of inventories to net realisable value and all losses of inventories are recognised as an expense in the period the write-down or loss occurs. The amount of any reversal of any write-down of inventories is recognised as a reduction in the amount of inventories recognised as an expense in the period in which the reversal occurs.

2. SUMMARY OF PRINCIPAL ACCOUNTING POLICIES *(Continued)*

(o) Financial instruments

Financial assets and financial liabilities are recognised on the consolidated balance sheet when a Group entity becomes a party to the contractual provisions of the instrument. Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition.

Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognised immediately in the income statement.

Financial assets

Listed investments are investments in equity securities and are classified as financial assets measured at fair value through profit and loss. They are stated at their fair values on the basis of their quoted market prices at the balance sheet date, on an individual investments basis. The gains or losses arising from changes in the fair value of a security are credited or charged to the income statement in the period in which they arise.

Trade and other receivables and deposits and bank balances are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are measured at initial recognition at fair value, and subsequently measured at amortised cost using the effective interest method, less any appropriate allowances for estimated irrecoverable amounts. Appropriate allowances for estimated irrecoverable amounts are recognised in the income statement when there is objective evidence that the asset is impaired. In terms of trade and other receivables, for example, a provision for impairment is established when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of receivables. Significant financial difficulties of the debtors, probability that the debtors will enter bankruptcy or financial reorganisation, and default or delinquency in payments are considered indicators that the receivables are impaired.

2. SUMMARY OF PRINCIPAL ACCOUNTING POLICIES *(Continued)*

(o) Financial instruments *(Continued)*

Financial assets (Continued)

The allowance recognised is measured as the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the effective interest rate computed at initial recognition. The allowance is reversed in subsequent periods when an increase in the asset's recoverable amount can be related objectively to an event occurring after the allowance was recognised, subject to a restriction that the carrying amount of the asset at the date the allowance is reversed does not exceed what the amortised cost would have been had the allowance not been recognised.

Financial liabilities and equity

Financial liabilities and equity instruments are classified according to the substance of the contractual arrangements entered into and the definitions of a financial liability and an equity instrument. An equity instrument is any contract that evidences a residual interest in the assets of the Group after deducting all of its liabilities. The accounting policies adopted in respect of financial liabilities and equity instruments are set out below:

i) Convertible bonds with liability and equity components

Convertible bonds issued by the Group that contain both the liability and conversion option components are classified separately into respective items on initial recognition. A conversion option which will be settled by the exchange of a fixed amount of cash or another financial asset for a fixed number of the Group's own equity instruments, is an equity instrument.

On initial recognition, the fair value of the liability component is determined using the prevailing market interest rate of similar nonconvertible debts. The difference between the proceeds of the issue of the convertible bonds and the fair value assigned to the liability component, representing the conversion option for the holder to convert the loan notes into equity, is included in equity (convertible bonds reserve).

2. SUMMARY OF PRINCIPAL ACCOUNTING POLICIES *(Continued)*

(o) Financial instruments *(Continued)*

Financial liabilities and equity (Continued)

i) Convertible bonds with liability and equity components *(Continued)*

In subsequent periods, the liability component of the convertible bonds is carried at amortised cost using the effective interest method. The equity component, represented by the option to convert the liability component into ordinary shares of the Group, will remain in convertible bonds equity reserve until the conversion option is exercised (in which case the balance stated in convertible bonds reserve will be transferred to share premium). Where the option remains unexercised at the expiry date, the balance stated in convertible bonds reserve will be released to the accumulated profits. No gain or loss is recognised in the income statement upon conversion or expiration of the option.

For modification of terms being accounted for as an extinguishment, any costs or fees incurred are recognised as part of the gain or loss on the extinguishment and charged to the income statement.

ii) Other financial liabilities

Trade and other payables and bank borrowings are initially measured at fair value, and are subsequently measured at amortised cost, using the effective interest method.

iii) Equity instruments

Equity instruments issued by the Company are recorded at the proceeds received, net of direct issue costs.

2. SUMMARY OF PRINCIPAL ACCOUNTING POLICIES *(Continued)*

(o) Financial instruments *(Continued)*

Derecognition

Financial assets are derecognised when the rights to receive cash flows from the assets expire or, the financial assets are transferred and the Group has transferred substantially all the risks and rewards of ownership of the financial assets. On derecognition of a financial asset, the difference between the asset's carrying amount and the sum of the consideration received or any new asset obtained and the cumulative gain or loss that had been recognised directly in equity is recognised in consolidated income statement.

Financial liabilities are derecognised when the obligation specified in the relevant contract is discharged, cancelled or expires. The difference between the carrying amount of the financial liability derecognised and the consideration paid including other liabilities assumed is recognised in consolidated income statement.

(p) Provisions

Provisions are recognised for liabilities of uncertain timing or amount when the Group or the Company has a legal or constructive obligation arising as a result of a past event, it is probable that an outflow of economic benefits will be required to settle the obligation, and a reliable estimate can be made. Where the time value of money is material, provisions are stated at the present value of the expenditures expected to settle 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.

Where it is not probable that an outflow of economic benefits will be required, or the amount cannot be estimated reliably, the obligation is disclosed as a contingent liability, unless the probability of outflow of economic benefits is remote. Possible obligations, whose existence will only be confirmed by the occurrence or non-occurrence of one or more future events are also disclosed as contingent liabilities, unless the probability of outflow of economic benefits is remote.

2. SUMMARY OF PRINCIPAL ACCOUNTING POLICIES *(Continued)*

(q) 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; and

– dividends, when the shareholders' right to receive payment is established.

(r) 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.

(s) Borrowing costs

Borrowing costs are interest and other costs incurred in connection with the borrowing of funds. All borrowing costs are charged to the income statement in the year in which they are incurred.

2. SUMMARY OF PRINCIPAL ACCOUNTING POLICIES *(Continued)*

(t) Operating leases

Leases which do not transfer substantially all the risks and rewards of ownership to the Group are classified as operating leases.

Where the Group has the use of assets held under operating leases, payments made under the leases are charged to income statement in equal instalments over the accounting periods covered by the lease term, except where an alternative basis is more representative of the pattern of benefits to be derived from the leased assets. Lease incentives received are recognised in income statement as an integral part of the aggregate net lease payments made. Contingent rentals, if any, are charged to income statement in the accounting period in which they are incurred.

(u) Employee benefits

Short term employee benefits and contributions to defined contribution retirement plans

Salaries, annual bonuses, paid annual leave, contributions to defined contribution plans and the cost of non-monetary benefits are accrued in the year in which the associated services are rendered by employees. Where payment or settlement is deferred and the effect would be material, these amounts are stated at their present values.

Share-based payments

The fair value of share options granted to employees is recognised as an employee cost with a corresponding increase in a capital reserve within equity. The fair value is measured at grant date using the Black-Scholes Model, taking into account the terms and conditions upon which the options were granted. Where the employees have to meet vesting conditions before becoming unconditionally entitled to the share options, the total estimated fair value of the share options is spread over the vesting period, taking into account the probability that the options will vest.

2. SUMMARY OF PRINCIPAL ACCOUNTING POLICIES *(Continued)*

(u) Employee benefits *(Continued)*

Share-based payments (Continued)

During the vesting period, the number of share options that is expected to vest is reviewed. Any adjustment to the cumulative fair value recognised in prior years is charged/credited to the income statement for the year of the review, unless the original employee expenses qualify for recognition as an asset, with a corresponding adjustment to the capital reserve. On vesting date, the amount recognised as an expense is adjusted to reflect the actual number of share options that vest (with a corresponding adjustment to the capital reserve) except where forfeiture is only due to not achieving vesting conditions that relate to the market price of the Company's shares. The equity amount is recognised in the capital reserve until either the option is exercised (when it is transferred to the share premium account) or the option expires (when it is released directly to retained profits).

Termination benefits

Termination benefits are recognised when, and only when, the Group demonstrably commits itself to terminate employment or to provide benefits as a result of voluntary redundancy by having a detailed formal plan which is without realistic possibility of withdrawal.

(v) Foreign currency translation

Items included in the financial statements of each of Group's entities are measured using the currency of the primary economic environment in which the entities operate ("the functional currency"). The financial statements are presented in Hong Kong dollars, which reflects the economic substance of the underlying events and circumstances relevant to the Group.

Transactions in foreign currencies are translated into functional currency at the appropriate rates ruling on the dates of the individual transactions. Monetary assets and liabilities denominated in other currencies are translated at the approximate rates ruling on the balance sheet date. Gains and losses arising on exchange are dealt with in the income statement.

2. SUMMARY OF PRINCIPAL ACCOUNTING POLICIES *(Continued)*

(v) Foreign currency translation *(Continued)*

On consolidation, monetary assets and liabilities of the subsidiaries are translated at the appropriate rates of exchange ruling at the balance sheet date. Non-monetary assets and liabilities are translated at the approximate rates ruling on the dates of transactions. Income statement items are translated at the average rate of exchange during the year. All exchange differences arising on transaction are dealt with in the income statement.

(w) Taxation

Income tax expense represents the sum of the tax currently payable and deferred tax. The tax currently payable is based on taxable profit for the year. Taxable profit differs from net profit as reported in the income statement because it excludes items of income or expense that are taxable or deductible in other years, and it further excludes items that are never taxable or deductible.

Deferred tax is the tax expected to be payable or recoverable on differences between the carrying amount of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit, and is accounted for using the balance sheet liability method. Deferred tax liabilities are generally recognized for all taxable temporary differences, and deferred tax assets are recognized to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised.

The carrying amount of deferred tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the assets to be recovered.

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset realised. Deferred tax is charged or credited in the income statement, except when it relates to items charged or credited directly to equity, in which case the deferred tax is also dealt with in equity.

2. SUMMARY OF PRINCIPAL ACCOUNTING POLICIES *(Continued)*

(x) Cash and cash equivalents

For the purpose of the consolidated cash flow statement, cash and cash equivalents comprise cash at bank and on hand, demand deposits with banks and other financial institutions, and short term highly liquid investments that are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value, having been within three months of maturity at acquisition, less advances from banks repayable within three months from the date of the advance. Bank overdrafts that are repayable on demand and form an integral part of the Group's cash management are also included as a component of cash and cash equivalents.

(y) Related parties

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

i) the party has the ability, directly or indirectly through one or more intermediaries, to control the Group or exercise significant influence over the Group in making financial and operating decisions, or vice versa, or where the Group and the party are subject to common control or common significant influence;

ii) the party is an associate;

iii) the party is a member of the key management personnel of the Group;

iv) the party is a close member of the family of any individual referred to in i) or iii);

v) 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 iii) or iv); or

vi) the party is a post-employment benefit plan for the benefit of employees of the Group, or of any entity that is a related party of the Group.

3. TURNOVER

Turnover represents the aggregate of the net invoiced value of goods and service sold and rental income, but excludes intra-group transactions.

	Group	
	2007	2006
	HK$'000	HK$'000
Sales of electronic components and products	**113,937**	194,667
Rental income	**1,577**	1,577
Trading of building materials and sundry products	**–**	2,169
Sales of logs and lumber	**4,038**	–
	119,552	198,413

4. SEGMENT INFORMATION

An analysis of the Group's revenue, results, assets, liabilities and capital expenditure 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 2007

	Continuing operations					Discontinued operations			
	Electronic Components and Products HK$'000	Property Investments HK$'000	Building Materials and Sundry Products HK$'000	Forestry and Timber HK$'000	Sub-total HK$'000	Smart Card Technology HK$'000	Home Furniture HK$'000	Sub-total HK$'000	Consolidated HK$'000
REVENUE	113,937	1,577	–	4,038	119,552	–	–	–	119,552
SEGMENT LOSS	(107,034)	(6,244)	(538)	(3,558)	(117,374)	–	–	–	(117,374)
Interest income					2,638	–	–	–	2,638
Other income					85	–	–	–	85
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)
Unallocated administrative and other operating expenses					(15,736)	–	–	–	(15,736)
Finance costs					(7,636)	–	–	–	(7,636)
Share of results of associates					36	–	–	–	36
LOSS BEFORE TAXATION					(144,510)	–	–	–	(144,510)
TAXATION					(6)	–	–	–	(6)
LOSS FOR THE YEAR					(144,516)	–	–	–	(144,516)

4. SEGMENT INFORMATION *(Continued)*

(a) Business segments *(Continued)*

For the year ended 31 December 2006

	Continuing operations				Discontinued operations			
	Electronic Components and Products HK$'000	Property Investments HK$'000	Building Materials and Sundry Products HK$'000	Sub-total HK$'000	Smart Card Technology HK$'000	Home Furniture HK$'000	Sub-total HK$'000	Consolidated HK$'000
REVENUE	194,667	1,577	2,169	198,413	2,896	182,447	185,343	383,756
SEGMENT PROFIT/(LOSS)	10,106	(245)	(9,307)	554	(3,458)	29,122	25,664	26,218
Interest income				1,354	–	–	–	1,354
Other income				790	–	–	–	790
Profit on disposal of subsidiaries				4,131	–	–	–	4,131
Profit on disposal of listed investments				36	–	–	–	36
Revaluation deficit on listed investments				(466)	–	–	–	(466)
Impairment on long term investments				(17,700)	–	–	–	(17,700)
Unallocated administrative and other operating expenses				(19,025)	–	–	–	(19,025)
Finance costs				(8,705)	–	(663)	(663)	(9,368)
Share of results of associates				(30)	–	–	–	(30)
LOSS BEFORE TAXATION				(39,061)	(3,458)	28,459	25,001	(14,060)
TAXATION				(288)	–	(36)	(36)	(324)
(LOSS)/PROFIT FOR THE YEAR				(39,349)	(3,458)	28,423	24,965	(14,384)

4. SEGMENT INFORMATION *(Continued)*

(a) Business segments *(Continued)*

	Continuing operations								Discontinued operations					
	Electronic Components and Products		Property Investments		Building Materials and Sundry Products		Forestry and Timber		Smart Card Technology		Home Furniture		Consolidated	
	2007	2006	**2007**	2006	**2007**	2006	**2007**	2006	**2007**	2006	**2007**	2006	**2007**	2006
	HK$'000	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000
ASSETS														
Segment assets	**28,121**	152,105	**4,958**	12,172	**2**	3,634	**474,109**	–	**–**	–	**–**	–	**507,190**	167,911
Unallocated assets													**215,354**	92,187
													722,544	260,098
LIABILITIES														
Segment liabilities	**38,072**	34,912	**263**	273	**1,351**	1,709	**30,031**	–	**–**	–	**–**	–	**69,717**	36,894
Unallocated liabilities													**241,500**	38,250
													311,217	75,144
CAPITAL EXPENDITURE														
Segment	**1,078**	1,886	**–**	–	**–**	–	**229**	–	**–**	–	**–**	–	**1,307**	1,886
Others													**330**	122
													1,637	2,008
DEPRECIATION AND AMORTISATION														
Segment	**7,002**	4,743	**–**	–	**–**	–	**274**	–	**–**	98	**–**	2,051	**7,276**	6,892
Others													**117**	231
													7,393	7,123
IMPAIRMENT LOSS														
Segment	**–**	–	**7,620**	1,360	**–**	9,485	**–**	–	**–**	–	**–**	–	**7,620**	10,845
Others													**9,500**	17,700
													17,120	28,545

4. SEGMENT INFORMATION *(Continued)*

(b) Geographical area

	Asia		Europe		North and South America		Consolidated	
	2007	2006	**2007**	2006	**2007**	2006	**2007**	2006
	HK$'000	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000
REVENUE								
– Continuing operations	**112,795**	194,088	**2,650**	178	**4,107**	4,147	**119,552**	198,413
– Discontinued operations	**–**	185,343	**–**	–	**–**	–	**–**	185,343
	112,795	379,431	**2,650**	178	**4,107**	4,147	**119,552**	383,756
SEGMENT PROFIT/(LOSS)								
– Continuing operations	**(111,249)**	9,749	**(2,489)**	9	**(3,636)**	(9,204)	**(117,374)**	554
– Discontinued operations	**–**	25,664	**–**	–	**–**	–	**–**	25,664
	(111,249)	35,413	**(2,489)**	9	**(3,636)**	(9,204)	**(117,374)**	26,218
Interest income								
– Continuing operations							**2,638**	1,354
– Discontinued operations							**–**	–
Other income								
– Continuing operations							**85**	790
– Discontinued operations							**–**	–
Profit on disposal of subsidiaries							**–**	4,131
Profit on disposal of listed investments							**2,512**	36
Revaluation gain/(deficit) on listed investments							**465**	(466)
Impairment on investment in associates							**(9,500)**	–
Impairment on long term investments							**–**	(17,700)
Unallocated administrative and other operating expenses							**(15,736)**	(19,025)
Finance costs								
– Continuing operations							**(7,636)**	(8,705)
– Discontinued operations							**–**	(663)
Share of results of associates							**36**	(30)
Taxation								
– Continuing operations							**(6)**	(288)
– Discontinued operations							**–**	(36)
LOSS FOR THE YEAR							**(144,516)**	(14,384)

4. SEGMENT INFORMATION *(Continued)*

(b) Geographical area *(Continued)*

	2007 **HK$'000**	2006 HK$'000
Assets		
– Asia	**248,435**	260,098
– Suriname, South America	**474,109**	–
	722,544	260,098
Liabilities		
– Asia	**281,186**	75,144
– Suriname, South America	**30,031**	–
	311,217	75,144
Capital Expenditure		
– Asia	**1,408**	2,008
– Suriname, South America	**229**	–
	1,637	2,008
Depreciation and amortisation		
– Asia	**7,119**	7,123
– Suriname, South America	**274**	–
	7,393	7,123
Impairment loss		
– Asia	**17,120**	28,545
– Suriname, South America	**–**	–
	17,120	28,545

5. 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:

		Group	
		2007	2006
	Notes	**HK$'000**	HK$'000
Consultancy fee paid by the Group to Princeton Venture Partners Limited	(a)	**–**	(3,950)
Interest income charged to Princeton Venture Partners Limited	(b)	**416**	58

Notes:

(a) The considerations were determined through negotiations between the respective parties.

(b) Interest income was calculated at prime rate + 2% per annum (2006: prime rate + 2% per annum).

(ii) Remuneration for key management personnel, including amounts paid to the Company's Directors and highest paid emloyees as disclosed in note 8, is as follows:

	Group	
	2007	2006
	HK$'000	HK$'000
Short-term employee benefits	**4,569**	8,547
Post-employment benefits	**34**	62
Equity compensation benefits	**1,586**	–
	6,189	8,609

6. LOSS FROM OPERATING ACTIVITIES

	Group	
	2007	2006
	HK$'000	HK$'000
Arrived at after crediting:		
Gross rental income	**1,577**	1,577
Less: outgoings	**(529)**	(529)
Net rental income	**1,048**	1,048
Interest income	**2,638**	1,354
Profit on disposal of subsidiaries	**–**	4,131
Profit on disposal of listed investments	**2,512**	36
Waiver of trade and other payables	**8,828**	–
Write-back of provisions	**–**	67
Revaluation gain on listed investments	**465**	–
Exchange gains, net	**–**	69
and after charging:		
Impairment on goodwill of subsidiaries	**–**	9,485
Revaluation loss on listed investments	**–**	466
Auditors' remuneration	**1,380**	1,031
Bad and doubtful debts Note (a)	**5,149**	–
Loss on write-off of prepayments and deposits	**220**	–
Loss on product claims Note (b)	**46,765**	–
Loss on write-off of inventories Note (c)	**46,257**	–
Cost of inventories sold	**115,049**	176,243
Depreciation on properties, plant and equipment	**7,393**	4,974
Impairment on investment property	**7,620**	1,360
Impairment on long term investments	**–**	17,700
Impairment on interests in associates	**9,500**	–
Amortisation of timber concessions and cutting rights	**7**	–
Loss on disposal of properties, plant and equipment	**661**	225
Write-off of properties, plant and equipment	**5,529**	–
Exchange losses, net	**621**	–
Operating lease rentals for land and buildings	**3,393**	3,094

6. LOSS FROM OPERATING ACTIVITIES *(Continued)*

	Group	
	2007	2006
	HK$'000	HK$'000
Arrived at after charging:		
Staff costs:		
Wages and salaries (including Directors' emoluments)	**11,782**	24,124
Retirement fund contributions	**237**	260
Employee share options	**5,374**	–
	17,393	24,384

Notes:

(a) The bad and doubtful debts of HK$5,149,000 recorded in the Year represents the outstanding balance as at 31 December 2007 due from a customer of the Group's electronic components division operating under Lik Hang Holdings Limited ("Lik Hang"). This customer has been buying from Lik Hang for several years and had a good repayment history until the second half of the current year. However, for the past few months, Lik Hang's management has not been able to contact and locate the customer, and now believed that the customer has closed down its business. In view of the above, impairment losses on the entire outstanding balance of this customer as at 31 December 2007 have been recognised.

(b) During the third quarter of 2007, Lik Hang received complaints from various customers claiming that Lik Hang's products did not meet the agreed quality standards resulting in malfunction of the customers' finished products or did not meet the agreed environmental control standards resulting in returns of the customers' finished products. After careful examination and analysis, it was found that the problems arose during Lik Hang's manufacturing process and it could not be easily detected. As it is agreed that Lik Hang's products were the key cause for these customer's default products, which had a much bigger selling value, Lik Hang had to compensate these customers' damages resulting in loss on product claims of HK$46,765,000.

(c) The loss on write-off of inventories of HK$46,257,000 recorded in the Year mainly represents the impairment loss recognised for the inventories held by Lik Hang due to the following two reasons:

(i) As explained in note (b) above, those customers who were suffered from product claims have cancelled their orders with Lik Hang and substantially reduced their business with Lik Hang. As a result, certain level of customer ordered raw materials maintained as inventories in anticipation of future orders have to be written-off; and

6. LOSS FROM OPERATING ACTIVITIES *(Continued)*

Notes: *(Continued)*

(c) *(Continued)*

(ii) Subsequent to the balance sheet date, in March 2008, Lik Hang's manufacturing facilities in Dongguan, China were closed down. Certain plant and equipment and inventories located in the manufacturing facilities were taken over by the factory's landlord and certain creditors to recover the outstanding rent and the accounts payable. As such, impairment losses on all remaining inventories held by Lik Hang upon the closure of the manufacturing facilities have been recognised.

7. FINANCE COSTS

	Group	
	2007	2006
	HK$'000	HK$'000
Interest and similar charges on:–		
Bank loans and overdrafts wholly repayable within five years	**5,079**	5,817
Convertible bonds	**2,557**	–
Other loan	**–**	2,888
	7,636	8,705

8. DIRECTORS' AND EMPLOYEES' EMOLUMENTS

(a) Directors' emoluments

The emoluments paid or payable to each of the seven (2006: eight) directors were as follows:

		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
Sung Kai Hing, Simon	–	–	–	–	–
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**

		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
Sung Kai Hing, Simon	–	585	7	–	592
Au Hoi Tsun, Peter	663	1,417	12	–	2,092
Hui Tung Wah, Samuel	–	1,575	7	–	1,582
Sung Yan Wai, Petrus	–	1,690	12	–	1,702
Wong Che Keung, Richard	100	–	–	–	100
Tong Yee Yung, Joseph	100	–	–	–	100
Wong Kin Chi	180	–	–	–	180
Total for 2006	1,043	5,267	38	–	6,348

Emoluments paid to Independent Non-executive Directors during the Year were HK$539,000 (2006: HK$380,000).

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

8. DIRECTORS' AND EMPLOYEES' EMOLUMENTS *(Continued)*

(b) Employees' emoluments

During the Year, the five highest paid individuals included three directors (2006: three directors), details of those emoluments are set out above. The emoluments of the remaining two (2006: two) highest paid individuals were as follows:

	2007 HK$'000	2006 HK$'000
Salaries and other benefits	2,314	2,237
Contributions to retirement schemes	24	24
Share-based payment	619	–
	2,957	2,261

The emoluments of the two (2006: two) individuals with the highest emoluments were within the following bands:

	2007 Number of employees	2006 Number of employees
HK$500,001 to HK$1,000,000	–	1
HK$1,000,001 to HK$1,500,000	1	1
HK$1,500,001 to HK$2,000,000	1	–

9. TAXATION

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

Provision for Hong Kong profits tax has been made at the current rate of taxation of 17.5% (2006: 17.5%) on the estimated assessable profits for the year which were earned in or derived from Hong Kong during the year. Taxes on income earned outside Hong Kong have been calculated at the rates of taxation prevailing in the countries in which the Group operates, based on existing law, practice and interpretation thereof.

9. TAXATION *(Continued)*

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

	Group	
	2007	2006
	HK$'000	HK$'000
Current year provision:		
Hong Kong	**23**	265
Outside Hong Kong	**–**	23
	23	288
Deferred tax – note 29	**(17)**	–
Taxation	**6**	288

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

	Group	
	2007	2006
	HK$'000	HK$'000
Loss before taxation	**(144,510)**	(39,061)
Tax at the domestic income tax rate of 17.5% (2006: 17.5%)	**(25,289)**	(6,835)
Tax effect of different tax rates of subsidiaries operating in other jurisdictions	**15,560**	2,784
Tax effect of expenses that are not deductible in determining taxable profit	**11,610**	12,855
Tax effect of temporary differences not recognised	**–**	12
Tax effect of tax depreciation not recognised	**(132)**	72
Tax effect of income that are not taxable in determining taxable profit	**(4,317)**	(11,321)
Tax effect of unused tax losses not recognised	**2,574**	2,726
Prior year overprovision	**–**	(5)
Taxation	**6**	288

10. DISCONTINUED OPERATIONS

On 26 May 2006, the Company announced the decision of its board of Directors to dispose of Windsor Treasure Group Holdings Limited ("WTG"). WTG engages in home furniture business and is a separate business segment. The disposal of WTG was completed in July 2006.

On 29 December 2006, the Company announced OHL, an indirect non-wholly owned subsidiary, disposed of VFJ Technology Holdings Limited ("VFJ"). VFJ engages in smart card technology business and is a separate business segment. The disposal of VFJ was completed on 29 December 2006.

The results of VFJ and WTG for the year are presented below:

	2007 HK$'000			2006 HK$'000		
	VFJ	**WTG**	**Total**	VFJ	WTG	Total
Turnover	–	–	–	2,896	182,447	185,343
Interest income	–	–	–	–	–	–
Other revenue	–	–	–	178	1,058	1,236
Expenses	–	–	–	(6,532)	(154,383)	(160,915)
Finance costs	–	–	–	–	(663)	(663)
(Loss)/profit before tax from discontinued operations	–	–	–	(3,458)	28,459	25,001
Taxation	–	–	–	–	(36)	(36)
(Loss)/profit for the period/year from discontinued operations	–	–	–	(3,458)	28,423	24,965

10. DISCONTINUED OPERATIONS *(Continued)*

The net cash flows incurred by VFJ and WTG are as follows:

	2007 HK$'000			2006 HK$'000		
	VFJ	**WTG**	**Total**	VFJ	WTG	Total
Net cash (used in)/ generated from operating activities	–	–	–	(3,021)	1,665	(1,356)
Net cash (used in)/ generated from investing activities	–	–	–	(5)	32	27
Net cash generated from financing activities	–	–	–	3,112	–	3,112
Total net cash inflow from discontinued operations	–	–	–	86	1,697	1,783

11. 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$123,541,000 (2006: HK$57,893,000).

12. DIVIDEND

	2007 HK$'000	2006 HK$'000
Special interim – Nil (2006: HK$0.20) per ordinary share	–	30,088

No final dividend was proposed for the Year (2006: Nil).

13. LOSS PER SHARE ATTRIBUTABLE TO EQUITY HOLDERS OF THE COMPANY

The calculations of basic loss per share are based on:

	2007 HK$'000	2006 HK$'000
Net (loss)/profit attributable to ordinary equity holders of the parent company		
– Continuing operations	(130,644)	(43,293)
– Discontinued operations	–	12,637
	(130,644)	(30,656)
Weighted average number of ordinary shares in issue during the year	180,258,549	150,439,152

No diluted loss per share is presented for the years ended 31 December 2007 and 2006 as the exercise of share options outstanding would be anti-dilutive.

14. PROPERTIES, 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 2006	12,504	44,617	10,202	3,750	71,073
Exchange difference	73	359	60	90	582
Additions	866	747	160	235	2,008
Disposals	(234)	–	(336)	(66)	(636)
Disposal of subsidiaries	(2,027)	(24,077)	(2,087)	(2,740)	(30,931)
31 December 2006 and 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	276	10,133	1,246	3,837	15,492
Accumulated depreciation					
1 January 2006	3,735	25,286	8,544	2,513	40,078
Exchange difference	24	467	37	54	582
Additions	2,235	4,321	419	148	7,123
Disposals	(118)	–	(205)	(4)	(327)
Disposal of subsidiaries	(628)	(14,158)	(1,378)	(1,508)	(17,672)
31 December 2006 and 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
Additions	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	33	2,189	431	940	3,593
Net book value					
31 December 2007	**243**	**7,944**	**815**	**2,897**	**11,899**
31 December 2006	5,934	5,730	582	66	12,312

15. TIMBER CONCESSIONS AND CUTTING RIGHTS

	HK$'000
Cost	
1 January, 2007	–
Additions through acquisition of subsidiaries (see note 32(b))	9,438
31 December 2007	9,438
Accumulated amortisation	
1 January 2007	–
Additions through acquisition of subsidiaries (see note 32(b))	98
Charge for the year	7
31 December 2007	105
Net carrying amount	
31 December 2007	**9,333**

The cost of the timber concessions and cutting rights represents the consideration paid by the Greenheart Group, whose 60% equity interest was acquired by the Group in November 2007, to an independent third party in March 2005 for the acquisition of all the issued shares of Epro N.V., the then subsidiary of Greenheart Group. The sole asset held by Epro N.V. is an exclusive timber concession right granted by the Government of the Republic of Suriname for a period of 20 years from 22 August 1995 to occupy, cut and remove timber from an area of approximately 126,825 hectares in West Suriname.

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 20 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	
	2007	2006
	HK$'000	HK$'000
1 January, at valuation	**9,070**	10,430
Less: Impairment	**(7,620)**	(1,360)
31 December, at valuation	**1,450**	9,070
Analysed by lease term and geographical location:		
Medium term leasehold properties situated outside Hong Kong	**1,450**	9,070

The investment property was revalued by reference to appraisals made by Dudley Surveyors Limited, chartered surveyors, on an open market value basis based on its existing use on 31 December 2007.

Details of the investment property of the Group as at 31 December 2007 are as follows:

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

17. LONG TERM INVESTMENTS

	Group	
	2007	2006
	HK$'000	HK$'000
Unlisted equity investments, at cost	**6,000**	10,000

In the opinion of the directors, the recoverable amounts of the long term investments were not less than their carrying amounts at the balance sheet date.

18. INTERESTS IN SUBSIDIARIES

	Company 2007 HK$'000	Company 2006 HK$'000
Unlisted shares, at cost	**1**	1
Due from subsidiaries	**854,085**	451,898
Due to subsidiaries	**–**	(1)
	854,086	451,898
Less: Impairment	**(435,783)**	(325,751)
	418,303	126,147

The amounts due from/to 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 2007	Equity interest owned by the Group 2006	Principal activities
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
Indirectly held:					
Asia eMarket Limited	BVI	US$152	**A-share 96.2%**	A-share 96.2%	Investment holding
Barnet Consultancy Limited	BVI	US$1	**100%**	100%	Provision of corporate services
Best Start Services Limited	BVI	US$1	**96.2%**	96.2%	Investment 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
			2007	2006	
Indirectly held: *(Continued)*					
Crown Tech Holdings Limited	BVI	US$1	**100%**	100%	Investment holding
Up Crown International Limited	BVI	US$1	**96.2%**	96.2%	Investment holding
Vandyke Limited	BVI/ The People's Republic of China ("PRC")	US$1,000	**100%**	100%	Property holding
Omnitech Holdings Limited	Bermuda	AUD49,489,391	**77.04%**	77.04%	Investment holding
Greenheart Resources Holdings Limited	BVI	–	**60.39%**	–	Investment holding
Prime Forest Holding Limited (formerly, Superb Resources Holdings Limited)	BVI	US$1	**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 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 2007	2006	Principal activities
Indirectly held: *(Continued)*					
Superb Able Industrial Limited	BVI	US$1	**60.39%**	–	Sales of logs
Top Wood Holdings Limited	BVI	US$1	**60.39%**	–	Trading of equipment
Epro N.V.	Suriname	US$18	**60.39%**	–	Timber concession holding
Beach Paradise N.V.	Suriname	US$364	**60.39%**	–	Manufacturing and sales of lumber

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 2007 HK$'000	Group 2006 HK$'000
Share of net assets	**60,169**	50,659
Loan to associate	**–**	9,000
Interest receivable on loan to associate	**–**	58
	60,169	59,717
Less: Impairment	**(9,500)**	–
	50,669	59,717

The loan to associate as at 31 December 2006 was unsecured, carried interest at a rate of 2% per annum over prime rate and was capitalised as Class A shares of PVP Limited during the Year.

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 2007	Equity interest owned by the Group 2006	Principal activities
PVP Limited	Ordinary	British Virgin Islands	**A-share 37.2%** **B-share 37.2%**	A-share 37.2% B-share 37.2%	Investment holding
Princeton Venture Partners Limited	Ordinary	British Virgin Islands	**37.2%**	37.2%	Investment holding and consultancy

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.

19. INTERESTS IN ASSOCIATES *(Continued)*

Information relating to PVP Limited and its subsidiaries ("PVP Group") as required by HKAS 28 "Accounting for investments in associates" is as follows:

PVP Group

	2007 **HK$'000**	2006 HK$'000
Turnover	**553**	4,334
Profit/(loss) for the year	**97**	(80)
Non-current assets	**159,900**	206,033
Current assets	**2,775**	9,703
Current liabilities	**(1,016)**	(9,084)

20. GOODWILL

	Group	
	2007 **HK$'000**	2006 HK$'000
1 January	**9,485**	21,767
Additions through acquisitions of subsidiaries	**361,706**	–
Release on disposal of subsidiaries	**–**	(12,282)
31 December	**370,716**	9,485
Less: Impairment	**(9,485)**	(9,485)
	361,706	–

The additions to goodwill during the year are attributable to the acquisition of the 60% equity interest in the Greenheart Group, which then forms the Group's cash-generating unit of its forestry and timber business in Suriname. Goodwill arising from this acquisition represents the benefits of expected growth and future market development of Greenheart Group.

20. GOODWILL *(Continued)*

As at 31 December 2007, the directors allocated the entire goodwill of HK$361,706,000 to the forestry and timber business segment for the purpose of testing its impairment. The recoverable amount of goodwill 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	12% for logs and 5% for lumber (over next 5 years)
Discount rate	12%
Commencement of the operation of new lumber manufacturing facilities in Suriname	In 2009

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 of 126,825 hectares and cutting rights of 51,140 hectares equals only 1.4m^3 per hectare per year.

The directors of the Company are of the opinion that based on the valuation prepared in accordance with the above key assumptions, the recoverable amount of the goodwill arising from the acquisitions of the Greenheart Group exceeds its carrying amount in the consolidated balance sheet at 31 December 2007 and, therefore, no impairment loss is recognised.

21. INVENTORIES

	Group	
	2007	2006
	HK$'000	HK$'000
Raw materials	**53,932**	50,797
Finished goods	**1,061**	4,075
	54,993	54,872
Less: Provision	**(46,257)**	–
	8,736	54,872

Included in inventories were raw materials of HK$3,000,000 stated at net realisable value (2006: Nil).

Movements in provision for inventories during the year were as follows:

	Group	
	2007	2006
	HK$'000	HK$'000
1 January	**–**	–
Charge to income statement	**46,257**	–
31 December	**46,257**	–

22. TRADE AND OTHER RECEIVABLES

	Group	
	2007	2006
	HK$'000	HK$'000
Trade receivables	**19,401**	61,921
Other receivables	**877**	66
	20,278	61,987
Less: Allowance for bad and doubtful debts	**(5,149)**	–
	15,129	61,987

22. TRADE AND OTHER RECEIVABLES *(Continued)*

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

	Group	
	2007	2006
	HK$'000	HK$'000
Current	**7,373**	43,981
One to three months	**3,885**	15,529
More than three months	**3,871**	2,477
	15,129	61,987

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

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

	Group	
	2007	2006
	HK$'000	HK$'000
Hong Kong dollars	**6,043**	60,594
United States dollars	**4,435**	1,393
Australian dollars	**1,393**	–
Chinese Renminbi	**3,258**	–
	15,129	61,987

Movements in allowance for bad and doubtful debts during the year were as follows:

	Group	
	2007	2006
	HK$'000	HK$'000
1 January	**–**	–
Impairment losses recognised	**5,149**	–
31 December	**5,149**	–

22. TRADE AND OTHER RECEIVABLES *(Continued)*

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

	Group	
	2007	2006
	HK$'000	HK$'000
Neither past due nor impaired	**7,373**	43,981
Less than three months past due	**3,885**	15,529
Over three months past due	**3,871**	2,477
	15,129	61,987

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 approximates to their fair value.

23. LISTED INVESTMENTS

	Group	
	2007	2006
	HK$'000	HK$'000
Listed equity investments, at market value:		
Hong Kong	**914**	975
Overseas	**–**	14,272
	914	15,247

24. CASH AND BANK BALANCES

Cash and bank balances represent cash on hand and at banks and include time deposits and guarantee funds of HK$16,864,000 (2006: HK$22,479,000) pledged as security for general banking facilities provided to certain subsidiaries.

Details of cash and bank balances denominated in different currencies are as follows:

	Group	
	2007	2006
	HK$'000	HK$'000
Hong Kong dollars	**174,164**	35,076
United States dollars	**80,140**	135
Chinese Renminbi	**–**	76
Australian dollars	**–**	281
Euros	**7**	1
	254,311	35,569

25. TRADE AND OTHER PAYABLES

	Group	
	2007	2006
	HK$'000	HK$'000
Trade payables	**8,941**	25,481
Other payables	**15,586**	2,240
	24,527	27,721

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

	Group	
	2007	2006
	HK$'000	HK$'000
Current	**5,072**	11,671
One to three months	**8,779**	7,400
More than three months	**10,676**	8,650
	24,527	27,721

25. TRADE AND OTHER PAYABLES *(Continued)*

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

	Group	
	2007	2006
	HK$'000	HK$'000
Hong Kong dollars	**8,850**	24,077
United States dollars	**10,835**	–
Australian dollars	**1,351**	1,709
Chinese Renminbi	**3,491**	1,935
	24,527	27,721

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

26. INTEREST BEARING BANK BORROWINGS

The terms of the interest bearing bank borrowings are as follows:

	Group	
	2007	2006
	HK$'000	HK$'000
Repayable on demand or within one year		
Loan from a financial institution	**2,000**	–
Bank overdrafts – secured	**6,256**	6,117
Bank loan – secured	**34,289**	47,763
	42,545	53,880
Repayable in the second year		
Bank loans – secured	**–**	1,284
Repayable in the third to fifth years, inclusive		
Bank loans – secured	**–**	101
	–	1,385
	42,545	55,265

26. INTEREST BEARING BANK BORROWINGS *(Continued)*

The above secured bank borrowings are secured by:

(a) charges over time deposits and guarantee funds of approximately HK$16,864,000 (2006: HK$22,479,000);

(b) against guarantees issued by certain subsidiaries and a director of these subsidiaries.

27. OTHER LOAN PAYABLE

The other loan payable is 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.

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 8.17% 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 HK$'000
Fair value of the Convertible Bonds upon issue	**256,849**
Equity component	**(45,234)**
Liability component at date of issue	**211,615**
Interest charge	**2,557**
Interest payable	**(1,402)**
Liability component as at 31 December 2007	**212,770**

29. DEFERRED TAX LIABILITIES

	Group	
	2007 HK$'000	2006 HK$'000
1 January	**17**	17
Release to profit and loss account – note 9	**(17)**	–
31 December	**–**	17

The principal components of the Group's deferred tax liabilities provided for/(deferred tax assets recognised), and the amounts not provided/(not recognised) are as follows:

	Group			
	Provided		Not provided	
	2007 HK$'000	2006 HK$'000	**2007 HK$'000**	2006 HK$'000
Accelerated capital allowances	**–**	17	**21**	12
Tax losses	**–**	–	**(2,573)**	(10,184)
	–	17	**(2,552)**	(10,172)

No deferred tax asset has been recognised in respect of tax losses due to the unpredictability of future profit streams.

30. SHARE CAPITAL

Shares

	Number of ordinary shares of HK$0.01 each	Amount HK$'000
Authorised:		
1 January 2007 and 31 December 2007	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	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.

(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) During the year, 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.

Share options

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 14,818,000 share options outstanding under the share option scheme adopted by the Company on 22 March 2002.

30. SHARE CAPITAL *(Continued)*

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

	2007 Weighted average exercise price	2007 Number of options	2006 Weighted average exercise price	2006 Number of options
Outstanding at the beginning of the year	**HK$0.85**	**4,274,000**	HK$0.84	10,814,000
Granted during the year	**HK$1.41**	**15,174,000**	–	–
Exercised during the year	**HK$0.93**	**(3,650,000)**	–	–
Lapsed during the year	**HK$0.79**	**(980,000)**	HK$0.83	(6,540,000)
Outstanding at the end of the year	**HK$1.41**	**14,818,000**	HK$0.85	4,274,000
Exercisable at the end of the year	**HK$1.41**	**14,818,000**	HK$0.85	4,274,000

The options outstanding at 31 December 2007 had an exercise price of HK$0.46, HK$0.80, HK$0.95, HK$1.36 and HK$1.74 (2006: HK$0.95 or HK$0.80) and a weighted average remaining contractual life of 4.23 years (2006: 2.85 years).

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 for the year ended 31 December 2007 in relation to share options granted by the Company.

30. SHARE CAPITAL *(Continued)*

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 cancelled prior to their exercise date are deleted from the register of outstanding options.

31. RESERVES

Group

	Share Premium HK$'000	Contributed Surplus HK$'000	Exchange Fluctuation Reserve HK$'000	Enterprises Development Fund HK$'000	Reserve Fund HK$'000	Employee Compensation reserve HK$'000	Convertible Bond Reserve HK$'000	Accumulated Losses HK$'000	Total HK$'000
1 January 2006	116,230	83,274	10,697	(86)	(118)	1,015	–	(11,132)	199,880
Loss for the year	–	–	–	–	–	–	–	(30,656)	(30,656)
Currency translation differences	–	–	507	–	–	–	–	–	507
Movement for the year	–	–	–	–	118	–	–	–	118
Release on disposal of subsidiaries	–	–	(1,972)	86	–	–	–	–	(1,886)
Share options lapsed	–	–	–	–	–	(492)	–	–	(492)
Dividend paid	–	–	–	–	–	–	–	(30,088)	(30,088)
31 December 2006 and 1 Januaary 2007	116,230	83,274	9,232	–	–	523	–	(71,876)	137,383
Loss for the year	–	–	–	–	–	–	–	(130,644)	(130,644)
Currency translation differences	–	–	499	–	–	–	–	–	499
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	**412,308**	**83,274**	**9,731**	**–**	**–**	**5,383**	**45,234**	**(202,520)**	**353,410**

31. RESERVES *(Continued)*

Included in the Group's accumulated losses at 31 December 2007 were accumulated losses of HK$8,245,000 (2006: HK$8,281,000) relating to associates.

Company

	Share Premium HK$'000	Contributed Surplus HK$'000	Employee Compensation Reserve HK$'000	Convertible Bond Reserve HK$'000	Accumulated Losses HK$'000	Total HK$'000
1 January 2006	116,230	125,376	1,015	–	(24,094)	218,527
Loss for the year	–	–	–	–	(57,893)	(57,893)
Share options lapsed	–	–	(492)	–	–	(492)
Dividend paid					(30,088)	(30,088)
31 December 2006 and 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	**412,308**	**125,376**	**5,383**	**45,234**	**(235,616)**	**352,685**

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.

32. NOTES TO THE CONSOLIDATED CASH FLOW STATEMENT

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

	Group	
	2007	2006
	HK$'000	HK$'000
Loss before taxation		
– Continuing operations	**(144,510)**	(39,061)
– Discontinued operations	**–**	25,001
Adjustments for:		
Profit on disposal of subsidiaries	**–**	(4,131)
Interest income	**(2,638)**	(1,354)
Interest expenses	**7,636**	9,368
Write-back of provisions	**–**	(67)
Depreciation on properties, plant and equipment	**7,393**	7,123
Amortisation of timber concessions and cutting rights	**7**	–
Bad and doubtful debts	**5,149**	297
Loss on product claims	**46,765**	–
Loss on write-off of prepayments and deposits	**220**	–
Revaluation (gain)/deficit on listed investments	**(465)**	466
Impairment on interests in associates	**9,500**	–
Impairment on goodwill of subsidiaries	**–**	9,485
Impairment on investment property	**7,620**	1,360
Impairment on long term investments	**–**	17,700
Loss on write-off of inventories	**46,257**	
Loss on disposal of properties, plant and equipment	**661**	243
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)**	(36)
Employee share options/(write back on lapse of options)	**5,375**	(492)
Share of results of associates	**(36)**	30
Operating (loss)/profit before working capital changes	**(16,877)**	25,932
Decrease in inventories	**6,459**	6,093
Increase in trade and other receivables	**(4,347)**	(46,534)
Decrease/(increase) in prepayments and deposits	**43**	(1,559)
(Decrease)/increase in trade and other payables	**(466)**	26,798
Decrease in amounts due to related parties	**–**	(8)
Decrease in deposits received	**(1,880)**	(21,041)
Net cash used in operations	**(17,068)**	(10,319)

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

(b) Acquisition of subsidiaries

Group

	2007 HK$'000
Fair value of net assets acquired:	
Timber concessions and cutting rights	9,340
Properties, plant and equipment	11,544
Inventories	6,580
Prepayments and deposits	1,335
Trade and other receivables	708
Cash and bank balances	84,718
Trade and other payables	(5,094)
Tax payables	(3,352)
Deposits received	(23,492)
Minority interests	(32,598)
	49,689
Goodwill on consolidation	361,706
	411,395
Represented by:	
Cash paid	18,000
Direct expenses incurred	12,390
Long term investment	4,156
Ordinary shares issued	120,000
Convertible Bonds issued	256,849
	411,395

The subsidiaries acquired during the year utilised HK$4,018,000 from the Group's net cash used in operating activities and HK$229,000 from investing activities between the date of acquisition and the balance sheet date.

Analysis of net inflow of cash and cash equivalents in respect of the acquired subsidiaries:

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

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

(c) Disposal of subsidiaries

	Group	
	2007	2006
	HK$'000	HK$'000
Net assets disposed of:		
Properties, plant and equipment	–	13,259
Inventories	–	29,000
Prepayments and deposits	–	2,448
Trade and other receivables	–	94,820
Tax recoverable	–	2,574
Cash and bank balances	–	37,297
Trade and other payables	–	(64,444)
Due to related parties	–	(18)
Tax payables	–	(216)
Short term loans	–	(9,615)
Shareholders' loan	–	(29,028)
Minority interests	–	(54,274)
	–	21,803
Goodwill on consolidation released	–	12,282
	–	34,085
Loan to subsidiaries	–	59,992
	–	94,077
Represented by:		
Cash received	–	96,010
Profit on disposal	–	(4,131)
Exchange fluctuation reserve released	–	1,972
Enterprises development fund released	–	(86)
Minority interests	–	312
	–	94,077

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

(c) Disposal of subsidiaries *(Continued)*

Analysis of net inflow of cash and cash equivalents in respect of the disposed subsidiaries:

	Group	
	2007	2006
	HK$'000	HK$'000
Cash received	**–**	96,010
Cash and bank balances of disposed subsidiaries	**–**	(37,297)
	–	58,713

(d) Major non-cash transactions

On 8 November 2007, the Company issued 60,000,000 new shares at HK$2.00 per share and convertible bonds with a total principal of HK$237,000,000 as part of the consideration for the acquisition of 60% interests in Greenheart. Details of the terms of the convertible bonds are set out in note 28 above.

33. CONTINGENT LIABILITIES

	Group		Company	
	2007	2006	**2007**	2006
	HK$'000	HK$'000	**HK$'000**	HK$'000
Corporate guarantees given to banks and others	**62,390**	75,000	**–**	–

34. COMMITMENTS

	Group	
	2007	2006
	HK$'000	HK$'000
Capital commitments		
– contracted but not accounted for	**253,519**	–
Total minimum commitments under non-cancellable operating leases for land and buildings due:		
As lessee		
Within one year	**3,475**	2,301
In the second to fifth years, inclusive	**7,019**	4,019
After five years	**3,707**	–
	14,201	6,320
As lessor		
Within one year	**1,577**	1,577
In the second to fifth years, inclusive	**394**	1,972
	1,971	3,549

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

35. 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 2007					
	Financial assets at fair value through profit or loss					
	designated as such upon initial recognition HK'000	held for trading HK'000	Held-to-maturity investments HK'000	Loans and receivables HK'000	Available for sale financial assets HK'000	Total HK'000
Financial assets						
Trade and other receivables	–	–	–	15,129	–	15,129
Listed investments	914	–	–	–	–	914
Cash and bank balances	–	–	–	254,311	–	254,311
	914	–	–	269,440	–	270,354

	Group 2007			
	Financial liabilities at fair value through profit or loss			
	designated as such upon initial recognition HK'000	held for trading HK'000	Financial liabilities at amortised costs HK'000	Total HK'000
Financial liabilities				
Trade and other payables	–	–	24,527	24,527
Interest bearing bank borrowings	–	–	42,545	42,545
Other loan payable	–	–	4,562	4,562
Convertible bonds	–	–	212,770	212,770
	–	–	284,404	284,404

35. FINANCIAL INSTRUMENTS BY CATEGORY *(Continued)*

	Group 2006					
	Financial assets at fair value through profit or loss					
	designated as such upon initial recognition HK'000	held for trading HK'000	Held-to-maturity investments HK'000	Loans and receivables HK'000	Available for sale financial assets HK'000	Total HK'000
Financial assets						
Trade and other receivables	–	–	–	61,987	–	61,987
Listed investments	15,247	–	–	–	–	15,247
Cash and bank balances	–	–	–	35,569	–	35,569
	15,247	–	–	97,556	–	112,803

	Group 2006			
	Financial liabilities at fair value through profit or loss			
	designated as such upon initial recognition HK'000	held for trading HK'000	Financial liabilities at amortised costs HK'000	Total HK'000
Financial liabilities				
Trade and other payables	–	–	27,721	27,721
Interest bearing bank borrowings	–	–	53,880	53,880
	–	–	81,601	81,601

36. 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.

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

a) Financial risk management *(Continued)*

ii) Interest rate risk management

Interest-bearing financial assets are mainly pledged bank deposits and bank balances which are all short-term in nature and carry fixed interest rates. Interest-bearing financial liabilities are mainly bank loans and convertible bonds with fixed interest rates; 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, the Group's profit for the year ended 31 December 2007 and the retained profits as of 31 December 2007 would decrease/increase by HK$536,000 (2006: decrease/increase by HK$778,000). This is mainly attributable to the Group's exposure to interest rates on its variable rate bank borrowings.

The Group's sensitivity to interest rates has not changed significantly from the prior year.

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.

36. 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.

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 2007 and 31 December 2006.

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

b) Management of capital ***(Continued)***

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.

37. RECENT ACCOUNTING AND FINANCIAL REPORTING PRONOUNCEMENTS

The Group has not early adopted or applied the following new and revised HKFRSs that have been issued but are not yet effective:

HKAS 23 (Revised)	Borrowing Costs*
HKFRS 8	Operating Segments*
HK(IFRIC)-Int 11	HKFRS 2: Group and Treasury Share Transactions#
HK(IFRIC)-Int 12	Service Concession Arrangements°
HK(IFRIC)-Int 13	Customer Loyalty Programmes@
HK(IFRIC)-Int 14	HKAS 19 – The Limit on a Defined Benefit Asset, Minimum Funding Requirements and Their Interaction°

* Effective for annual periods beginning on or after 1 January 2009
# Effective for annual periods beginning on or after 1 March 2007
° Effective for annual periods beginning on or after 1 January 2008
@ Effective for annual periods beginning on or after 1 July 2008

The Group has commenced assessing the potential impact of those new HKFRSs but is not yet in a position to determine whether they would have a significant impact on how its results of operations and financial position are presented.

38. SUBSEQUENT EVENTS

Subsequent to the balance sheet date, the following two non-legal binding Memorandum of Understandings ("MOUs") were announced by the Company:

(a) On 9 January 2008, the Group entered into a memorandum of understanding with an independent third party ("the Counterparty") whereby it is proposed that the Counterparty will arrange and procure the forest tree holder(s) to grant to the Group an exclusive right to purchase the plantation trees on 100,000 hectares of forest land in Jiangxi and Fujian Provinces, the PRC, over a 5-year period and procure the forest land holder(s) of these forest lands to grant to the Group an option to lease the forest land for 30 years after harvesting ("the Proposed Transaction").

(b) On 27 February 2008, the Group entered into another MOU with a wholly-owned subsidiary of Sino-Forest ("the SF Subsidiary") in relation to the proposed engagement of the SF Subsidiary to provide certain management and consultancy services for the plantation and forestry operation of the Group in the PRC ("The Proposed Engagement"). The Proposed Engagement will be subject to, among other things, the completion of the Proposed Transaction.

39. APPROVAL OF THE FINANCIAL STATEMENTS

The financial statements were approved and authorised for issue by the board of directors on 7 April 2008.