China Metal Resources Holdings Limited
中國金屬資源控股有限公司

(Incorporated in the Cayman Islands with limited liability)
(Stock Code: 8071)

Annual Report
2008

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BOARD OF DIRECTORS

Executive Directors

Mr. Leung Ngai Man *(Chairman)*
Mr. Ng Kwok Chu, Winfield
Ms. Wu Wei Hua

Independent non-executive Directors

Dr. Leung Wai Cheung
Mr. Chan Sing Fai
Mr. Liu Jia Qing

COMPANY SECRETARY

Ms. Man Tsz Sai, Lavender *ACIS, ACS*

QUALIFIED ACCOUNTANT

Ms. So Wai Yee, Betty *CPA*

COMPLIANCE OFFICER

Mr. Leung Ngai Man

AUTHORISED REPRESENTATIVES

Mr. Leung Ngai Man
Mr. Ng Kwok Chu, Winfield

AUDIT COMMITTEE

Dr. Leung Wai Cheung *(Chairman)*
Mr. Chan Sing Fai
Mr. Liu Jia Qing

REMUNERATION COMMITTEE

Dr. Leung Wai Cheung *(Chairman)*
Mr. Chan Sing Fai
Mr. Liu Jia Qing
Mr. Leung Ngai Man

AUDITORS

Grant Thornton
Certified Public Accountants

PRINCIPAL BANKERS

The Hongkong and Shanghai Banking Corporation Limited
Citic Ka Wah Bank Limited

REGISTERED OFFICE

Cricket Square
Hutchins Drive
P.O. Box 2681
Grand Cayman KY1-1111
Cayman Islands

HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS IN HONG KONG

Unit 1006, 10th Floor
Tower One Lippo Centre
89 Queensway
Hong Kong

SHARE REGISTRARS AND TRANSFER OFFICES

Principal registrar

Butterfield Fund Services (Cayman) Limited
Butterfield House
Fort Street, P.O. Box 705
George Town, Grand Cayman
Cayman Islands

Branch registrar

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

STOCK CODE

8071

WEBSITE

www.cmr8071.com

On behalf of the board ("**Board**") of Directors, I hereby present to our shareholders the annual results of China Metal Resources Holdings Limited ("**Company**") and its subsidiaries (collectively, the "**Group**") for the year ended 31 December 2008 ("**year**").

FINANCIAL HIGHLIGHTS

For the year, the Group's audited revenue and the loss attributable to equity holders of the Company were approximately HK$1,266,000 and HK$50,119,000 respectively, representing a decrease of approximately HK$1,343,000 and an increase of HK$30,965,000 respectively as compared with the audited revenue of approximately HK$2,609,000 and the loss attributable to equity holders of the Company of approximately HK$19,154,000 for the year ended 31 December 2007. Such decrease of revenue was due to a significant drop in the revenue of the business segment of trading of hardware and software. The main reason for the increase in the loss attributable to equity holders of the Company was due to the imputed interest expenses on convertible bonds of approximately HK$26,488,000. Details will be further described in this report.

BUSINESS REVIEW

To highlight the Group's commitment in the mineral resources business, the name of the Company has been changed from "Glory Future Group Limited光彩未來集團有限公司" to "China Metal Resources Holdings Limited中國金屬資源控股有限公司" in March 2008.

During the year, the economy of Hong Kong Special Administrative Region ("**Hong Kong**") of the People's Republic of China ("**PRC**") had suffered from the sub-prime crisis that emerged in the United States of America in the second half of 2007, which escalated to devastating effect and spread across the world in the second half of 2008. The unemployment rate in Hong Kong has increased compared with previous years and our capital market has also been affected with a significant drop in number of initial public offering activities in Hong Kong during the year. Under current situation, our trading of hardware and software products business has dropped, however, as the information technology is in need in the PRC market, the profit margin generating from the sale of hardware and software products is maintained at a relatively high level and the Company expects to continue to engage in this business segment for the next year.

PROSPECTS

The Mine Acquisition (as defined below) was completed on 26 August 2008. According to the technical report which was included in the circular of the Company dated 13 May 2008, the mining area has a preliminary estimate of up to 60 to 100 tons of contained gold. The CJV (as defined below) has also commissioned Beijing Zhongsetaige Geological Resources Exploration Technology Limited, a wholly-owned subsidiary of China Nonferrous Metal Resources Geological Survey, to engage in the exploration of certain areas, with systematic exploration work upto detailed exploration stage.

The world is now experiencing intense political situations, intensified inflations, as well as unstable financial markets. These factors are bound to make gold price rising steadily, therefore, the Board is optimistic about the development of this business.

Demand for gold has drastically increased since 2006. It is expected that the gold market in the PRC will follow such trend, and the demand for gold is expected to increase in the PRC. In addition, the gold market in the PRC has gradually become deregulated in recent years and the PRC government has established a series of policies to promote the development of the gold mining industry. In light of the above, the Directors are of the view that the Mine Acquisition represents a good opportunity to invest in the natural resources sector and enables the Group to diversify into gold mining business in the PRC.

APPRECIATION

Finally, on behalf of the Board, I would like to express my deepest gratitude to the shareholders of the Company ("**Shareholders**"), business partners and professional advisors for their continuous support to the Group, and to sincerely thank the management and all staff for their dedication and diligence.

Leung Ngai Man
Chairman of the Board

Hong Kong, 5 March 2009

OPERATIONAL REVIEW

During the year, the revenue of the Group was approximately HK$1,266,000 which decreased by approximately HK$1,343,000 as compared with that of last year (2007: HK$ 2,609,000). The revenue was mainly derived from the provision of staff secondment and system integration and trading of hardware and software. Such decrease was due to a significant drop in the revenue of the business segment of trading of hardware and software.

The operating loss increased by approximately HK$6,149,000 to approximately HK$23,722,000 (2007: HK$17,573,000). It is due to an increase in administrative expenses which was mainly caused by the impairment loss of property, plant and equipment of approximately HK$447,000 and prepaid lease payment of approximately HK$4,442,000 during the year.

The loss for the year of approximately HK$50,119,000 (2007: HK$19,154,000) attributable to equity holders of the Company increased by approximately HK$30,965,000. The substantial increase is mainly due to the imputed interest expense on convertible bonds and details will be described below.

FINANCIAL REVIEW

Liquidity and financial resources

The Group financed its operations primarily with internally generated cash flow as well as the cash flow generated from the exercise of warrants during the year. The Group adopted a conservative financial management and treasury policy and will continue to apply such policy in the coming year. All borrowings and the majority of bank balances are denominated in Hong Kong dollars and put in short term deposits.

As at 31 December 2008, the Group had cash and bank balances of approximately HK$889,000 (2007: HK$73,843,000). The decrease of cash and bank balances mainly due to the payment for the Mine Acquisition during the year.

As at 31 December 2008, the Group had total outstanding borrowings of approximately HK$319,150,000 (2007: HK$4,157,000) as stated in the consolidated balance sheet. The borrowings solely represents the convertible bonds of approximately HK$319,500,000 (2007: Nil).

With regard to the acquisition of 49% interests in Leland Solutions Limited on 15 February 2008, Leland Solutions Limited is now a wholly-owned subsidiary of the Company. On 18 February 2008, the Company repaid the principal and interests of the outstanding borrowings of approximately HK$3,309,000 to Sun Wah Net Investment Limited (the former shareholder of the Company).

Capital structure

As at 31 December 2008, the Company's total number of issued shares was 2,796,500,247 ordinary shares of HK$0.001 each (2007: 2,361,711,403 ordinary shares of HK$0.0005 each).

On 5 and 29 January 2008, one of the warrantholders exercised the subscription rights attaching to the warrants to subscribe for a total of 40,909,090 shares of HK$0.0005 each at an aggregate subscription price of HK$4,500,000. On 11 March 2008, the aforesaid warrantholder exercised the subscription rights attaching to the warrants to subscribe for 20,454,545 shares of HK$0.0005 each at an aggregate subscription price of HK$2,250,000. On 19 May and 12 August 2008, the aforesaid warrantholder further exercised the subscription rights attaching to the warrants to subscribe for a total of 102,272,729 shares of HK$0.0005 each at an aggregate subscription price of HK$11,250,000.

On 14, 19 and 23 May 2008, another warrantholder exercised the subscription rights attaching to the warrants to subscribe for a total of 102,272,726 shares of HK$0.0005 each at an aggregate subscription price of HK$11,250,000.

Other changes in the share capital of the Company during the year are set out in note 26 to the financial statements.

Investment, material acquisition and disposal of subsidiaries and affiliated companies

On 4 January 2008, Greatest High Holdings Limited, a wholly-owned subsidiary of the Company and Mr. Leung Ngai Man ("**Mr. Leung**") entered into an agreement in relation to the acquisition of China Nonferrous Metals Resources Investment Limited ("**Target**"). The sole asset of the Target is the entire issued capital of China Mining Group Investment Limited, which in turn owns 80% of the registered and paid up capital of Yunnan Xibu Mining Company Limited, (雲南西部礦業有限公司) a chinese foreign co-operative joint venture company (**"CJV"**). The CJV is the holder of the exploration permit on the exploration area located at Luoxi City, Dehong Dai and Jingpo Autonomous Prefecture, Yunan Province, the PRC (雲南省德宏傣族景頗自治州潞西市) ("**Mine Acquisition**"). This Mine Acquisition was completed on 26 August 2008 and details are set out in the announcement of the Company dated 26 August 2008.

On 16 December 2008 and 8 January 2009, Richtop Holdings Limited, a wholly-owned subsidiary of the Company, entered into each of the preliminary provisional sale and purchase agreement and the formal sale and purchase agreement respectively, in relation to a disposal of a property located in Hong Kong at a selling price of HK$12,775,000 ("**Office Disposal**"). Completion of the Office Disposal took place on 27 February 2009. The Board considers that due to the recent global economic environment and the volatility of the property market, it is appropriate to dispose of the property in order to provide additional working capital to the Group. The net proceeds from the Office Disposal will be used for general working capital of the Group. (Details of the Office Disposal are set out in the announcement of the Company dated 18 December 2008 and the circular of the Company dated 8 January 2009).

On 12 January 2009, 雲南省核工業209地質大隊 and the CJV, an indirect non wholly-owned subsidiary of the Company, entered into an agreement pursuant to which the CJV has conditionally agreed to pay up the additional amount of the registered capital of 潞西市核工業209芒市金礦 ("**Ore Supplier**"), i.e. RMB4,732,000 (equivalent to approximately HK$5,347,160) ("**Investment**"). Upon completion, the Ore Supplier will become a non wholly-owned subsidiary of the CJV and an indirect non wholly-owned subsidiary of the Company and the financial results of the Ore Supplier will be consolidated into the financial statements of the Company. Since the gold mining site owned by the Ore Supplier is located adjacent to the exploration area owned by the CJV, the Company believes that synergy can be achieved with the business of the CJV after completion of the Investment. Details of this investment are set out in the announcement of the Company dated 14 January 2009.

Segment comments

During the year, the revenue from ordinary activities had been mainly derived from the following two business segments:

i) Staff secondment and system integration segment: its revenues increased from approximately HK$316,000 to approximately HK$620,000 which represents an increase of approximately 96.2% as compared with that of last year.

ii) Trading of hardware and software segment: this business segment is conducted in the PRC. It contributes approximately 51.0% of the total revenue of the Group and the profit margin is about 30.7%.

The Group will continue to develop its staff secondment service and system integration, trading of hardware and software and also to seeking to invest in the natural resources sector, which the Directors are of the view that the Mine Acquisition represents a good opportunity for the Group to diversify into the gold mining business in the PRC.

Employee information

As at 31 December 2008, the Group employed a total number of 26 (2007:16) employees. The staff costs, including Directors' remuneration and share-based payment, were approximately HK$10,379,000 (2007: HK$14,238,000).

The salaries and benefits of the Group's employees are kept at a competitive level and employees are rewarded on a performance-related basis within the general framework of the Group's salary and bonus system, which is reviewed annually. The Group also operates a share option scheme where options to subscribe for shares may be granted to the executive Directors, full-time employees and consultants of the Group. The aim of the scheme is to recognise staff outstanding performance in order to retain key staff members and for the benefits of the future business development of the Group.

Charge on group assets

As at 31 December 2008, a fixed deposit of approximately HK$206,000 was pledged for obtaining the corporate card services (2007: HK$200,000).

Future plans for material investments or capital assets

Other than the Office Disposal and the Investment, there was no specific plan for material investments and acquisition of material capital assets as at 31 December 2008. However, the Group will continue to seek new business development opportunities.

Gearing ratio

As at 31 December 2008, the gearing ratio of the Group was approximately 0.291 (2007: 0.046), based on the total borrowings of approximately HK$319,150,000 (2007: HK$4,157,000) and total equity of approximately HK$1,095,817,000 (2007: HK$89,423,000).

Exposure to fluctuation in exchange rates

The Group has no significant foreign exchange risk due to limited foreign currency translations.

Contingent liabilities

As at 31 December 2008, the Group had no significant contingent liabilities (2007: Nil)

DIRECTORS

Executive Directors

Mr. Leung Ngai Man, aged 47, joined the Group on 2 April 2007 and was appointed as the chief executive officer of the Company on 29 June 2007 and subsequently re-designated as the chairman of the Board on 31 March 2008. Mr. Leung has over 22 years' experience in the areas of trading, property development and management in the PRC. He has established an extensive business and social network and relationship with numerous PRC companies. Mr. Leung commenced business in the property development sector in the 1990s. He is also the chairman of the board and an executive director of Sino Prosper Holdings Limited, a company listed on the Main Board of the Stock Exchange.

Mr. Ng Kwok Chu, Winfield, aged 50, joined the Group on 16 October 2007. Mr. Ng has over 20 years' experience in consumer and commercial finance in the markets of Hong Kong and the PRC. He is an independent non-executive director of Long Success International (Holdings) Limited, a company listed on GEM of the Stock Exchange.

Ms. Wu Wei Hua, aged 38, joined the Group on 11 December 2007. Ms. Wu graduated from Donghua University in the PRC and obtained a Bachelor Degree in Textile Engineering. She has been working in the industry of finance and administration management in the PRC since 1995 and has gained extensive management experience throughout these years.

Independent non-executive Directors

Dr. Leung Wai Cheung, aged 44, joined the Group on 16 October 2007. Dr. Leung is the chief financial officer of FlexSystem Holdings Limited, a company listed on GEM of the Stock Exchange, and an independent non-executive director of each of Wing Hing International (Holdings) Limited, Sino Prosper Holdings Limited, Mobicon Group Limited, and Far East Pharmaceutical Technology Company Limited which are companies listed on the Main Board of the Stock Exchange. He is a qualified accountant and chartered secretary with over 22 years of experience in accounting, auditing and financial management. Dr. Leung graduated from Curtin University with a Bachelor of Commerce Degree majoring in accounting and subsequently obtained a Postgraduate Diploma in Corporate Administration and a Master Degree in Professional Accounting from the Hong Kong Polytechnic University, a Doctor of Philosophy Degree in Management from the Empresarial University of Costa Rica and a Doctor of Education Degree from Bulacan State University. He is an associate member of each of the Hong Kong Institute of Certified Public Accountants, The Institute of Chartered Accountants in England & Wales, CPA Australia, The Institute of Chartered Secretaries and Administrators, The Hong Kong Institute of Chartered Secretaries and the Taxation Institute of Hong Kong and a fellow member of the Association of Chartered Certified Accountants. Dr. Leung is also a visiting lecturer of the Open University of Hong Kong (LiPACE) and the Hong Kong University (SPACE).

Mr. Chan Sing Fai, aged 52, joined the Group on 2 April 2007. Mr. Chan has about 26 years' experience in property development and management. He obtained a Master Degree in Business Administration from The Chinese University of Hong Kong in 1981. Mr. Chan is an executive director of China Outdoor Media Group Limited and an independent non-executive director of Sino Prosper Holdings Limited which are companies listed on the Main Board of the Stock Exchange.

Mr. Liu Jia Qing, aged 40, joined the Group on 11 December 2007. Mr. Liu graduated from China Central Radio and TV University in the PRC and obtained a Bachelor Degree in Business Corporate Management. He has more than 16 years of experience in mining, smelting and trading. Mr. Liu has been working in the industry of mining resources development since 1991.

Senior Management

Ms. So Wai Yee, Betty, aged 27, joined the Group on 18 December 2007. Ms. So is the qualified accountant of the Company. She graduated from the University of Hong Kong with a Bachelor Degree in Business Administration (Accounting and Finance). Ms. So is an associate member of the Hong Kong Institute of Certified Public Accountant. She has several years working experience in one of the major international accounting firms in Hong Kong. Ms. So is currently an independent non-executive director of Sunny Global Holdings Limited, a company listed on the Main Board of the Stock Exchange.

The Directors present their report and the audited financial statements of the Group for the year.

PRINCIPAL ACTIVITIES

The principal activity of the Company is investment holding. Details of the principal activities of its subsidiaries are set out in note 17 to the financial statements. During the year, there were no significant changes in the nature of the Group's principal activities.

An analysis of the Group's performance for the year by business segments is set out in note 5 to the financial statements.

RESULTS AND APPROPRIATIONS

The Group's loss for the year ended 31 December 2008 and the state of affairs of the Group and of the Company as at that date are set out in the financial statements on pages 29 to 99.

The Directors do not recommend the payment of any dividend in respect of the year (2007: Nil).

SHARE CAPITAL, WARRANTS, SHARE OPTIONS AND CONVERTIBLE BONDS

Details of movements in the Company's share capital, warrants, share options and convertible bonds during the year, together with the reasons thereof, are set out in notes 26 and 27 to the financial statements.

RESERVES

Details of movements in the reserves of the Company and the Group during the year are set out in note 28 to the financial statements and the consolidated statement of changes in equity respectively.

DISTRIBUTABLE RESERVES

In accordance with the Companies Law, Cap 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands, the share premium account is distributable to the Shareholders provided that immediately following the date on which the dividend is proposed to be distributed, the Company will be able to pay its debts as they fall due in the ordinary course of business. As at 31 December 2008, the Company did not have any reserves available for distribution (2007: Nil).

PROPERTY, PLANT AND EQUIPMENT

Details of the movements in the property, plant and equipment of the Group during the year are set out in note 15 to the financial statements.

PRE-EMPTIVE RIGHTS

There are no provisions for pre-emptive rights under the Company's articles of association ("**Articles**") or the laws of the Cayman Islands, being the jurisdiction in which the Company was incorporated, which would oblige the Company to offer new shares on a pro-rata basis to existing Shareholders.

FIVE-YEAR FINANCIAL SUMMARY

A summary of the published results and the assets and liabilities of the Group for the last five financial years as extracted from the audited financial statements of the Group is set out on page 100 of the annual report of the Company for the year ended 31 December 2008 ("**Annual Report**"), of which this report forms part.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

Save as disclosed in the Annual Report, during the year, there was no purchase, sale or redemption by the Company, or any of subsidiaries, of the Company's listed securities.

MAJOR CUSTOMERS AND SUPPLIERS

During the year, the purchases and sales percentage from the major customers and suppliers of the Group is set out below:

		Percentage of total purchases
(1)	**Purchases**	
	– the largest supplier	54%
	– the five largest suppliers combined	100%

		Percentage of total sales
(2)	**Sales**	
	– the largest customer	49%
	– the five largest customers combined	100%

As far as the Directors are aware, none of the Directors or any of their associates, or any Shareholders (which, to the knowledge of the Directors, owns more than 5% of the Company's issued share capital) had any beneficial interest in the Group's five largest customers and suppliers for the year.

DIRECTORS

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

Executive Directors

Mr. Choi Koon Ming (retired on 31 March 2008)
Mr. Chow Yeung Tuen, Richard (resigned on 15 February 2008)
Mr. Leung Ngai Man
Mr. Ng Kwok Chu, Winfield
Ms. Wu Wei Hua

Independent non-executive Directors

Dr. Leung Wai Cheung
Mr. Chan Sing Fai
Mr. Liu Jia Qing

In accordance with articles 87 (1) and (2) of the Articles, Mr. Leung Ngai Man and Mr. Chan Sing Fai will retire as Directors by rotation at the forthcoming annual general meeting and, being eligible, are entitled to offer themselves for re-election as Directors. Mr. Leung Ngai Man will offer himself for re-election as Director. Mr. Chan Sing Fai will not offer himself for re-election due to the fact that Mr. Chan Sing Fai would like to spend more time pursuing his business development.

INDEPENDENCE OF INDEPENDENT NON-EXECUTIVE DIRECTORS

The Company has received annual written confirmations from each of its independent non-executive Director in respect of their independence during the year and all independent non-executive Directors are still being considered to be independent.

DIRECTOR'S AND SENIOR MANAGEMENT'S BIOGRAPHIES

Biographical details of the Directors and the senior management of the Group are set out on pages 10 to 11 of the Annual Report.

DIRECTORS' SERVICE CONTRACTS

Mr. Leung Ngai Man, Mr. Ng Kwok Chu, Winfield and Ms. Wu Wei Hua have entered into service contracts with the Group on 27 May 2008, 1 December 2007 and 1 February 2008 respectively. All such contracts are for an initial term of two years. Either the Company or the aforesaid Directors may terminate the service contracts by giving one month's notice or payment of the one month's salary in lieu.

Save as disclosed above, none of the Directors has a service contract with the Company or any of its subsidiaries which is not determinable by the Company within one year without payment of compensation, other than statutory obligations.

DIRECTOR'S INTERESTS IN CONTRACTS

Save as disclosed in note 34 to the financial statements, no Director had a significant beneficial interest, either directly or indirectly, in any contract of significance to the business of the Group to which the Company or any of its subsidiaries was a party during the year.

DIRECTORS' INTERESTS AND SHORT POSITIONS IN THE SHARES AND UNDERLYING SHARES OR ANY ASSOCIATED CORPORATIONS

As at 31 December 2008, the interests and short positions of the Directors and chief executive of the Company in the share capital of the Company or any of its associated corporation (within the meaning of Part XV of the Securities and Futures Ordinance, Cap. 571 of the Laws of Hong Kong ("**SFO**")), as recorded in the register required to be kept by the Company pursuant to Section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to Rule 5.46 of the GEM Listing Rules were as follows:

Long positions in the ordinary shares and underlying shares of HK$0.001 each in the capital of the Company ("**Shares**")

Name of Director	Capacity	Number of Shares	Number of Underlying Shares	Total number of Shares and underlying Shares	Approximate percentage of issued share capital
Mr. Choi Koon Ming ("**Mr. Choi**") *(Note 1)*	Beneficial owner	3,930,000*	–	3,930,000*	0.14%
Mr. Chow Yeung Tuen, Richard ("**Mr. Chow**") *(Note 2)*	Beneficial owner	630,000*	–	630,000*	0.02%
Mr. Leung Ngai Man ("**Mr. Leung**")	Beneficial owner	17,150,000	–	17,150,000	0.61%
	Through a controlled corporation	31,474,400 *(Note 3)*	–	31,474,400	1.13%
	Other	580,000,000	669,675,000	1,249,675,000 *(Note 4)*	44.69%
Mr. Ng Kwok Chu, Winfield ("**Mr. Ng**")	Beneficial owner	472,500	10,000,000 *(Note 5)*	10,472,500	0.37%
Ms. Wu Wei Hua ("**Ms. Wu**")	Beneficial owner	–	10,000,000 *(Note 6)*	10,000,000	0.36%
Mr. Liu Jia Qing ("**Mr. Liu**")	Beneficial owner	–	1,250,000 *(Note 7)*	1,250,000	0.04%

Notes:

1. Mr. Choi retired from his offices as an executive Director and the chairman of the Board on 31 March 2008.

2. Mr. Chow resigned as an executive Director on 15 February 2008.

3. These Shares were held by Speedy Well Investments Limited ("**Speedy Well**") which was wholly and beneficially owned by Mr. Leung. By virtue of the SFO, Mr. Leung was deemed to be interested in the Shares held by Speedy Well.

4. These Shares consisted of (i) 580,000,000 Shares and (ii) 669,675,000 underlying Shares in respect of the convertible bonds issued by the Company in August 2008, which were both pledged by Mr. Leung to Kingston Finance Limited ("**Kingston**") pursuant to (1) a share charge agreement dated 17 December 2008 and (2) a loan agreement and memorandum dated 17 December 2008, entered into between Mr. Leung and Kingston.

5. On 10 July 2008, Mr. Ng, was granted share options, pursuant to the share option scheme adopted by the Company on 29 June 2007 ("**Share Option Scheme**") to subscribe for a total of 20,000,000 shares at an exercise price of HK$0.1328 per share. The options would be exercisable during the period from 10 July 2008 to 29 June 2017. As a result of the consolidation of every two shares in the issued and unissued share capital of the Company into one consolidated share of HK$0.001 each which became effective on 21 October 2008 ("**Share Consolidation**"), the relevant subscription price was adjusted from HK$0.1328 to HK$0.2656 per Share and the number of Shares falling to be issued under the outstanding share options was adjusted from 20,000,000 shares to 10,000,000 Shares.

6. On 10 July 2008, Ms. Wu was granted share options, pursuant to the Share Option Scheme to subscribe for a total of 20,000,000 shares at an exercise price of HK$0.1328 per share. The options would be exercisable during the period from 10 July 2008 to 29 June 2017. As a result of the Share Consolidation, the relevant subscription price was adjusted from HK$0.1328 to HK$0.2656 per Share and the number of Shares falling to be issued under the outstanding share options was adjusted from 20,000,000 shares to 10,000,000 Shares.

7. On 10 July 2008, Mr. Liu was granted share options, pursuant to the Share Option Scheme to subscribe for a total of 2,500,000 shares at an exercise price of HK$0.1328 per share. The options would be exercisable during the period from 10 July 2008 to 29 June 2017. As a result of the Share Consolidation, the relevant subscription price was adjusted from HK$0.1328 to HK$0.2656 per Share and the number of Shares falling to be issued under the outstanding share options was adjusted from 2,500,000 shares to 1,250,000 Shares.

* These Shares were adjusted after the Share Consolidation.

Save as disclosed above, none of the Directors had registered an interest of short positions in the Shares or underlying Shares or any of its associated corporations (within the meaning of Part XV of the SFO) 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 Rule 5.46 of the GEM Listing Rules.

DIRECTOR'S RIGHTS TO ACQUIRE SHARES OR DEBENTURES

Save as disclosed under the paragraph headed "Directors' interests and short positions in the Shares and underlying Shares or any associated corporations" and in the share option schemes disclosures in note 27 to the financial statements, at no time during the year were rights to acquire benefits by means of the acquisition of Shares in or debentures of the Company granted to any Director or their respective 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 or their respective spouse or minor children to acquire such rights in any other body corporate.

SHARE OPTION SCHEMES

Detailed disclosures relating to the Company's share option schemes are set out in note 27 to the financial statement.

SUBSTANTIAL SHAREHOLDERS' INTERESTS AND SHORT POSITIONS IN THE SHARES AND UNDERLYING SHARES

As at 31 December 2008, the following persons or companies (other than the Directors or chief executive of the Company) had an interest or short positions in the Shares or underlying Shares as recorded in the register of interests required to be kept by the Company pursuant to Section 336 of the SFO and were directly or indirectly interest in 5% or more of the nominal value of any class of share capital carrying rights to vote on all circumstances at general meeting of any other members of the Group were as follows:

Long positions in the ordinary Shares and underlying Shares

Name of Substantial Shareholder	Capacity	Number of Shares	Number of underlying Shares	Total number of Shares and underlying Shares	Approximate percentage of issued share capital
Chu Yuet Wah	Interest of controlled corporations	580,000,001	669,675,000	1,249,675,001 *(Notes 1 & 2)*	44.68%
Ma Siu Fong	Interest of controlled corporations	580,000,001	669,675,000	1,249,675,001 *(Notes 1 & 2)*	44.68%
Kingston	Person having a security interest in Shares	580,000,000	669,675,000	1,249,675,000 *(Note 2)*	44.68%
北京中冶投資有限公司 (Beijing China Metallurgy Investment Limited) *(Note 4)*	Beneficial owner	180,000,000 *(Note 3)*		180,000,000	5.37%

Notes:

1. These Shares consisted of (a) 1,249,675,000 Shares deemed to be held by Kingston which is a company owned by Chu Yuet Wah as to 51% and Ma Siu Fong as to 49% and (b) 1 Share held by Kingston Securities Limited which is owned by Chu Yuet Wah as to 51% and Ma Siu Fong as to 49%.

2. These Shares consisted of (i) 580,000,000 Shares and (ii) 669,675,000 underlying Shares in respect of the convertible bonds issued by the Company in August 2008, which were both pledged by Mr. Leung to Kingston pursuant to (1) a share charge agreement dated 17 December 2008 and (2) a loan agreement and memorandum dated 17 December 2008, entered into between Mr. Leung and Kingston.

3. These shares, which shall be equal to 90,000,000 Shares as a result of the Share Consolidation, were subscribed by Beijing China Metallurgy Investment Limited pursuant to the subscription agreement dated 12 September 2008 entered into between the Company and Beijing China Metallurgy Investment Limited (as supplemented by the supplemental agreement dated 16 September 2008) as announced by the Company on 17 September 2008.

4. Beijing China Metallurgy Investment Limited is the unofficial English translation of 北京中冶投資有限公司.

Save as disclosed above, no person other than the Directors, whose interests are set out in the paragraph headed "Directors' interests and short positions in the Shares and underlying Shares or any associated corporations" and Shareholders, whose interests are set out in the paragraph headed "Substantial Shareholders' interests and short positions in the Shares and underlying Shares" above, had registered an interest or short position in the Shares or underlying Shares that was required to be recorded pursuant to Section 336 of the SFO.

CONTRACT OF SIGNIFICANCE

During the year, the Group did not enter into any contract of significance with its controlling Shareholders or any of its subsidiaries.

During the year, no contract of significance for the provision of services to the Group by a controlling Shareholder or any of its subsidiaries was made.

SUBSEQUENT EVENTS

(a) On 16 December 2008, Richtop Holdings Limited ("**Vendor**"), a wholly-owned subsidiary of the Company, and Hua Hong Trading Company Limited ("**Purchaser**") entered into a provisional sale and purchase agreement ("**S&P Agreement**") for the Office Disposal at a consideration of HK$12,775,000. Details of the Office Disposal are included in the Company's circular dated 8 January 2009.

On 8 January 2009, the formal sale and purchase agreement embodying the principal terms of the S&P Agreement and such other terms as agreed between the parties was signed on 8 January 2009.

Pursuant to the terms of the S&P Agreement, upon completion of the Office Disposal, the Vendor will lease back to the Purchaser the property which is currently occupied by the Group as its principal place of business in Hong Kong for a period of two years commencing from the date of completion for a monthly rental of HK$54,250 exclusive of rates, management fees and other outgoings.

The Office Disposal was completed on 27 February 2009.

(b) On 12 January 2009, 雲南省核工業209地質大隊 (Geological Brigade 209 of the Nuclear Industry of Yunnan Province*) ("**PRC Partner**") and the CJV, an indirect non wholly-owned subsidiary of the Company, entered into an agreement ("**Agreement**") in respect of the Investment. Details of the Investment are included in the Company's announcement dated 14 January 2009 ("**Announcement**").

The PRC Partner is a connected person of the Company as it was a substantial shareholder of the CJV as at the date of the Announcement. As such, the Investment constitutes a connected transaction and a very substantial acquisition for the Company under Chapter 20 and Chapter 19 respectively of the GEM Listing Rules. Accordingly, the Agreement and the transactions contemplated thereunder are subject to the approval of the independent Shareholders at an extraordinary general meeting ("**EGM**"). In accordance with the GEM Listing Rules, any vote at the EGM shall be taken by poll. As at the date of the Announcement, neither the PRC Partner, the CJV nor the Ore Supplier held any Shares and no Shareholder was required to abstain from voting at the EGM.

Pursuant to the Agreement, upon completion of the Investment, the Ore Supplier will become a non wholly-owned subsidiary of the CJV and an indirect non wholly-owned subsidiary of the Company and the financial results of the Ore Supplier will be consolidated into the consolidated financial statements of the Company. Furthermore, the Ore Supplier will cease to be an associate of the PRC Partner, and hence it will cease to be a connected person of the Company. As a result, the supply agreement dated 19 December 2007 entered into between the CJV and the Ore Supplier in respect of the supply of all the ore extracted from an area of 0.43 sq. km. of a gold mining site located at Luoxi City, Yunnan Province, the PRC which is subject to a mining operation permit to the CJV and the transactions contemplated thereunder (details of which are set out in the paragraph headed “Proposed non-exempt continuing connected transaction” in the section headed “Letter from the Board” in the circular of the Company dated 13 May 2008) will no longer be non-exempt continuing connected transaction for the Company.

(c) On 4 February 2009, a total of 55,930,000 share options were granted to consultants of the Company at an exercise price of HK$0.0430 per Share. The share options would be exercisable during the period from 4 February 2009 to 29 June 2017, details of which are included in the Company’s announcement dated 4 February 2009.

AUDIT COMMITTEE

The Company has established an audit committee with written terms of reference in compliance with the GEM Listing Rules. The primary duties of the audit committee are to review and supervise the financial reporting process and internal control and risk management systems of the Group. During the year, the audit committee held four meetings. The annual results of the Group for the year ended 31 December 2008 have been reviewed by the audit committee which is of the opinion that the preparation of such results complied with the applicable accounting standards, the Stock Exchange requirements and other legal requirements, and that adequate disclosures have been made.

Further details of the audit committee are set out in the Corporate Governance Report included in the Annual Report.

CONNECTED AND RELATED PARTY TRANSACTIONS

Details of the related party transactions for the year are set out in note 34 to the financial statements. and such related party transactions do not fall under the definition of “connected transaction” or “continuing connected transaction” in chapter 20 of the GEM Listing Rules.

The Mine Acquisition as disclosed in the paragraph headed “Investment, material acquisition and disposal of subsidiaries and affectiated companies” in the Management Discussion and Analysis of this report constituted a connected transaction of the company. Mr. Leung is a connected person by virtue of him being a Director and a substantial Shareholder. The consideration of HK$1,800 million was settled by: (1) HK$81 million by cash; (2) 422,150,000 consideration shares in settlement of HK$1,545.74 million (consisted of 3,864,350,000 issuable conversion shares). Further details of the Mine Acquisition are contained in the announcement of the Company dated 4 January 2008 and the circular of the Company dated 13 May 2008.

COMPETITION AND CONFLICT OF INTERESTS

None of the directors, the management shareholders or substantial shareholders of the Company or any of their respective associates has engaged in any business that competes or may compete with the businesses of the Group or has any other conflict of interests with the Group.

SUFFICIENCY OF PUBLIC FLOAT

Based on information that is publicly available to the Company and within the knowledge of the Directors, at least 25% of the Company's total issued share capital was held by the public as at the date of this report. The Company has maintained a sufficient public float in compliance with Rule 18.08B of the GEM Listing Rules.

CORPORATE GOVERNANCE

A report on the principal corporate governance practices adopted by the Company is set out on pages 21 to 26 of the Annual Report.

AUDITORS

An ordinary resolution for the Company to re-appoint Grant Thornton as the auditors of the Company will be proposed at the forthcoming annual general meeting.

By Order of the Board
China Metal Resources Holdings Limited
Ng Kwok Chu, Winfield
Executive Director

Hong Kong, 5 March 2009

CODE ON CORPORATE GOVERNANCE PRACTICES

The Company has applied the principles and, save as disclosed herein, has complied with the code provisions of the Code on Corporate Governance Practices ("**Corporate Governance Code**") as set out in Appendix 15 to the GEM Listing Rules throughout the year ended 31 December 2008.

THE BOARD AND THE MEETINGS OF THE BOARD

The Board has overall responsibility for the stewardship of the Group, including the responsibilities for the adoption of long-term strategies and appointing and supervising senior management to ensure that the operation of the Group is conducted in accordance with the objective of the Group. The Senior Management Committee was established on 27 June 2005 and of its members are Mr. Leung Ngai Man, the Chairman of the Board, Mr. Ng Kwok Chu, Winfield and Ms. Wu Wei Hua, three executive Directors.

The Board currently comprises six Directors and their respective roles are set out as follows:

Mr. Leung Ngai Man	Chairman and an executive Director
Mr. Ng Kwok Chu, Winfield	Executive Director
Ms. Wu Wei Hua	Executive Director
Dr. Leung Wai Cheung	Independent non-executive Director
Mr. Chan Sing Fai	Independent non-executive Director
Mr. Liu Jia Qing	Independent non-executive Director

The list of Directors (by category) is also disclosed in all corporate communications issued by the Company pursuant to the GEM Listing Rules.

The Company has appointed three independent non-executive Directors whom the Board considers to have appropriate and sufficient experience and qualification to carry out their duties so as to protect the interests of the Shareholders. Currently, Dr. Leung Wai Cheung, Messrs. Chan Sing Fai and Liu Jia Qing are the independent non-executive Directors. All of them are under a term of service of one year commencing from the date of their respective appointment or the date of entering into their respective service contract. All Directors, including the independent non-executive Directors, are subject to retirement by rotation and re-election at the annual general meeting in accordance with Articles, provided that the appointment may be terminated by the Company or the Director concerned with a written notice of not less than one month unless both parties agreed otherwise.

During the year, the Board had undergone the following changes:

– Mr. Chow Yeung Tuen, Richard resigned from the office of an executive Director and the finance Director on 15 February 2008 for pursuing his business development;

– Mr. Choi Koon Ming retired from the office of an executive Director and the Chairman of the Board on 31 March 2008 for pursuing his business development; and

– Mr. Leung Ngai Man was redesignated as the Chairman of the Board from the office of the chief executive officer of the Company on 31 March 2008.

The Company had at least three independent non-executive Directors at all times during the year.

Save for the co-directorship of Mr. Leung Ngai Man, Mr. Chan Sing Fai and Dr. Leung Wai Cheung in Sino Prosper Holdings Limited, a company listed on the Main Board of the Stock Exchange, there is no relationship (including financial, business, family or other material/relevant relationships) among members of the Board. All of them are free to exercise their independent judgement. Prior to their respective appointment, each of the independent non-executive Directors submitted a written statement to the Stock Exchange confirming their independence and has undertaken to inform the Stock Exchange as soon as practicable if there is any subsequent change of circumstances which may affect their independence. The Company has received annual written confirmations from all independent non-executive Directors in respect of their independence during the year pursuant to the GEM Listing Rules. The Company considers all independent non-executive Directors to be independent in accordance with the independence guidelines set out in the GEM Listing Rules.

In accordance with the Articles, one-third of the Directors are subject to retirement by rotation or, if their number is not three or a multiple of three, then the number nearest to but not less than one-third shall retire from the office and being eligible offer themselves for re-election provided that every Director, including those appointed for a specific term, shall be subject to retirement by rotation at least once every three years. The Directors to be retired by rotation shall be those who have been longest in office since their last appointment or re-appointment or those who were appointed by the Board during the year to fill any casual vacancy.

The Board meets regularly (at least four times a year at quarterly intervals) for reviewing and approving the financial and operating performance, and considering and approving the overall strategies and policies of the Company. Additional meetings are convened as and when the Board considers necessary. Twenty-two Board meetings (four of which were regular Board meetings) were held during the year. The Directors attended those meetings in person, by phone or through other electronic means of communication. The attendance record of each Director during the year ended 31 December 2008 is set out below:

Directors	**Number of Board meetings Directors attended/ eligible to attend**
Executive Directors	
Mr. Chow Yeung Tuen, Richard *(resigned on 15 February 2008)*	0/0
Mr. Choi Koon Ming *(retired on 31 March 2008)*	0/4
Mr. Leung Ngai Man	21/22
Mr. Ng Kwok Chu, Winfield	22/22
Ms. Wu Wei Hua	7/22
Independent non-executive Directors	
Dr. Leung Wai Cheung	6/22
Mr. Chan Sing Fai	6/22
Mr. Liu Jia Qing	6/22

Execution of daily operational matters is delegated to the management.

In case where conflict of interest arises involving a substantial Shareholder or a Director, such matter will be discussed through a physical meeting and will not be dealt with by written resolutions. Independent non-executive Directors with no conflict of interest will be present at meetings dealing with such conflict issues.

The board committees of the Company, including the Audit Committee and the Remuneration Committee, have all adopted the applicable practices and procedures used in Board meetings for all committee meetings.

CHAIRMAN AND CHIEF EXECUTIVE OFFICER

The appointment of the chief executive officer of the Company remains outstanding. The Company is still looking for a suitable candidate to fill the vacancy in order to comply with the Corporate Governance Code.

NOMINATION OF DIRECTORS

The selection and appointment of a Director and the Directors' independence are determined by the full Board. The Board also reviews its composition (including skills, knowledge and experience of its members) regularly to ensure its members can provide balanced skills and experience. The criteria and the nomination procedures of a new Director are set out herein below:

a) criteria of a Director:

   i) satisfying the independence requirement in the case of an independent non-executive Director; and

   ii) with sufficient and relevant educational background, knowledge and working experience.

b) nomination procedures:

   i) an interview will be conducted with the prospective candidate;

   ii) a meeting of the Board will be convened to consider and, if thought fit, to approve the appointment of the new Director; and

   iii) an introduction package will be provided by the Company to the new Director so that he or she can have a better understanding of the background and the business activities of the Company.

During the financial year ended 31 December 2008, there was no meeting in connection with the nomination and appointment of new Directors.

The Board is satisfied with the current system of Director's nomination and appointment and therefore it does not consider the establishment of a nomination committee is necessary.

The Audit Committee and the Remuneration Committee have adopted specific terms of reference clearly defining their respective powers and responsibilities. These committees are required by their terms of reference to report to the Board in relation to their decisions, findings or recommendations, and in certain specific situations, to seek the Board's approval before taking any actions.

The Board reviews, on a yearly basis, all delegations by the Board to each of the committees to ensure that such delegations are appropriate and continue to be beneficial to the Group as a whole.

REMUNERATION COMMITTEE

The Remuneration Committee was established on 27 June 2005, comprising the three independent non-executive Directors and the Chairman of the Board.

The committee is currently chaired by Dr. Leung Wai Cheung, an independent non-executive Director, and other members include Mr. Chan Sing Fai and Mr. Liu Jia Qing, both of them are also independent non-executive Directors, and Mr. Leung Ngai Man, the Chairman of the Board.

The role and functions of the Remuneration Committee include the determination of the specific remuneration packages of all Directors, which include benefits in kind, pension rights and compensation payments, comprising any compensation payable for loss or termination of their office or appointment. The Remuneration Committee also considers factors such as salaries paid by comparable companies, time commitment and responsibilities of the Directors, employment conditions elsewhere in the Group and desirability of performance-based remuneration. The Remuneration Committee collects and reviews the remuneration plan and policy of all Directors and the senior management of the Group by reference to the prevailing rate which other companies listed on GEM adopt.

During the year ended 31 December 2008, one meeting of the Remuneration Committee was held. Details of the attendance of the meeting are as follows:

Members	**Number of Remuneration Committee attended/ eligible to attend**
Dr. Leung Wai Cheung	1/1
Mr. Chan Sing Fai	1/1
Mr. Liu Jia Qing	1/1
Mr. Leung Ngai Man	1/1
Mr. Choi Koon Ming *(retired on 31 March 2008)*	0/0

During the year, the Remuneration Committee had undergone the following changes:

– Mr. Choi Koon Ming resigned from the office of a member of the Remuneration Committee on 31 March 2008 for pursuing his own business development; and

– Mr. Leung Ngai Man was appointed as a member of the Remuneration Committee on 31 March 2008.

AUDITORS' REMUNERATION

As at 31 December 2008, the fee payable to the auditors in respect of the audit and non-audit services provided by the auditors of the Group is as follows:

Type of services	**Amount** (HK$'000)
Audit services	550
Non-audit services	892

AUDIT COMMITTEE AND ACCOUNTABILITY

The Board is responsible for presenting a balanced, clear and comprehensible assessment of the Group's performance and prospects. The Board is also responsible for preparing the accounts of the Company, which give a true and fair view of the financial position of the Group on a going concern basis, and other price-sensitive announcements and financial disclosures. The management provides all relevant information and records to the Board enabling the Board to make the above assessment and to prepare the accounts and other financial disclosures.

In full compliance with Rule 5.28 of GEM Listing Rules, the Audit Committee, which has been established since the listing of the Company, is composed of the three independent non-executive Directors and is currently chaired by Dr. Leung Wai Cheung with the other members being Mr. Chan Sing Fai and Mr. Liu Jia Qing.

During the year, the following persons served as members of the Audit Committee:

Name	**Service period**
Dr. Leung Wai Cheung	From 1 January 2008 to 31 December 2008
Mr. Chan Sing Fai	From 1 January 2008 to 31 December 2008
Mr. Liu Jia Qing	From 1 January 2008 to 31 December 2008

During the year, no former partner of the Company's existing auditing firm acted as a member of the Audit committee within one year on the date of his or her ceasing to be a partner or had any financial interest in the auditing firm.

There was no disagreement between the Board and the Audit Committee on the selection, appointment, resignation or dismissal of the external auditors during the year.

The Audit Committee's primary duties include ensuring the Group's financial statements, annual, interim and quarterly reports, and the auditors' report present a true and balanced assessment of the Group's financial position, reviewing the Group's financial control, internal control and risk management systems and reviewing the Group's financial and accounting policies and practices.

The work done by the Audit Committee during the year ended 31 December 2008 are set out as follows:–

(a) reviewing and recommending the annual report, interim report and quarterly reports for the relevant period or year to the Board for approval;

(b) discussing the application of the new accounting policy with the external auditors;

(c) recommending the re-appointment of the auditors to the Board for approval; and

(d) reviewing the internal control system and the recommendation made by the external auditors.

The Audit Committee is provided with sufficient resources enabling it to discharge its duties.

For the financial year ended 31 December 2008, the Audit Committee held four meetings. The individual attendance record of each member of the Audit Committee is as follows:

Member	Number of Audit Committee meetings attended/ eligible to attend
Dr. Leung Wai Cheung	4/4
Mr. Chan Sing Fai	4/4
Mr. Liu Jia Qing	4/4

The secretary of the Company keeps full minutes of all meetings of the Audit Committee. In line with practices of the meetings of the Board and other committees, draft and final versions of the minutes of the meetings of the Audit Committee are circulated to all members of the Audit Committee for comments, approval and record as soon as practicable after each meeting.

COMPLIANCE WITH THE REQUIRED STANDARD OF DEALINGS IN SECURITIES TRANSACTIONS BY DIRECTORS

During the year, the Group adopted the required standard of dealings set out in Rules 5.48 to 5.67 of the GEM Listing Rules as the code of conduct regarding Directors' securities transactions in securities of the Company. Upon the Group's specific enquiry, each Director confirmed that during the year ended 31 December 2008, he or she had fully complied with the required standard of dealings and there was no event of non-compliance.

DIRECTORS' AND AUDITORS' ACKNOWLEDGEMENT

All Directors acknowledge their responsibility for preparing the accounts for the year ended 31 December 2008.

The auditors of the Company acknowledge their reporting responsibilities in the auditors' report on the financial statements for the year ended 31 December 2008.

INTERNAL CONTROL

The Board has conducted a review of the effectiveness of the Group's internal control system, covering its financial, operational, compliance control and risk management functions.

By order of the Board
China Metal Resources Holdings Limited
Ng Kwok Chu, Winfield
Executive Director

Hong Kong
5 March 2009

GrantThornton
均富

Member of Grant Thornton International Ltd

TO THE MEMBERS OF CHINA METAL RESOURCES HOLDINGS LIMITED
(FORMERLY KNOWN AS "GLORY FUTURE GROUP LIMITED")
(INCORPORATED IN THE CAYMAN ISLANDS WITH LIMITED LIABILITY)

We have audited the consolidated financial statements of China Metal Resources Holdings Limited (formerly known as "Glory Future Group Limited") (the "Company") set out on pages 29 to 99, which comprise the consolidated and company balance sheets as at 31 December 2008, and the consolidated income statement, the consolidated statement of changes in equity and the consolidated cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory notes.

DIRECTORS' RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

The directors of the Company are responsible for the preparation and the true and fair presentation of these 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 financial statements based on our audit and to report our opinion solely to you, as a body, 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' judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider internal control relevant to the entity's preparation and true and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial statements.

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

OPINION

In our opinion, the consolidated financial statements give a true and fair view of the state of affairs of the Company and of the Group as at 31 December 2008 and of the Group's loss and cash flows 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.

Grant Thornton
Certified Public Accountants
13th Floor, Gloucester Tower
The Landmark
15 Queen's Road Central
Hong Kong

5 March 2009

	Notes	2008 HK$'000	2007 HK$'000
Revenue	6	**1,266**	2,609
Cost of sales		**(980)**	(1,811)
Gross profit		**286**	798
Other operating income	7	**618**	555
Selling and distribution expenses		**(114)**	(285)
Administrative expenses		**(18,962)**	(18,641)
Other operating expenses		**(5,550)**	–
Operating loss		**(23,722)**	(17,573)
Finance costs	8	**(26,523)**	(1,581)
Loss before income tax	9	**(50,245)**	(19,154)
Income tax expense	10	**–**	–
Loss for the year		**(50,245)**	(19,154)
Attributable to:			
Equity holders of the Company	11	**(50,119)**	(19,154)
Minority interests		**(126)**	-
Loss for the year		**(50,245)**	(19,154)
Loss per share for loss attributable to the equity holders of the Company during the year	12		(restated)
– Basic		**(HK2.8 cents)**	(HK2.0 cents)
– Diluted		**N/A**	N/A

CONSOLIDATED BALANCE SHEET

As at 31 December 2008

	Notes	**2008 HK$'000**	2007 HK$'000
ASSETS AND LIABILITIES			
Non-current assets			
Property, plant and equipment	15	**392**	3,576
Prepaid lease payment	16	**–**	16,189
Goodwill	18	**1,134,000**	–
Other intangible assets	19	**308,385**	–
		1,442,777	19,765
Current assets			
Inventories	21	**–**	65
Trade receivables	22	**114**	132
Prepayments, deposits and other receivables		**6,954**	178
Pledged deposit	23	**206**	200
Cash and bank balances	23	**889**	73,843
		8,163	74,418
Property classified as held for sale	20	**12,597**	–
		20,760	74,418
Current liabilities			
Bank overdrafts	23	**–**	380
Other payables and accrued expenses		**4,313**	603
Loans from a former shareholder	24	**–**	3,275
		4,313	4,258
Net current assets		**16,447**	70,160
Total assets less current liabilities		**1,459,224**	89,925
Non-current liabilities			
Due to minority shareholders of subsidiaries	25	**–**	502
Convertible bonds	33	**319,150**	–
Deferred tax liabilities	10	**44,257**	–
		363,407	502
Net assets		**1,095,817**	89,423

	Notes	2008 HK$'000	2007 HK$'000
EQUITY			
Equity attributable to the equity holders of the Company			
Share capital	26	**2,797**	1,181
Reserves	28	**1,042,352**	88,242
		1,045,149	89,423
Minority interests		**50,668**	–
Total equity		**1,095,817**	89,423

Leung Ngai Man
Director

Ng Kwok Chu, Winfield
Director

BALANCE SHEET

As at 31 December 2008

	Notes	2008 HK$'000	2007 HK$'000
ASSETS AND LIABILITIES			
Non-current assets			
Property, plant and equipment	15	**221**	283
Investments in subsidiaries	17	**1,285,296**	–
		1,285,517	283
Current assets			
Prepayments and other receivables		**2,317**	70
Cash and bank balances	23	**66**	6,666
		2,383	6,736
Current liabilities			
Other payables and accrued expenses		**439**	52
Due to a subsidiary	17	**3**	3
		442	55
Net current assets		**1,941**	6,681
Total assets less current liabilities		**1,287,458**	6,964
Non-current liabilities			
Convertible bonds	33	**319,150**	–
Net assets		**968,308**	6,964
EQUITY			
Share capital	26	**2,797**	1,181
Reserves	28	**965,511**	5,783
Total equity		**968,308**	6,964

Leung Ngai Man
Director

Ng Kwok Chu, Winfield
Director

For the year ended 31 December 2008

	Notes	2008 HK$'000	2007 HK$'000
Cash flows from operating activities			
Loss before income tax		**(50,245)**	(19,154)
Adjustments for:			
Depreciation		**456**	92
Amortisation of prepaid lease payment		**299**	26
Equity settled share-based payment expenses		**5,068**	11,433
Loss on disposal of property, plant and equipment		**364**	–
Write back of amount due to minority shareholders of subsidiaries		**(550)**	–
Impairment loss of property, plant and equipment		**447**	–
Impairment loss of prepaid lease payment		**4,442**	–
Written off on property, plant and equipment		**232**	–
Impairment loss of inventories		**65**	–
Interest income		**(68)**	(549)
Interest expense		**26,523**	1,581
Operating loss before working capital changes		**(12,967)**	(6,571)
Decrease/(Increase) in trade receivables		**18**	(118)
Increase in prepayments, deposits and other receivables		**(2,227)**	(63)
Increase/(Decrease) in other payables and accrued expenses		**2,764**	(136)
Cash used in operations		**(12,412)**	(6,888)
Interest paid		**(110)**	(2,088)
Net cash used in operating activities		**(12,522)**	(8,976)
Cash flows from investing activities			
Proceeds from disposal of property, plant and equipment		**900**	–
Purchases of property, plant and equipment		**(125)**	(3,630)
Payment of intangible assets		**(215)**	–
Additional interest in subsidiary acquired by the Group	25	**(49)**	–
Purchase of a business combination (net of cash and cash equivalent acquired)	32	**(86,666)**	–
Upfront lease payments		**–**	(16,215)
Interest received		**68**	549
Increase in pledged deposit		**(6)**	(200)
Net cash used in investing activities		**(86,093)**	(19,496)

	Notes	2008 HK$'000	2007 HK$'000
Cash flows from financing activities			
Proceeds from issuance of share capital		**29,721**	124,987
Proceeds from issuance of warrants		**–**	358
Share issue expenses		**–**	(3,895)
Repurchase of shares		**(490)**	–
Advance of loans from a shareholder		**–**	21,700
Repayment of loans to a shareholder		**(3,200)**	(41,900)
Net cash from financing activities		**26,031**	101,250
Net (decrease)/increase in cash and cash equivalents		**(72,584)**	72,778
Cash and cash equivalents at beginning of year		**73,463**	675
Effect of foreign exchange rate changes, net		**10**	10
Cash and cash equivalents at end of year		**889**	73,463
Analysis of balances of cash and cash equivalents	23		
Cash and bank balances		**837**	73,792
Short term time deposits		**52**	51
Bank overdrafts		**–**	(380)
		889	73,463

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2008

	Equity attributable to equity holders of the Company										Minority interests	Total
	Share capital	Share premium account	Capital redemption reserve	Convertible bond equity reserve	Employee compensation reserve	Translation reserve	Warrant reserve	Other reserve	Accumulated losses	Subtotal		
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
At 1 January 2007	754	–	–	–	–	(21)	–	–	(25,021)	(24,288)	–	(24,288)
Currency translation (Net loss recognised directly in equity)	–	–	–	–	–	(18)	–	–	–	(18)	–	(18)
Loss for the year	–	–	–	–	–	–	–	–	(19,154)	(19,154)	–	(19,154)
Total recognised income and expense for the year	–	–	–	–	–	(18)	–	–	(19,154)	(19,172)	–	(19,172)
Issuance of new shares	320	107,860	–	–	–	–			–	108,180	–	108,180
Share issue expense	–	(3,895)	–	–	–	–	–	–	–	(3,895)	–	(3,895)
Recognition of equity-settled share-based compensation	–	–	–	–	11,433	–	–	–	–	11,433	–	11,433
Proceeds from shares issued under share option scheme	58	7,385	–	–	(1,661)	–	–	–	–	5,782	–	5,782
Issuance of warrants	–	–	–	–	–	–	358	–	–	358	–	358
Exercise of warrants	49	11,075	–	–	–	–	(99)	–	–	11,025	–	11,025
At 31 December 2007	1,181	122,425	–	–	9,772	(39)	259	–	(44,175)	89,423	–	89,423

For the year ended 31 December 2008

	Equity attributable to equity holders of the Company										Minority interests	Total
	Share capital	Share premium account	Capital redemption reserve	Convertible bond equity reserve	Employee compensation reserve	Translation reserve	Warrant reserve	Other reserve	Accumulated losses	Subtotal		
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
At 1 January 2008	1,181	122,425	–	–	9,772	(39)	259	–	(44,175)	89,423	–	89,423
Currency translation (Net loss recognised directly in equity)	–	–	–	–	–	(38)	–	–	–	(38)	–	(38)
Loss for the year	–	–	–	–	–	–	–	–	(50,119)	(50,119)	(126)	(50,245)
Total recognised income and expense for the year	–	–	–	–	–	(38)	–	–	(50,119)	(50,157)	(126)	(50,283)
Issuance of new shares, net of share issue expense	217	46,130	–	–	–	–	–	–	–	46,347	–	46,347
Recognition of equity-settled share-based compensation	–	–	–	–	5,068	–	–	–	–	5,068	–	5,068
Proceeds from shares issued under share option scheme	5	650	–	–	(185)	–	–	–	–	470	–	470
Proceeds from shares issued upon exercise of warrants	133	29,377	–	–	–	–	(259)	–	–	29,251	–	29,251
Issuance of convertible bonds	–	–	–	333,772	–	–	–	–	–	333,772	–	333,772
Exercise of convertible bonds	1,262	808,342	–	(218,090)	–	–	–	–	–	591,514	–	591,514
Repurchase of shares	(1)	(490)	1	–	–	–	–	–	–	(490)	–	(490)
Additional interest in subsidiary acquired by the Group	–	–	–	–	–	–	–	(49)	–	(49)	–	(49)
Arising from acquisition of subsidiaries	–	–	–	–	–	–	–	–	–	–	50,794	50,794
At 31 December 2008	2,797	1,006,434*	1*	115,682*	14,655*	(77) *	–*	(49) *	(94,294) *	1,045,149	50,668	1,095,817

* The aggregate amount of these reserve accounts is included in the consolidated reserves of HK$1,042,352,000 (2007: HK$88,242,000) in the consolidated balance sheet.

1. CORPORATE INFORMATION

China Metal Resources Holdings Limited (formerly known as "Glory Future Group Limited") (the "Company") was incorporated in the Cayman Islands as an exempted company with limited liability under the Companies Law (1998 Revision) of the Cayman Islands. The address of the Company's registered office is Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman, KY1-1111, Cayman Islands. The Company's shares are listed on the Growth Enterprise Market ("GEM") of The Stock Exchange of Hong Kong Limited (the "Stock Exchange").

During the year, the Company and its subsidiaries (together referred to as the "Group") was involved in the following principal activities:

– provision of web page design and website maintenance services
– provision of staff secondment and system integration services
– provision of information technology consultancy services
– trading of hardware and software
– exploration of mines

On 4 January 2008, Greatest High Holdings Limited ("Greatest High"), a wholly-owned subsidiary of the Company, entered into an agreement (the "Agreement") with Mr. Leung Ngai Man ("Mr. Leung"), an executive director of the Company, to acquire 100% of the issued share capital of China Nonferrous Metals Resources Investment Limited ("China Nonferrous Metals") and 100% interest of the shareholders' loan ("Mine Acquisition").

The principal activity of China Nonferrous Metals is investment holding. The sole asset is the entire issued capital of China Mining Group Investment Limited ("China Mining"), which in turn owns 80% of the registered and paid up capital of Yunnan Western Mining Company Limited ("Yunnan Western"). Yunnan Western is principally engaged in the exploration of mines in the PRC at permitted and authorised locations (the "Exploration Area") and the business to be originated from the Supply Contract (as defined in note 19). The Mine Acquisition was completed on 26 August 2008.

The financial statements for the year ended 31 December 2008 were approved by the board of directors on 5 March 2009.

2. ADOPTION OF NEW AND AMENDED HKFRSs

In the current year, the Group has applied for the first time the following new standards, amendments and interpretations (the "new HKFRSs") issued by the HKICPA, which are relevant to and effective for the Group's financial statements for the annual period beginning on 1 January 2008:

HK(IFRIC)-Int 11	HKFRS 2: Group and Treasury Share Transactions
HKAS 39 (Amendment)	Reclassification of Financial Assets

The new HKFRSs had no material impact on how the results and financial position for the current and prior periods have been prepared and presented. Accordingly, no prior period adjustment is required.

At the date of authorisation of these financial statements, the following new and amended HKFRSs have been published but are not yet effective, and have not been adopted early by the Group.

2. ADOPTION OF NEW AND AMENDED HKFRSs (CONTINUED)

HKAS 1 (Revised)	Presentation of Financial Statements[1]
HKAS 23 (Revised)	Borrowing costs[1]
HKAS 27 (Revised)	Consolidated and Separate Financial Statements[2]
HKAS 32, HKAS 39 & HKFRS 7 (Amendments)	Puttable Financial Instruments and Obligations Arising on Liquidation[1]
HKAS 39 (Amendment)	Eligible hedge items[2]
HKFRS 1 & HKAS 27 (Amendments)	Cost of an Investment in a Subsidiary, Jointly Controlled Entity or an Associate[1]
HKFRS 1 (Revised)	First-time Adoption of Hong Kong Financial Reporting Standards[2]
HKFRS 2 (Amendment)	Share-based Payment – Vesting Conditions and Cancellations[1]
HKFRS 3 (Revised)	Business Combination[2]
HKFRS 8	Operating Segments[1]
HK(IFRIC)-Int 2 (Amendment)	Members' Shares in Co-operative Entities and Similar Instruments[1]
HK(IFRIC)-Int 13	Customer Loyalty Programmes[3]
HK(IFRIC)-Int 15	Agreements for the Construction of Real Estate[1]
HK(IFRIC)-Int 16	Hedges of a Net Investment in a Foreign Operation[4]
HK(IFRIC)-Int 17	Distributions of Non-cash Assets to Owners[2]
HK(IFRIC)-Int 18	Transfer of Assets from Customers[2]
Various	Annual Improvements to HKFRS 2008[5]

Notes:

1 Effective for annual periods beginning on or after 1 January 2009
2 Effective for annual periods beginning on or after 1 July 2009
3 Effective for annual periods beginning on or after 1 July 2008
4 Effective for annual periods beginning on or after 1 October 2008
5 Generally effective for annual periods beginning on or after 1 January 2009 unless otherwise stated in the specific HKFRS

The directors of the Company anticipate that all of the pronouncements will be adopted in the Group's accounting policy for the first period beginning after the effective date of the pronouncement.

Among these new standards and interpretations, HKAS 1(Revised) *Presentation of Financial Statements* is expected to materially change the presentation of the Group's financial statements. The amendments affect the presentation of owner changes in equity and introduce a statement of comprehensive income. The Group will have the option of presenting items of income and expenses and components of other comprehensive income either in a single statement of comprehensive income with subtotals, or in two separate statements (a separate income statement followed by a statement of comprehensive income). The amendment does not affect the financial position or results of the Group but will give rise to additional disclosures.

In addition, HKFRS 8 *Operating Segments* may result in new or amended disclosures. The directors of the Company are in the process of identifying reportable operating segments as defined in HKFRS 8.

The directors of the Company are currently assessing the impact of other new and amended HKFRSs upon initial application. So far, the directors of the Company have preliminarily concluded that the initial application of these HKFRSs is unlikely to have a significant impact on the Group's results and financial position.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

3.1 Basis of preparation

The financial statements on pages 29 to 99 have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") which collective term includes all applicable individual Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards and Interpretations issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"). The financial statements include the applicable disclosure requirements of the Hong Kong Companies Ordinance and the Rules Governing the Listing of Securities on the Growth Enterprise Market of The Stock Exchange of Hong Kong Limited ("GEM Listing Rules").

The significant accounting policies that have been used in the preparation of these financial statements are summarised below. These policies have been consistently applied to all the years presented unless otherwise stated.

The financial statements have been prepared on the historical cost basis. The measurement bases are fully described in the accounting policies below.

It should be noted that accounting estimates and assumptions are used in preparation of the financial statements. Although these estimates are based on management's best knowledge of current events and actions, actual results may ultimately differ from those estimates. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements, are disclosed in note 4.

3.2 Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and its subsidiaries made up to 31 December each year.

3.3 Subsidiaries

Subsidiaries are entities over which the Group has the power to control the financial and operating policies so as to obtain benefits from their activities. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Group controls another entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are excluded from consolidation from the date that control ceases.

Business combinations (other than for combining entities under common control) are accounted for by applying the purchase method. This involves the estimation of fair value of all identifiable assets and liabilities, including contingent liabilities of the subsidiary, at the acquisition date, regardless of whether or not they were recorded in the financial statements of the subsidiary prior to acquisition. On initial recognition, the assets and liabilities of the subsidiary are included in the consolidated balance sheet at their fair values, which are also used as the bases for subsequent measurement in accordance with the Group's accounting policies.

Intra-group transactions, balances and unrealised gains on transactions between group companies are eliminated in preparing the consolidated financial statements. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.3 Subsidiaries (Continued)

In the Company's balance sheet, subsidiaries are carried at cost less any impairment loss. The results of the subsidiaries are accounted for by the Company on the basis of dividends received and receivable at the balance sheet date.

Minority interest represents the portion of the profit or loss and net assets of a subsidiary attributable to equity interests that are not owned by the Group and are not the Group's financial liabilities.

Minority interests are presented in the consolidated balance sheet within equity, separately from the equity attributable to the equity holders of the Company. Profit or loss attributable to the minority interests are presented separately in the consolidated income statement as an allocation of the Group's results. Where losses applicable to the minority exceeds the minority interests in the subsidiary's equity, the excess and further losses applicable to the minority are allocated against the minority interest to the extent that the minority has a binding obligation and is able to make an additional investment to cover the losses. Otherwise, the losses are charged against the Group's interests. If the subsidiary subsequently reports profits, such profits are allocated to the minority interest only after the minority's share of losses previously absorbed by the Group has been recovered.

3.4 Foreign currency translation

The financial statements are presented in Hong Kong dollars (HK$), which is also the functional currency of the Company.

In the individual financial statements of the consolidated entities, foreign currency transactions are translated into the functional currency of the individual entity using the exchange rates prevailing at the dates of the transactions. At balance sheet date, monetary assets and liabilities denominated in foreign currencies are translated at the foreign exchange rates ruling at the balance sheet date. Foreign exchange gains and losses resulting from the settlement of such transactions and from the balance sheet date retranslation of monetary assets and liabilities are recognised in the income statement.

Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing on the date when the fair value was determined and are reported as part of the fair value gain or loss. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

In the consolidated financial statements, all individual financial statements of foreign operations, originally presented in a currency different from the Group's presentation currency, have been converted into Hong Kong dollars. Assets and liabilities have been translated into Hong Kong dollars at the closing rates at the balance sheet date. Income and expenses have been converted into Hong Kong dollars at the exchange rates ruling at the transaction dates, or at the average rates over the reporting period provided that the exchange rates do not fluctuate significantly. Any differences arising from this procedure have been dealt with separately in the translation reserve in equity. Goodwill and fair value adjustments arising on the acquisition of a foreign operation on or after 1 January 2005 have been treated as assets and liabilities of the foreign operation and translated into Hong Kong dollars at the closing rates.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.5 Recognition of revenue

Revenue comprises the fair value for the sale of goods, rendering of services and the use by others of the Group's assets yielding interest and dividends, net of rebates and discounts. Provided it is probable that the economic benefits will flow to the Group and the revenue and costs, if applicable, can be measured reliably, revenue is recognised as follows:

Sales of goods are recognised upon transfer of the significant risks and rewards of ownership to the customer. This is usually taken as the time when the goods are delivered and the customer has accepted the goods.

Sales of services are recognised in the accounting period in which the services are rendered, by reference to completion of the specific transaction assessed on the basis of the actual service provided as a proportion of the total services to be provided.

Interest income is recognised on a time-proportion basis using the effective interest method.

3.6 Prepaid lease payments and property, plant and equipment

Prepaid lease payments represent up-front payments to acquire long term interest in the usage of land. They are stated at cost and charged to income statement over the remaining period of the lease on a straight-line basis net of any impairment losses.

Buildings held for own use which are situated on prepaid lease payments, where the fair value of the buildings could be measured separately from the fair value of the prepaid lease payments, and other items of property, plant and equipment are stated at cost less accumulated depreciation and impairment losses. The cost of an asset comprises its purchase price and any directly attributable costs of bringing the asset to its working condition and location for its intended use. Expenditure incurred after property, plant and equipment have been put into operation, such as repairs and maintenance, is normally charged to the income statement.

Depreciation is provided to write off the cost of property, plant and equipment over their estimated useful lives, using the straight line method, as follows:

Medium term leasehold buildings in Hong Kong	Over the shorter of the lease terms or 50 years
Furniture, fixtures and fittings	2-5 years
Computer and office equipment	2-5 years
Motor vehicles	5-10 years

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.6 Prepaid lease payments and property, plant and equipment (Continued)

The assets' useful lives are reviewed, and adjusted if appropriate, at each balance sheet date.

The gain or loss arising on retirement or disposal is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in income statement.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. All other costs, such as repairs and maintenance are charged to the income statement during the financial period in which they are incurred.

3.7 Goodwill

Set out below are the accounting policies on goodwill arising on acquisition of a subsidiary.

Goodwill represents the excess of the cost of a business combination over the Group's interest in the net fair value of the acquiree's identifiable assets, liabilities and contingent liabilities. The cost of the business combination is measured at the aggregate of the fair values, at the date of exchange, of assets given, liabilities incurred or assumed, and equity instruments issued by the Group, plus any costs directly attributable to the business combination.

Goodwill is stated at cost less accumulated impairment losses. Goodwill is allocated to cash-generating units and is tested annually for impairment (see note 3.10).

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 is recognised immediately in profit or loss.

On subsequent disposal of a subsidiary, the attributable amount of goodwill is included in the determination of the amount of gain or loss on disposal.

3.8 Intangible assets (other than goodwill)

Intangible assets acquired separately are recognised initially at cost. After initial recognition, intangible assets with finite useful lives are carried at cost less accumulated amortisation and any accumulated impairment losses. Amortisation for intangible assets with finite useful lives is provided on straight-line basis over their estimated useful lives.

Intangible assets are tested for impairment as described below in note 3.10. Amortisation commences when the intangible assets are available for use.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.9 Exploration and evaluation assets

Exploration and evaluation assets are stated at cost less impairment losses. Exploration and evaluation assets include topographical and geological survey drilling, exploratory drillings, sampling and trenching and expenditure incurred for the technical feasibility studies and incurred to secure further mineralisation in the mine ore. Expenditure incurred prior to obtaining the exploration and evaluation rights to explore an area are written off as incurred. Once the technical feasibility and commercial viability of extracting the mineral resource had been determined and that the project reaches development phase, exploration and evaluation costs capitalised are amortised. If exploration property is abandoned during the evaluation stage, the total expenditure thereon will be written off.

3.10 Impairment of assets

Goodwill arising on an acquisition of subsidiary, other intangible assets, property, plant and equipment, prepaid lease payment and investments in subsidiaries are subject to impairment testing.

Goodwill and other intangible assets with an indefinite useful life or those not yet available for use are tested for impairment at least annually, irrespective of whether there is any indication that they are impaired. All other assets are tested for impairment whenever there are indications that the asset's carrying amount may not be recoverable.

An impairment loss is recognised as an expense immediately for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of fair value, reflecting market conditions less costs to sell, 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 assessment of time value of money and the risk specific to the asset.

For the purposes of assessing impairment, where an asset does not generate cash inflows largely independent from those from other assets, the recoverable amount is determined for the smallest group of assets that generate cash inflows independently (i.e. a cash-generating unit). As a result, some assets are tested individually for impairment and some are tested at cash-generating unit level. Goodwill in particular is allocated to those cash-generating units that are expected to benefit from synergies of the related business combination and represent the lowest level within the Group at which the goodwill is monitored for internal management purpose.

Impairment losses recognised for cash-generating units, to which goodwill has been allocated, are credited initially to the carrying amount of goodwill. Any remaining impairment loss is charged pro rata to the other assets in the cash generating unit, except that the carrying value of an asset will not be reduced below its individual fair value less cost to sell, or value in use, if determinable.

An impairment loss on goodwill is not reversed in subsequent periods including impairment losses recognised in an interim period. In respect of other assets, an impairment loss is reversed if there has been a favourable change in the estimates used to determine the asset's recoverable amount and only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.11 Financial assets

The Group's financial assets include trade receivables, other receivables, pledged deposit and cash and bank balances.

Management determines the classification of its financial assets at initial recognition depending on the purpose for which the financial assets were acquired and where allowed and appropriate, re-evaluates this designation at every reporting date.

All financial assets are recognised when, and only when, the Group becomes a party to the contractual provisions of the instrument. When financial assets are recognised initially, they are measured at fair value, plus, in the case of investments not at fair value through profit or loss, directly attributable transaction costs.

Derecognition of financial assets occurs when the rights to receive cash flows from the assets expire or are transferred and substantially all of the risks and rewards of ownership have been transferred.

At each balance sheet date, financial assets are reviewed to assess whether there is objective evidence of impairment. If any such evidence exists, impairment loss is determined and recognised based on the classification of the financial asset.

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Loans and receivables are subsequently measured at amortised cost using the effective interest method, less any impairment losses. Amortised cost is calculated taking into account any discount or premium on acquisition and includes fees that are an integral part of the effective interest rate and transaction cost. The Group's trade and most other receivables fall into this category of financial instruments.

At each balance sheet date, loans and receivables are reviewed to determine whether there is any objective evidence of impairment.

Objective evidence of impairment includes observable data that comes to the attention of the Group about one or more of the following loss events:

– significant financial difficulty of the debtor;
– a breach of contract, such as a default or delinquency in interest or principal payments;
– it becoming probable that the debtor will enter bankruptcy or other financial reorganisation;
– significant changes in the technological, market, economic or legal environment that have an adverse effect on the debtor; and
– a significant or prolonged decline in the fair value of an investment in an equity instrument below its cost.

Loss events in respect of a group of financial assets include observable data indicating that there is a measurable decrease in the estimated future cash flows from the group of financial assets. Such observable data includes but not limited to adverse changes in the payment status of debtors in the group and, national or local economic conditions that correlate with defaults on the assets in the group.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.11 Financial assets (Continued)

If there is objective evidence that an impairment loss on loans and receivables has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate (i.e. the effective interest rate computed at initial recognition). The amount of the loss is recognised in profit or loss of the period in which the impairment occurs.

If, in subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed to the extent that it does not result in a carrying amount of the financial asset exceeding what the amortised cost would have been had the impairment not been recognised at the date the impairment is reversed. The amount of the reversal is recognised in profit or loss of the period in which the reversal occurs.

3.12 Inventories

Inventories are carried at the lower of cost and net realisable value. Cost is determined using the first-in, first-out method and in the case of work in progress and finished goods, comprise direct materials, direct labour and an appropriate proportion of overheads. Net realisable value is the estimated selling price in the ordinary course of business less any applicable selling expenses.

3.13 Accounting for income taxes

Income tax comprises current and deferred tax.

Current income tax assets and/or liabilities comprise those obligations to, or claims from, fiscal authorities relating to the current or prior reporting period, that are unpaid at the balance sheet date. They are calculated according to the tax rates and tax laws applicable to the fiscal periods to which they relate, based on the taxable profit for the year. All changes to current tax assets or liabilities are recognised as a component of tax expense in the income statement.

Deferred tax is calculated using the liability method on temporary differences at the balance sheet date between the carrying amounts of assets and liabilities in the financial statements and their respective tax bases. Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are recognised for all deductible temporary differences, tax losses available to be carried forward as well as other unused tax credits, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, unused tax losses and unused tax credits can be utilised.

Deferred tax assets and liabilities are not recognised if the temporary difference arises from goodwill or from initial recognition (other than in a business combination) of assets and liabilities in a transaction that affects neither taxable nor accounting profit or loss.

Deferred tax liabilities are recognised for taxable temporary differences arising on investments in subsidiaries, except where the Group is able to control the reversal of the temporary differences and it is probable that the temporary differences will not reverse in the foreseeable future.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.13 Accounting for income taxes (Continued)

Deferred tax is calculated, without discounting, at tax rates that are expected to apply in the period the liability is settled or the asset realised, provided they are enacted or substantively enacted at the balance sheet date.

Changes in deferred tax assets or liabilities are recognised in the income statement, or in equity if they relate to items that are charged or credited directly to equity.

3.14 Cash and cash equivalents

Cash and cash equivalents include cash at bank and in hand, less bank overdrafts which are repayable on demand and form an integral part of the Group's cash management.

3.15 Share capital

Ordinary shares are classified as equity. Share capital is determined using the nominal value of shares that have been issued.

Any transaction costs associated with the issuing of shares are deducted from share premium (net of any related income tax benefit) to the extent they are incremental costs directly attributable to the equity transaction.

3.16 Retirement benefit costs and short term employee benefits

(a) Retirement benefit costs

Retirement benefits to employees are provided through defined contribution plans.

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

Pursuant to the relevant regulations of the government of the People's Republic of China except Hong Kong (the "PRC"), subsidiaries of the Company operating in the PRC participate in a local municipal government retirement benefits scheme (the "PRC Scheme"), whereby the subsidiaries are required to make contributions, as calculated under the rules specified by the relevant PRC local government authorities, to the PRC Scheme to fund their retirement benefits. The local municipal government undertakes to assume the retirement benefits obligations of all existing and future retired employees of the subsidiaries. The only obligation of the Group with respect to the PRC Scheme is to pay the ongoing required contributions under the PRC Scheme mentioned above. Contributions under the PRC Scheme are charged to the income statement as incurred. There are no provisions under the PRC Scheme whereby forfeited contributions may be used to reduce future contributions.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.16 Retirement benefit costs and short term employee benefits (Continued)

(b) Short term employee benefits

(i) Provisions for bonus due are recognised when the Group has a present legal or constructive obligations as a result of services rendered by employees and a reliable estimate of the obligation can be made.

(ii) Employee entitlements to annual leave are recognised when they accrue to employees. A provision is made for the estimated liability for annual leave as a result of services rendered by employees up to the balance sheet date.

Non-accumulating compensated absences such as sick leave and maternity leave are not recognised until the time of leave.

3.17 Share-based employee compensation

All share-based payment arrangements granted after 7 November 2002 and had not vested on 1 January 2005 are recognised in the financial statements. The Group operates equity-settled share-based compensation plans for remuneration of its employees.

All employee services received in exchange for the grant of any share-based compensation are measured at their fair values. These are indirectly determined by reference to the share options awarded. Their value is appraised at the grant date and excludes the impact of any non-market vesting conditions.

All share-based compensation is ultimately recognised as an expense in income statement unless it qualifies for recognition as asset, with a corresponding increase in equity (employee compensation reserve). If vesting periods or other vesting conditions apply, the expense is recognised over the vesting period, based on the best available estimate of the number of share options expected to vest. Non-market vesting conditions are included in assumptions about the number of options that are expected to become exercisable. Estimates are subsequently revised, if there is any indication that the number of share options expected to vest differs from previous estimates. No adjustment to expense recognised in prior periods is made if fewer share options ultimately are exercised than originally vested.

At the time when the share options are exercised, the amount previously recognised in employee compensation reserve will be transferred to share premium. When the share options are forfeited or are still not exercised at the expiry date, the amount previously recognised in employee compensation reserve will be transferred to retained profits.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.18 Financial liabilities

The Group's financial liabilities include other payables, loans from a former shareholder, bank borrowings and convertible bonds.

Financial liabilities are recognised when the Group becomes a party to the contractual provisions of the instrument. All interest related charges are recognised as an expense in finance costs in the income statement.

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

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

Trade and other payables

Trade and other payables are recognised initially at their fair value and subsequently measured at amortised cost using the effective interest method.

Convertible bonds that contain an equity component

Convertible bonds that can be converted to equity share capital at the option of the holder, where the number of shares that would be issued on conversion and the value of the consideration that would be received at that time do not vary, are accounted for as compound financial instruments which contain both a liability component and an equity component.

Convertible bond issued by the Company that contain both financial liability and equity components are classified separately into respective liability and equity components on initial recognition. On initial recognition, the fair value of the liability component is determined using the prevailing market interest rate for similar non-convertible debts. The difference between the proceeds of the issue of the convertible bond and the fair value assigned to the liability component, representing the call option for conversion of the bond into equity, is included in equity as convertible bond equity reserve.

The liability component is subsequently carried at amortised cost using the effective interest method. The equity component will remain in equity until conversion or redemption of the bond.

When the bond is converted, the convertible bond equity reserve and the carrying value of the liability component at the time of conversion, is transferred to share capital and share premium as consideration for the shares issued. If the bond is redeemed, the convertible bond equity reserve is released directly to retained profits/accumulated losses.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.19 Leases

An arrangement, comprising a transaction or a series of transactions, is or contains a lease if the Group determines that the arrangement conveys a right to use a specific asset or assets for an agreed period of time in return for a payment or a series of payments. Such a determination is made based on an evaluation of the substance of the arrangement and is regardless of whether the arrangement takes the legal form of a lease.

Where the Group has the right to use the assets held under operating leases, payments made under the leases are charged to the income statement on a straight line basis over the lease terms 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 the income statement as an integral part of the aggregate net lease payments made. Contingent rental are charged to the income statement in the accounting period in which they are incurred.

3.20 Segment reporting

In accordance with the Group's internal financial reporting, the Group has determined that business segment be presented as the primary reporting format and geographical segment as the secondary reporting format.

In respect of business segment reporting, unallocated costs include corporate expenses and other expenses that cannot be allocated on a reasonable basis to the reportable segments. Segment assets consist primarily of intangible assets, property, plant and equipment, inventories, receivables and mainly exclude corporate assets. Segment liabilities comprise operating liabilities and exclude items such as taxation and certain corporate borrowings.

Capital expenditure comprises additions to intangible assets, property, plant and equipment and prepaid lease payments including additions resulting from acquisitions through purchases of subsidiaries.

In respect of geographical segment reporting, revenue is based on the country in which the customer is located and total assets and capital expenditure are where the assets are located.

3.21 Provisions, contingent liabilities and contingent assets

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, and 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 expenditure expected to settle the obligation.

All provision are reviewed at each balance sheet date and adjusted to reflect the current best estimate.

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.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.21 Provisions, contingent liabilities and contingent assets (Continued)

Contingent liabilities are recognised in the course of the allocation of purchase price to the assets and liabilities acquired in a business combination. They are initially measured at fair value at the date of acquisition and subsequently measured at the higher of the amount that would be recognised in a comparable provision as described above and the amount initially recognised less any accumulated amortisaton, if appropriate.

3.22 Related parties

For the purposes of these financial statements, 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 policy decisions, or has joint control over the group;

(ii) the group and the party are subject to common control;

(iii) the party is an associate of the group or a joint venture in which the group is a venturer;

(iv) the party is a member of key management personnel of the group or the group's parent, or a close family member of such an individual, or is an entity under the control, joint control or significant influence of such individuals;

(v) the party is a close family member of a party referred to in (i) or is an entity under the control, joint control or significant influence of such individuals; or

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

Close family members of an individual are those family members who may be expected to influence, or be influenced by, that individual in their dealings with the entity.

4. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

Estimates are continually evaluated and are based on historical experiences and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

4. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS (CONTINUED)

4.1 Critical accounting estimates and assumptions

Valuation of share options granted

The fair value of share options granted was calculated using the Black-Scholes valuation model based on the Group management's significant inputs into calculation including an estimated life of share options granted to be two and a half years to ten years, based on exercise restrictions and behavioural consideration, the volatility of share price, weighted average share prices and exercise price of the share options granted. Furthermore, the calculation assumes nil future dividends.

Valuation of convertible bonds

The directors use their judgement in selecting an appropriate valuation technique for the Group's convertible bonds which are not quoted in the active market. Valuation techniques commonly used by market practitioners are applied. The fair value of convertible bonds is estimated by independent professional valuer based on actual transactions of the financial instruments in the market or transactions of similar financial instruments which generally represent the best estimate of the market value. Details of the key inputs into the model are disclosed in note 33. The fair value of convertible bonds varies with different variables of certain subjective assumptions. Any change in these variables so adopted may materially affect the estimation of the fair value of convertible bonds.

Estimated impairment of goodwill

The Group tests on annual basis whether goodwill is impaired in accordance with the accounting policy stated in note 3.10. This requires an estimation of the value-in-use of the cash-generating units to which the goodwill is allocated. Estimating the value-in-use requires the Group to make an estimate of the expected future cash flows from the cash-generating unit and also to choose a suitable discount rate in order to calculate the present value of those cash flows.

Valuation of supply contract

The supply contract has been valued based on the expected cash flows discounted at current rates applicable for contract with similar terms and risk characteristics by an independent professional valuer, LCH (Asia-Pacific) Surveyors Limited ("LCH") as detailed in note 19. The management of the Group considered valuing the supply contract based on the expected cash flows discounted at current rates is the best method as there is no market reference price on the ores or on the process fees. This is mainly attributable to the mining operators normally process the ores extracted by themselves or pay process fees to other parties to process the ores. If the ores are to be supplied to other parties for processing, such parties are usually related parties and the selling price of the ores will be based on the condition of the ores and other factors such as relationship between the mining operators and the processors.

Such valuations are made based on some estimation, including the expected future ore supply and gold price, and the discount rate used to calculate the present value of the cash flow.

4. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS (CONTINUED)

4.2 Critical judgements in applying the entity's accounting policies

Impairment of receivables

The Group's management determines impairment of receivables on a regular basis. This estimate is based on the credit history of its customers and current market conditions. Management reassesses the provision at the balance sheet date.

Impairment of intangible assets – "exploration and evaluation assets"

The carrying value of exploration and evaluation assets is reviewed for impairment when events or changes in circumstances indicate that the carrying value may not be recoverable. The Group considers all facts and circumstances occurred to judge whether these facts and circumstances would suggest that the carrying amount of the exploration and evaluation assets may exceed its recoverable amount (i.e. impaired). Based on the judgement of the directors, there was no impairment on the exploration and evaluation assets and no impairment loss is recognised for the year ended 31 December 2008. Management reassesses the impairment of intangible assets at the balance sheet date.

Recognition of intangible assets – "supply contract"

Based on the valuation report issued by LCH and the rising market price of gold, the management of the Group expects that the revenue generated from the sale of gold which is processed from the ores supplied by the ore supplier under the supply contract will be substantially higher than the total costs (including the consideration to be paid to the ore supplier for the supply of ores and the processing costs) and have a favourable impact on the revenue and profit of the Group. Accordingly, it is in the commercial interest of the Group to enter into the supply contract and the supply contract has been recognised as an intangible asset with the initial amount based on the valuation report. In the management's judgement to recognise the supply contract as a separate intangible asset, significant assumptions have been made, including the Group is able to obtain the government authority's approval to amend the principal activities of the subsidiary for the inclusion of purchasing and processing of gold minerals and the ore supplier is able to renew its mining operation permit.

Impairment of intangible assets – "supply contract"

The carrying value of supply contract is reviewed for impairment when events or changes in circumstances indicate that the carrying value may not be recoverable. The Group considers all facts and circumstances occurred, including the effect of future gold price, whether Yunnan Western can obtain the government authority's approval to amend its principal activities for the inclusion of purchasing and processing of gold minerals and whether the ore supplier is able to renew its mining operation permit, to judge whether these facts and circumstances would suggest that the carrying amount of the supply contract may exceed its recoverable amount (i.e. impaired). Based on the judgement of the directors, there was no impairment on the supply contract and no impairment loss is recognised for the year ended 31 December 2008. Management reassesses the impairment of intangible assets at the balance sheet date.

4. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS (CONTINUED)

4.2 Critical judgements in applying the entity's accounting policies (Continued)

Impairment of prepayments, deposits and other receivables

Allowances for impairment of prepayments, deposits and other receivables are determined by management of the Group based on the nature and the current market conditions. It could change significantly as a result of changes in the financial position of the entity to whom the prepayments, deposits and other receivables are paid. Management reassesses the impairment of these balances at the balance sheet date.

Goodwill

In the opinion of the directors, the consideration paid for the Mine Acquisition include a premium paid for the future expectations on the gold price and the potential resources of gold in the exploration area.

As the estimation of the effect of future gold price is impossible as gold is a commodity and its price fluctuation depends on many factors, including demand and supply of gold. Accordingly, the directors considered there is no reliable fair value of the effect of future gold price and no separate intangible asset should be recognised in respect of the gold premium on date of acquisition.

Engineering estimates of the Group's gold reserves are inherently imprecise and represent only approximate amounts because of the subjective judgements involved in developing such information. There are authoritative guidelines regarding the engineering criteria that have to be met before estimated mine reserves can be designated as "proved" and "probable". Proved and probable gold reserve estimates are updated on a regular basis and have taken into account recent production and technical information about each gold mine. In addition, as prices and cost levels change from year to year, the estimate of proved and probable gold reserves also changes. As at date of acquisition, there was no gold mine located in the exploration area, accordingly, the directors considered there is no reliable fair value of the gold reserves and no separate intangible asset should be recognised in respect of the gold reserves on date of acquisition.

5. SEGMENT INFORMATION

Primary reporting format – business segments

The Group's operating businesses are structured and managed separately, according to the nature of their operations and the products and services they provide. Each of the Group's business segments represents a strategic business unit that offers products and services which are subject to risks and returns that are different from those of the other business segments. Details of the business segments are summarised as follows:

(a) the web page design and website maintenance segment provides application and web page development work and monthly services for maintaining and updating website services;

(b) the staff secondment and system integration segment provides services including hardware and software management services;

(c) the information technology consultancy services segment provides services relating to the implementation and application of computer systems;

(d) the trading of hardware and software segment provides trading of computer products in the PRC; and

(e) the exploration of mines in the PRC at permitted and authorised locations.

5. SEGMENT INFORMATION (CONTINUED)

Primary reporting format – business segments (continued)

The following table presents revenue, results and asset, liability and expenditure information for the Group's business segments.

	Web page design and website maintenance		Staff secondment and system integration		Information technology consultancy services		Trading of hardware and software		Exploration of mines		Consolidated	
	2008	2007	**2008**	2007	**2008**	2007	**2008**	2007	**2008**	2007	**2008**	2007
	HK$'000	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000
Segment revenue:												
Sales to external customers	**-**	5	**620**	316	**-**	100	**646**	2,188	**-**	–	**1,266**	2,609
Segment results	**-**	5	**90**	45	**(2)**	(9)	**198**	757	**(3,284)**	–	**(2,998)**	798
Unallocated income											**618**	555
Unallocated expenses											**(21,342)**	(18,926)
Operating loss											**(23,722)**	(17,573)
Finance costs											**(26,523)**	(1,581)
Loss before income tax											**(50,245)**	(19,154)
Income tax expense											**-**	–
Loss for the year											**(50,245)**	(19,154)
Segment assets	**-**	100	**114**	77	**157**	132	**7**	–	**1,446,532**	–	**1,446,810**	309
Corporate & unallocated assets											**16,727**	93,874
Total assets											**1,463,537**	94,183
Segment liabilities	**-**	265	**-**	–	**-**	–	**280**	–	**45,797**	–	**46,077**	265
Corporate & unallocated liabilities											**321,643**	4,495
Total liabilities											**367,720**	4,760

5. SEGMENT INFORMATION (CONTINUED)

Primary reporting format – business segments (Continued)

	Web page design and website maintenance		Staff secondment and system integration		Information technology consultancy services		Trading of hardware and software		Exploration of mines		Consolidated	
	2008	2007	**2008**	2007	**2008**	2007	**2008**	2007	**2008**	2007	**2008**	2007
	HK$'000	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000
Other segment information:												
Depreciation	**12**	11	**-**	81	**58**	–	**2**	–	**1**	–	**73**	92
Unallocated depreciation											**383**	–
Total depreciation											**456**	92
Amortisation of prepaid lease payment											**299**	26
Loss on disposal of property, plant and equipment											**364**	–
Written off on property, plant and equipment	**-**	–	**-**	–	**-**	–	**-**	–	**232**	–	**232**	–
Impairment loss of property, plant and equipment											**447**	–
Impairment loss of prepaid lease payment											**4,442**	–
Impairment loss of inventories	**-**	–	**65**	–	**-**	–	**-**	–	**-**	–	**65**	–
Capital expenditure	**-**	111	**-**	3,519	**-**	–	**9**	–	**308,409**	–	**308,418**	3,630
Unallocated capital expenditure											**116**	–
Total capital expenditure											**308,534**	3,630

5. SEGMENT INFORMATION (CONTINUED)

Secondary reporting format – geographical segments

The Group's operations are located in two main geographical areas. The following table provides an analysis of the Group's sales by location of customers, irrespective of the origin of the goods and services.

	2008	2007
	HK$'000	HK$'000
Segment revenue by geographical markets:		
Hong Kong	**620**	421
PRC	**646**	2,188
	1,266	2,609

The following is an analysis of the carrying amount of segment assets, and additions to property, plant and equipment and intangible assets, analysed by the geographical area in which the assets are located.

	Segment assets		**Capital expenditures**	
	2008	2007	**2008**	2007
	HK$'000	HK$'000	**HK$'000**	HK$'000
Hong Kong	**271**	309	**–**	3,630
PRC	**1,446,539**	–	**308,418**	–
	1,446,810	309	**308,418**	3,630

6. REVENUE AND TURNOVER

Revenue, which is also the Group's turnover, represents the invoiced value of goods supplied and services rendered arising from the principal activities of the Group during the year after eliminations of all significant intra-group transactions.

	2008	2007
	HK$'000	HK$'000
Web page design and website maintenance income	**–**	5
Staff secondment and system integration income	**620**	316
Information technology consultancy services income	**–**	100
Trading of hardware and software income	**646**	2,188
	1,266	2,609

7. OTHER OPERATING INCOME

	2008	2007
	HK$'000	HK$'000
Bank interest income on financial assets stated at amortised cost	**68**	549
Sundry income	**–**	6
Write back of amount due to minority shareholders of subsidiaries	**550**	–
	618	555

8. FINANCE COSTS

	2008	2007
	HK$'000	HK$'000
Interest charges on financial liabilities stated at amortised cost:		
Loans from a shareholder wholly repayable within one year	**35**	1,581
Convertible bonds	**26,488**	–
	26,523	1,581

9. LOSS BEFORE INCOME TAX

	Notes	2008 HK$'000	2007 HK$'000
Loss before income tax is arrived at after charging:			
Cost of goods sold		**448**	1,432
Cost of services provided *		**532**	379
Auditors' remuneration		**550**	272
Employee benefit expense (excluding directors' emoluments) #	13	**5,531**	13,574
Directors' emoluments	14	**4,848**	664
		10,379	14,238
Minimum lease payments paid under operating leases in respect of:			
– Land and buildings		**48**	62
– Computer server		**2**	12
– Colour printer		**4**	–
Loss on disposal of property, plant and equipment **		**364**	–
Written off on property, plant and equipment **		**232**	–
Depreciation		**456**	92
Amortisation of prepaid lease payment		**299**	26
Impairment loss of property, plant and equipment **		**447**	–
Impairment loss of prepaid lease payment **		**4,442**	–
Impairment loss of inventories **		**65**	–

* Cost of services provided included HK$530,000 (2007: HK$253,000) relating to employee benefit expense. This amount is included in both "Cost of services provided" and "Employee benefit expense" disclosed above.

\# Employee benefit expense (excluding directors' emoluments) included share based payment of HK$2,957,000 (2007: HK$11,433,000) disclosed above.

** The loss on disposal of property, plant and equipment, written off on property, plant and equipment, impairment loss of property, plant and equipment, impairment loss of prepaid lease payment and impairment loss of inventories are included in other operating expenses.

10. INCOME TAX EXPENSE

Hong Kong profits tax has not been provided as the Group did not generate any assessable profits arising in Hong Kong during the year (2007: Nil).

No provision for PRC profits tax has been made on the financial statements for the current year as the assessable profits were wholly offset by tax losses brought forward (2007: Nil).

Reconciliation between tax expense and accounting loss at applicable tax rates is as follows:

	2008 **HK$'000**	2007 HK$'000
Loss before income tax	**(50,245)**	(19,154)
Tax at the statutory rate of 16.5% in Hong Kong (2007: 17.5%)	**(8,290)**	(3,352)
Effect of different tax rate of the other jurisdictions	**(13)**	75
Tax effect of non-deductible expenses	**8,250**	3,105
Tax effect of non-taxable revenue	**(8)**	(95)
Tax effect of temporary differences not recognised	**2**	(15)
Tax effect of tax losses not recognised	**183**	443
Tax effect of prior years' unrecognised tax losses utilised this year	**(124)**	(161)
Income tax expense	**–**	–

As at 31 December 2008, the Group had unutilised tax loss of HK$3,457,000 (2007: HK$2,927,000) arising from a subsidiary operating outside Hong Kong which is available for setting off against future taxable profit of that subsidiary for 5 years and tax losses of HK$52,905,000 (2007: HK$50,242,000) arising from certain subsidiaries operating in Hong Kong which can be carried forward indefinitely. No deferred tax asset has been recognised in respect of these tax losses due to the unpredictability of future profit streams.

The deferred tax liability of HK$44,257,000 as at 31 December 2008 arose from the fair value adjustments of the supply contract upon acquisition of subsidiaries (note 32). As at 31 December 2007, no deferred tax liability has been provided as the Group did not have any significant temporary differences which give rise to a deferred tax liability.

As at 31 December 2008, no deferred tax liability has been provided as the Company did not have any significant temporary differences which give rise to a deferred tax liability (2007: Nil).

11. LOSS FOR THE YEAR ATTRIBUTABLE TO THE EQUITY HOLDERS OF THE COMPANY

Of the consolidated loss for the year attributable to the equity holders of the Company of HK$50,119,000 (2007: HK$19,154,000), a loss of HK$44,588,000 (2007: HK$103,488,000) has been dealt with in the financial statements of the Company.

12. LOSS PER SHARE

The calculation of the basic loss per share is based on the loss for the year attributable to equity holders of the Company of approximately HK$50,119,000 (2007: HK$19,154,000) and on the weighted average number of 1,803,964,000 (2007: 944,538,000 (restated)) ordinary shares of the Company in issue during the year.

The weighted average number of shares for the purposes of calculating basic earnings per share for the year ended 31 December 2007 has been restated to reflect the share consolidation during the year as detailed in note 26(b) to the financial statements.

Diluted result per share for the years ended 31 December 2008 and 2007 have not been disclosed as the share options, convertible bonds and warrants outstanding during these years were anti-dilutive.

13. EMPLOYEE BENEFIT EXPENSE (EXCLUDING DIRECTORS' EMOLUMENTS)

	2008 **HK$'000**	2007 HK$'000
Wages and salaries	**2,468**	2,071
Share options granted to employees	**2,957**	11,433
Pension costs - defined contribution plans	**106**	70
	5,531	13,574

14. DIRECTORS' REMUNERATION AND SENIOR MANAGEMENT'S EMOLUMENT

Directors' emoluments

The emoluments paid or payable to the directors were as follows:

	Fees HK$'000	Salaries and allowances HK$'000	Contributions to pension scheme HK$'000	Equity settled share-based payment expenses HK$'000	Total HK$'000
Year ended 31 December 2008					
Executive directors					
Choi Koon Ming (note 9)	–	–	–	–	–
Ng Kam Yiu (note 7)	–	–	–	–	–
Chow Yeung Tuen, Richard (note 8)	–	47	4	–	51
Ng Kwok Chu, Winfield (note 1)	–	520	12	994	1,526
Leung Ngai Man (note 4)	–	1,517	7	–	1,524
Wu Wei Hua (note 5)	–	546	11	994	1,551
Independent non-executive directors					
Wu Tak Lung (note 6)	–	–	–	–	–
Phillip King (note 2)	–	–	–	–	–
Ng Cheuk Tat, Ambrose (note 3)	–	–	–	–	–
Chan Sing Fai (note 4)	–	–	–	–	–
Liu Jia Qing (note 5)	–	–	–	123	123
Leung Wai Cheung (note 1)	73	–	–	–	73
	73	2,630	34	2,111	4,848

14. DIRECTORS' REMUNERATION AND SENIOR MANAGEMENT'S EMOLUMENT (CONTINUED)

Directors' emoluments (Continued)

	Fees HK$'000	Salaries and allowances HK$'000	Contributions to pension scheme HK$'000	Equity settled share-based payment expenses HK$'000	Total HK$'000
Year ended 31 December 2007					
Executive directors					
Choi Koon Ming (note 9)	–	–	–	–	–
Ng Kam Yiu (note 7)	–	–	–	–	–
Chow Yeung Tuen, Richard (note 8)	–	390	12	–	402
Ng Kwok Chu, Winfield (note 1)	–	40	1	–	41
Leung Ngai Man (note 4)	–	–	–	–	–
Wu Wei Hua (note 5)	–	–	–	–	–
Independent non-executive directors					
Wu Tak Lung (note 6)	69	–	–	–	69
Phillip King (note 2)	67	–	–	–	67
Ng Cheuk Tat, Ambrose (note 3)	65	–	–	–	65
Chan Sing Fai (note 4)	20	–	–	–	20
Liu Jia Qing (note 5)	–	–	–	–	–
Leung Wai Cheung (note 1)	–	–	–	–	–
	221	430	13	–	664

14. DIRECTORS' REMUNERATION AND SENIOR MANAGEMENT'S EMOLUMENT (CONTINUED)

Directors' emoluments (Continued)

There was no arrangement under which a director waived or agreed to waive any remuneration during the year (2007: Nil).

Notes:

1 Appointed on 16 October 2007
2 Resigned on 20 November 2007
3 Resigned on 24 September 2007
4 Appointed on 2 April 2007
5 Appointed on 11 December 2007
6 Resigned on 11 December 2007
7 Retired on 29 June 2007
8 Resigned on 15 February 2008
9 Retired on 31 March 2008

Five highest paid individuals

The five individuals whose emoluments were the highest in the Group for the year include three executive directors (2007: one) whose emoluments are reflected in the analysis presented above. The emoluments payable to the remaining two (2007: four) highest paid individuals during the year are as follows:

	2008	2007
	HK$'000	HK$'000
Basic salaries, allowances and other benefits in kind	**1,978**	1,081
Contributions to pension scheme	**12**	31
	1,990	1,112

The emoluments fell within the following band:

	Number of individuals	
	2008	2007
Emolument band		
HK$Nil – HK$1,000,000	**2**	4

During the year, no emoluments were paid by the Group to the five highest paid employees or the directors as an inducement to join, or upon joining the Group, or as compensation for loss of office (2007: Nil).

15. PROPERTY, PLANT AND EQUIPMENT

Group

	Buildings HK$'000	Furniture, fixtures and fittings HK$'000	Computer and office equipment HK$'000	Motor vehicles HK$'000	Total HK$'000
At 1 January 2007					
Cost	–	7	355	–	362
Accumulated depreciation	–	(5)	(319)	–	(324)
Net book amount	–	2	36	–	38
Year ended 31 December 2007					
Opening net book amount	–	2	36	–	38
Additions	1,630	30	81	1,889	3,630
Depreciation	(3)	(4)	(33)	(52)	(92)
Closing net book amount	1,627	28	84	1,837	3,576
At 31 December 2007					
Cost	1,630	37	436	1,889	3,992
Accumulated depreciation	(3)	(9)	(352)	(52)	(416)
Net book amount	1,627	28	84	1,837	3,576

15. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

Group (Continued)

	Buildings HK$'000	Furniture, fixtures and fittings HK$'000	Computer and office equipment HK$'000	Motor vehicles HK$'000	Total HK$'000
Year ended 31 December 2008					
Opening net book amount	1,627	28	84	1,837	3,576
Additions	–	94	31	–	125
Addition through acquisition of subsidiaries	–	–	109	130	239
Written off	–	–	(102)	(130)	(232)
Transfer to property held for sale	(1,149)	–	–	–	(1,149)
Impairment	(447)	–	–	–	(447)
Disposals	–	–	–	(1,264)	(1,264)
Depreciation	(31)	(25)	(49)	(351)	(456)
Closing net book amount	–	97	73	222	392
At 31 December 2008					
Cost	–	131	474	309	914
Accumulated depreciation	–	(34)	(401)	(87)	(522)
Net book amount	–	97	73	222	392

The buildings are located on land with medium term leases in Hong Kong.

15. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

Company

	Motor vehicle HK$'000
At 1 January 2007	
Cost	–
Accumulated depreciation	–
Net book amount	–
Year ended 31 December 2007	
Opening net book amount	–
Additions	309
Depreciation	(26)
Closing net book amount	283
At 31 December 2007	
Cost	309
Accumulated depreciation	(26)
Net book amount	283
Year ended 31 December 2008	
Opening net book amount	**283**
Depreciation	**(62)**
Closing net book amount	**221**
At 31 December 2008	
Cost	**309**
Accumulated depreciation	**(88)**
Net book amount	**221**

16. PREPAID LEASE PAYMENT

The Group's interests in leasehold land represent prepaid operating lease payment and their net book value are analysed as follows:

Group

	2008 HK$'000	2007 HK$'000
Carrying amount at 1 January	**16,189**	–
Addition	**–**	16,215
Amortisation of prepaid lease payment	**(299)**	(26)
Impairment	**(4,442)**	–
Transfer to property held for sale	**(11,448)**	–
Carrying amount at 31 December	**–**	16,189

Group

	2008 HK$'000	2007 HK$'000
In Hong Kong held on:		
Leases of between 10 to 50 years	**–**	16,189

17. INVESTMENTS IN SUBSIDIARIES / DUE TO A SUBSIDIARY

Company

	2008 HK$'000	2007 HK$'000
Unlisted shares, at cost	**–**	–
Capital Contribution	**1,285,296**	–
	1,285,296	–
Due to a subsidiary (included under current liabilities)	**(3)**	(3)

The balance due to the subsidiary is unsecured, interest-free and repayable on demand.

17. INVESTMENTS IN SUBSIDIARIES / DUE TO A SUBSIDIARY (CONTINUED)

Particulars of the subsidiaries at 31 December 2008 are as follows:

Name of subsidiary	Place of incorporation/ registration / operations and kind of legal entity	Particulars of issued and fully paid share capital/ registered capital	Percentage of issued capital held by the Company		Principal activity
			Directly	Indirectly	
E-silkroad.net Corporation ("E-silkroad.net")	British Virgin Islands, limited liability company	1 ordinary share of US$1	100%	–	Investment holding
E-silkroad.net Online Exhibition Limited	Hong Kong, limited liability company	10,000 ordinary shares of HK$1 each	–	100%	Development of e-commerce business, provision of web page design and website maintenance services
E-silkroad.net Online Commerce Limited	Hong Kong, limited liability company	10,000 ordinary shares of HK$1 each	–	100%	Dormant
Business Essence Technology Limited	British Virgin Islands, limited liability company	1 ordinary share of US$1	–	100%	Investment holding
E-silkroad.net Resources Limited	British Virgin Islands, limited liability company	1 ordinary share of US$1	–	100%	Dormant
中山市光彩未來軟件有限公司 ("Zhongshan GF")	PRC*	HK$8,000,000	–	95%	Provision of web page design services, application development and technical support services and trading of hardware and software
Leland Solutions Limited ("Leland")	Hong Kong, limited liability company	100,000 ordinary shares of HK$1 each	–	100%	Provision of web page design, website maintenance, staff secondment, system integration and information technology consultancy services
Richtop Holdings Limited ("Richtop")	Hong Kong, limited liability company	1 ordinary shares of HK$1 each	100%	–	Investment holding
Greatest High Holdings Limited	British Virgin Islands, limited liability company	1 ordinary shares of US$1 each	100%	–	Investment holding
Merit Billion Limited	Hong Kong, limited liability company	1 ordinary shares of HK$1 each	100%	–	Investment holding

17. INVESTMENTS IN SUBSIDIARIES / DUE TO A SUBSIDIARY (CONTINUED)

Name of subsidiary	Place of incorporation/ registration / operations and kind of legal entity	Particulars of issued and fully paid share capital/ registered capital	Percentage of issued capital held by the Company Directly	Percentage of issued capital held by the Company Indirectly	Principal activity
China Nonferrous Metals Resources Investment Limited	British Virgin Islands, limited liability company	1 ordinary shares of US$1	–	100%	Investment holding
China Mining Group Investment Limited	Hong Kong, limited liability company	1 ordinary shares of HK$1 each	–	100%	Investment holding
Yunnan Western Mining Company Limited	PRC**	US$3,010,470	–	80%	Exploration of mines
Jet Power Holdings Limited	Hong Kong, limited liability company	1 ordinary shares of HK$1 each	100%	–	Investment holding
Easywin International Holdings Limited	British Virgin Islands, limited liability company	1 ordinary shares of US$1	100%	–	Investment holding

* Zhongshan GF is registered as a contractual joint venture under the PRC law.
** Yunnan Western is registered as a contractual joint venture under the PRC law.

18. GOODWILL

GROUP

	2008 HK$'000
Cost and carrying amount as at 1 January	–
Acquisition of subsidiaries	**1,134,000**
Impairment losses	–
Cost and carrying amount as at 31 December	**1,134,000**

The goodwill is resulted from the Mine Acquisition as detailed in note 32.

The carrying amount of goodwill as at 31 December 2008 of HK$1,134,000,000 is allocated to the cash generating units of exploration of mines.

A valuation of the business project is carried out by LCH to assess the recoverable amount of the cash generating units of exploration of mines.

18. GOODWILL (CONTINUED)

The recoverable amount of the exploration of mines' cash generating unit was determined based on a value-in-use calculation using cash flow projections based on a business plan of mine operation covering a ten-year period approved by the management. In the opinion of the directors, it is justifiable to use a ten-year period business plan to determine the recoverable amount of the goodwill allocated to the cash generating units of exploration of mines as the business plan is prepared based on the annual extraction of gold ore in the coming ten years. By using this method, the expected cash flows on the business project are set out year by year and brought to a present value by use of present value factors at the discount rate of 20.15%. In determining discount rate, the weighted average cost of capital was used, which was an average representing the expected return on all capital based on the figures from similar publicly traded companies in the stock exchanges of the PRC and other countries with mining projects. For the estimation of the inflation rate, the local provincial economy, the PRC economy and the gold market were taken as reference.

The Group management's key assumptions used in the value-in-use calculation were as follows:

– the Group is able to renew its exploration permit from time to time and obtain the mining operation permit.

– the exploration works and the subsequent mining operations will confirm the quality and quantity expected in the business plan of the mines operation.

– the expectation of future gold price.

19. OTHER INTANGIBLE ASSETS

GROUP

	Exploration and evaluation assets HK$'000	Supply Contract HK$'000	Total HK$'000
At 1 January 2008			
Opening carrying amount	**–**	**–**	**–**
Acquisition of subsidiaries	**21,150**	**287,020**	**308,170**
Addition	**215**	**–**	**215**
Accumulated impairment losses	**–**	**–**	**–**
At 31 December 2008	**21,365**	**287,020**	**308,385**

During the year, the Group acquired China Nonferrous Metals and its subsidiaries ("Target Group"). Details of the Mine Acquisition were mentioned in note 32.

19. OTHER INTANGIBLE ASSETS (CONTINUED)

The exploration and evaluation assets acquired in the Mine Acquisition include topographical and geological survey drilling, exploratory drillings, sampling and trenching and expenditure incurred for the technical feasibility studies and incurred to secure further mineralisation in the mine ore after Yunnan Western obtained the exploration and evaluation rights of the Exploration Area. In the opinion of the directors, after considering the advice from a firm of professional valuers, the fair value of the exploration and evaluation assets on date of the Mine Acquisition is equal to the cost incurred as at the valuation date. The main reason is that, the exploration is still at an initial stage on acquisition date, any acquirer of such exploration rights will still need to invest approximately the same amount of money to explore the mines and prepare the relevant feasibility studies in order to get the mining rights. The exploration and evaluation assets acquired are measured under the cost model after the initial recognition. As at 31 December 2008, there is no indication of impairment on the exploration and evaluation assets acquired.

In December 2007, a supply agreement (the "Supply Contract") was entered into between Yunnan Western and the Ore Supplier (as defined in note 37 (a)) in respect of the supply of all the ores extracted from the mine owned by the Ore Supplier to Yunnan Western. The Ore Supplier owns a mining operation permit of a mining site (the "Mine") for a period of 10 years, from 23 September 1999 to 23 September 2009. The Supply Contract were valued by LCH on date of the Mine Acquisition at a fair value of approximately HK$287,020,000 (equivalent to RMB 254,000,000). The Supply Contract acquired is measured under the cost model after the initial recognition. Amortisation for the Supply Contract is provided based on the unit of production method. Such method is selected on the basis of the expected pattern of consumption of the gold ore. As the Group has not utilised any gold ore from the Supply Contract as at 31 December 2008, no amortisation of the Supply Contract is provided. As at 31 December 2008, there is no indication of impairment on the Supply Contract acquired.

The fair value of the Supply Contract is estimated using the discounted cash flow method with discount rate of 20.15% used in the model. The discount rate is supported by observable market transactions and determined based on available observable market data. The major assumption for the valuation basis is Yunnan Western is able to amend its principal activities for the inclusion of purchasing and processing of gold minerals and the Ore Supplier is able to renew its mining operation permit.

20. PROPERTY HELD FOR SALE

Group

	2008 **HK$'000**	2007 HK$'000
Transfer from property, plant and equipment	**1,149**	–
Transfer from prepaid lease payment	**11,448**	–
	12,597	–

On 16 December 2008, the Group entered into a provisional agreement with an independent third party to dispose of its office premises at a consideration of HK$12,775,000. Accordingly, this property is reclassified as "property held for sale". As at 31 December 2008, the carrying amount of this property is adjusted to HK$12,597,000 with reference to the consideration as stipulated in the sale and purchase agreement and an impairment loss of property plant and equipment amounted to HK$447,000 and impairment loss of prepaid lease payment amounted to HK$4,442,000 were charged to the income statement. This transaction is completed subsequent to the balance sheet date on 27 February 2009. Details please refer to note 37(b).

21. INVENTORIES

Group

	2008 **HK$'000**	2007 HK$'000
Finished goods	**–**	65

22. TRADE RECEIVABLES

Group

	2008 **HK$'000**	2007 HK$'000
Trade receivables	**114**	132

22. TRADE RECEIVABLES (CONTINUED)

Group (Continued)

Impairment losses in respect of trade receivables are recorded using an allowance account unless the Group is satisfied that recovery of the amount is remote, in which case the impairment loss is written off against trade receivables directly. The movement in the provision for impairment of trade receivables is as follows:

	2008 **HK$'000**	2007 HK$'000
At 1 January	**–**	403
Amount written off	**–**	(403)
At 31 December	**–**	–

At each of the balance sheet date, the Group's provision for impairment of trade receivables was individually determined based on the credit history of its customers, such as financial difficulties or default in payments, and current market conditions. Consequently, specific impairment provision was recognised.

The Group allows a credit period from 30 days to 90 days to its trade customers. The following is an ageing analysis of net trade receivables at the balance sheet date:

	2008 **HK$'000**	2007 HK$'000
0-30 days	**14**	52
31-60 days	**14**	52
61-90 days	**86**	10
> 90 days	**–**	18
	114	132

The ageing analysis of trade receivables that are not impaired is as follows:

	2008 **HK$'000**	2007 HK$'000
Neither past due nor impaired	**114**	114
Past due but not impaired	**–**	18
	114	132

22. TRADE RECEIVABLES (CONTINUED)

Group (Continued)

Receivables that were neither past due nor impaired related to a wide range of customers for whom there was no recent history of default. Receivables that were past due but not impaired related to a number of customers that have a good track record with the Group. Based on past experience, the management believes that no impairment allowance 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 over these balances.

23. CASH AND BANK BALANCES/PLEDGED DEPOSIT

Group

	2008 **HK$'000**	2007 HK$'000
Cash at banks and in hand	**1,043**	73,792
Short-term bank deposits	**52**	251
Pledged deposit *	**(206)**	(200)
	889	73,843
Bank overdrafts	**–**	(380)
Cash and cash equivalents	**889**	73,463

* As at 31 December 2008, a fixed deposit of HK$206,000 was pledged for obtaining the corporate card services (2007: HK$200,000).

Company

	2008 **HK$'000**	2007 HK$'000
Cash at banks and in hand	**14**	6,615
Short-term bank deposits	**52**	51
	66	6,666

23. CASH AND BANK BALANCES/PLEDGED DEPOSIT (CONTINUED)

Cash at banks earns interest at floating rates based on daily bank deposit rates. Short-term bank deposits are made for varying periods of between one day and three months depending on the immediate cash requirement of the Group, and earn interest at the respective short-term time deposit rates ranging from 0.11% to 1.11% (2007: 1.45% to 3.45%) per annum. The carrying amounts of the cash and cash equivalents approximate their fair values.

Included in cash at banks and in hand of the Group is HK$81,000 (2007: HK$665,000) of bank balances denominated in Renminbi (“RMB”) placed with banks in the PRC. RMB is not freely convertible into other currencies, however, under the PRC’s Foreign Exchange Control Regulations and Administration of Settlement, Sale and Payment of Foreign Exchange Regulations, the Group is permitted to exchange RMB for other currencies through banks authorised to conduct foreign exchange business.

24. LOANS FROM A FORMER SHAREHOLDER

On 27 October 2006, Sun Wah Net Investment Limited (“Sun Wah”) granted a loan of HK$10 million to the Company (the “First Former Shareholder’s Loan”) which was mainly used to repay the convertible bonds with a nominal value of HK$9 million issued to Sun Wah on 27 October 2003 together with the accrued interest incurred thereof. The First Former Shareholder’s Loan was unsecured, interest-bearing at 8% per annum and would be due and repayable on 26 October 2007. Sun Wah had confirmed it would not demand repayment of the said loan of HK$10 million upon its maturity on 26 October 2007 unless the Group had sufficient financial ability to repay it. Sun Wah could extend the said loan, if necessary, beyond 31 March 2008. The Company has partly repaid for HK$4 million of the said loan on 1 August 2007 and the remaining balance on 12 September 2007.

Pursuant to a new loan agreement signed between the Company and Sun Wah dated 13 March 2007, the Company obtained a new loan of HK$18.5 million from Sun Wah (the “Second Former Shareholder’s Loan”) which was mainly used to repay the outstanding principal and accrued interest of the previous shareholder’s loan to the Company. The balance of the remaining Second Former Shareholder’s Loan was retained as working capital of the Group. The Second Former Shareholder’s Loan was unsecured, interest-bearing at 8% per annum and repayable on 15 May 2008. The Second Shareholder’s Loan had been fully repaid by the Company on 16 October 2007.

Pursuant to another loan agreement signed between a subsidiary of the Company and Sun Wah dated 13 March 2007, a new loan of HK$3.2 million was advanced from Sun Wah (the “Third Former Shareholder’s Loan”) for repayment of the principal and accrued interest of the previous shareholder’s loan. The balance of the remaining Third Former Shareholder’s Loan was retained as working capital of the Group. The Third Former Shareholder’s Loan was unsecured, interest-bearing at 8% per annum and repayable on 15 May 2008. Sun Wah had confirmed it would not demand repayment of the shareholder’s loan of HK$3.2 million upon its maturity on 15 May 2008 unless the Group has sufficient financial ability to repay it. The Third Former Shareholder’s Loan had been fully repaid by the Company on 18 February 2008.

25. DUE TO MINORITY SHAREHOLDERS OF SUBSIDIARIES

Pursuant to a shareholder agreement signed between the Group and Sun Rise Int'l Trading Limited ("Sun Rise") dated 1 August 2005, both parties agreed to jointly establish a new company, Leland, which was incorporated on 23 August 2005. The total issued and fully paid capital of Leland is HK$50,000. The Group and Sun Rise have 51% and 49% shareholding in Leland respectively. The Group and Sun Rise have mutually agreed to make a total investment commitment in Leland of not more than HK$250,000 (including the initial capital contribution). After the initial capital contribution of HK$50,000, the remaining investment commitment of HK$200,000 was contributed by the Group of HK$102,000 and Sun Rise of HK$98,000 by way of a long-term loan to Leland. The balance due to Sun Rise of HK$98,000 is unsecured, interest-free and not repayable within the next twelve months after the balance sheet date. On 1 December 2006, as agreed between the Group and Sun Rise, the issued share capital of Leland was increased from HK$50,000 to HK$100,000 by issuing additional 50,000 ordinary shares of HK$1 each. Sun Rise paid its contribution of approximately HK$25,000 by way of transfer from its shareholder's loan to Leland. Accordingly, the balance due to Sun Rise as at 31 December 2007 was approximately HK$73,000 and the shareholding ratio of the Group and Sun Rise in Leland remained unchanged.

On 26 November 2007, Sun Rise, and E-silkroad.net, a company incorporated in the British Virgin Islands and a wholly owned subsidiary of the Company, has entered into the sale and purchase agreement (the "SP Agreement"), pursuant to which Sun Rise had agreed to sell, and E-silkroad.net had agreed to purchase, 49% equity interests in Leland at a consideration of HK$49,000 (the "Acquisition"). Details of the Acquisition were included in the Company's circular dated 29 January 2008.

The Acquisition was approved at the extraordinary meeting of the Company held on 15 February 2008 and completed on 19 February 2008. Thereafter, Leland became a wholly-owned subsidiary of the Company.

As at 31 December 2007, an amount of HK$429,000 is due to a minority shareholder of Zhongshan GF which is unsecured and interest-free. The minority shareholder has undertaken not to demand repayment within a period of twelve months from the balance sheet date. During the year, the balance has been written off as the directors, based on the PRC legal opinion, considered that it is justifiable to write off the amount.

The carrying amounts of the balances due to minority shareholders approximate their fair values.

26. SHARE CAPITAL

The share capital of the Company consists only of ordinary shares. All shares are equally eligible to receive dividends and the repayment of capital.

	Notes	Number of shares of HK$0.01 each 2008 '000	Number of shares of HK$0.01 each 2007 '000	Number of shares of HK$0.0005 each 2008 '000	Number of shares of HK$0.0005 each 2007 '000	Number of shares of HK$0.001 each 2008 '000	Number of shares of HK$0.001 each 2007 '000	Share capital 2008 HK$'000	Share capital 2007 HK$'000
Authorised:									
Ordinary shares at beginning of year		-	10,000,000	200,000,000	–	-	–	100,000	100,000
Share Subdivision	(a)	-	(10,000,000)	-	200,000,000	-	–	-	–
Share Consolidation	(b)	-	–	(200,000,000)	–	100,000,000	–	-	–
Ordinary shares at end of year		-	–	-	200,000,000	100,000,000	–	100,000	100,000

	Notes	Number of shares of HK$0.01 each 2008 '000	Number of shares of HK$0.01 each 2007 '000	Number of shares of HK$0.0005 each 2008 '000	Number of shares of HK$0.0005 each 2007 '000	Number of shares of HK$0.001 each 2008 '000	Number of shares of HK$0.001 each 2007 '000	Share capital 2008 HK$'000	Share capital 2007 HK$'000
Issued and fully paid:									
Ordinary shares at beginning of year		-	75,372	2,361,711	–	-	–	1,181	754
Issuance of new shares	(c)	-	13,567	-	367,695	-	–	-	320
Exercise of share options	(d)	-	2,085	9,900	74,400	-	–	5	58
Exercise of warrants	(e)	-	900	265,909	81,136	-	–	133	49
Share Subdivision	(a)	-	(91,924)	-	1,838,480	-	–	-	–
Share Consolidation	(b)	-	–	(3,871,000)	–	1,935,500	–	-	–
Exercise of convertible bonds	(f)	-	–	803,000	–	861,000	–	1,262	–
Repurchase of shares	(g)	-	–	(2,670)	–	-	–	(1)	–
Issuance of Consideration Shares	(c)	-	–	433,150	–	-	–	217	–
Ordinary shares at end of year		-	–	-	2,361,711	2,796,500	–	2,797	1,181

26. SHARE CAPITAL (CONTINUED)

Notes:

(a) Share Subdivision

Pursuant to an ordinary resolution passed on 22 August 2007, with effect from 23 August 2007, one share of HK$0.01 each in the issued and unissued share capital of the Company were subdivided into twenty shares of HK$0.0005 each ("Share Subdivision"). The authorised share capital of the Company remained at HK$100,000,000 but was divided into 200,000,000,000 shares of HK$0.0005 each.

(b) Share Consolidation

On 20 October 2008, the shareholders approved the consolidation of every two ordinary shares of HK$0.0005 each in the issued and unissued share capital of the Company into one consolidated share of HK$0.001 each ("Consolidated Share") which became effective on 21 October 2008 ("Share Consolidation"), such that the authorised share capital of the Company has been changed from HK$100,000,000 comprising 200,000,000,000 shares to HK$100,000,000 comprising 100,000,000,000 Consolidated Shares and the issued share capital of the Company has been adjusted from 3,871,000,494 shares to 1,935,500,247 Consolidated Shares.

(c) Issuance of new shares

On 27 April 2007, the issued share capital of the Company was increased from approximately HK$754,000 to HK$889,000 by the issue of 13,566,960 ordinary shares of HK$0.01 each for cash at a placing price of HK$0.49 per share. The total proceeds and net proceeds, after deducting all related expenses, were HK$6,648,000 and HK$6,538,000 respectively. The Company has utilised the net proceeds (i) for repayment of the loans of the Group; and (ii) for general working capital of the Group.

On 28 September 2007, the Company through a placing agent, BNP Paribas Capital (Asia Pacific) Limited placed 255,000,000 ordinary shares of HK$0.0005 each at the placing price of HK$0.27 each. The gross proceeds and the net proceeds from the placing of shares, after deducting all related expenses, were approximately HK$68,850,000 and HK$66,949,000 respectively. The Company has utilised the net proceeds (i) for repayment of the loans of the Company; (ii) for acquisition of office premises; (iii) for general working capital of the Group; and (iv) for financing of the Mine Acquisition.

On 26 October 2007, the Company through a placing agent, Morgan Stanley & Co. International Plc placed 112,695,840 ordinary shares of HK$0.0005 each at the placing price of HK$0.29 each. The gross proceeds and net proceeds from the placing of shares, after deducting all related expenses, were approximately HK$32,682,000 and HK$30,798,000 respectively. The Company has utilised the entire net proceeds for the financing of the Mine Acquisition.

On 26 August 2008, 433,150,000 shares of HK$0.0005 each ("Consideration Shares") were issued to Mr. Leung, as part of the consideration for the Mine Acquisition as detailed in note 32. The 433,150,000 Consideration Shares were recorded at HK$0.107 each, being the published share price available at the date of acquisition. The 433,150,000 Consideration Shares of HK$0.0005 each rank pari passu in all respect with the existing issued shares of the Company.

(d) Exercise of share options

Details of the Company's share option schemes and the share options issued under the schemes are included in note 27.

26. SHARE CAPITAL (CONTINUED)

Notes: (Continued)

(e) Exercise of warrants

In 2007, part of the warrants issued were exercised for 900,000 shares of HK$0.01 each with an exercise price of HK$2.25 per warrant, 30,000,000 shares of HK$0.0005 each with an exercise price of HK$0.1125 per warrant and 51,136,363 shares of HK$0.0005 each with an exercise price of HK$0.11 per warrant.

During the year, all the remaining warrants issued were exercised for shares of HK$0.0005 each with an exercise price of HK$0.11 per warrant.

(f) Exercise of convertible bonds

During the year ended 31 December 2008, 803,000,000 ordinary shares of HK$0.0005 each and 861,000,000 Consolidated Shares of HK$0.001 each were issued pursuant to the exercise of the conversion rights attaching to the Company's convertible bonds at a conversion price of HK$0.315 at fair value per share as detailed in note 33.

(g) Repurchase of shares

An ordinary resolution was passed on 22 August 2007 to permit the repurchase of issued shares of the Company. The Company had repurchased 1,500,000 and 1,170,000 shares of HK$0.0005 each on 18 March 2008 and 20 March 2008 respectively on the Stock Exchange at a consideration of approximately HK$490,000. The Company cancellation of these shares has subsequently completed on 9 April 2008.

27. SHARE-BASED EMPLOYEE COMPENSATION

During the year ended 31 December 2007, the Group terminated the share option scheme adopted on 19 February 2001 (the "Old Scheme") and adopted a new share option scheme on 29 June 2007 (the "New Scheme") for employee compensation.

The Old Scheme was terminated on 29 June 2007. No further share options would be granted under the Old Scheme but the Old Scheme would in all other respects remain in force to the extent necessary to give effect to the exercise of the outstanding options granted under it prior to its termination.

The directors may at their absolute discretion, invite any person belonging to any of the following classes of participants ("Eligible Participants") to take up options to subscribe for shares:

- any employee (whether full time or part time, including any director) of the Company, any of its subsidiaries or any entity ("Invested Entity") in which any member of the Group holds an equity interest (the persons are collectively referred to as "Eligible Employees");

- any directors (including non-executive directors and independent non-executive directors) of the Company, any subsidiary or any Invested Entity;

- any supplier of goods or services to any member of the Group or any Invested Entity;

27. SHARE-BASED EMPLOYEE COMPENSATION (CONTINUED)

- any customer of any member of the Group or any Invested Entity;
- any person or entity that provides research, development or other technological support to any member of the Group or any Invested Entity;
- any shareholder of any member of the Group or any Invested Entity or any holder of any securities issued by any member of the Group or any Invested Entity;
- any adviser (professional or otherwise), consultant, individual or entity who in the opinion of the directors of the Company has contributed or will contribute to the growth and development of the Group;
- any other group or classes of participants who have contributed or may contribute by way of joint venture, business alliance or other business arrangement to the development and growth of the Group; and
- for the purposes of the New Scheme, the offer may be made to any company wholly owned by one or more Eligible Participants.

The share option scheme became effective on 2 July 2007 and, unless otherwise cancelled or amended, will remain in force for 10 years from its date of adoption on 29 June 2007.

Under the New Scheme, the maximum number of shares which may be issued upon exercise of all outstanding options granted and yet to be exercised under the scheme and any other share option schemes adopted by the Group shall not exceed 30% of the share capital of the Company in issue from time to time. No options may be granted under the New Scheme or any other share option scheme adopted by the Group if the grant of such option will result in the limit being exceeded. Subject to the approval of the Company's shareholders, the aggregate number of the Company's shares which may be issued upon exercise of all outstanding options granted and yet to be exercised under the New Scheme and any other share option schemes of the Company shall not exceed 30% of the Company's shares in issue from time to time.

The total number of shares which may be allotted and issued upon exercise of all options excluding, options which have lapsed in accordance with the terms of this scheme and any other option schemes of the Group must not in aggregate exceed 10% of the shares in issue as at the date of passing the relevant resolution adopting the scheme.

The total number of shares issued and which may fall to be issued upon exercise of the options and the options granted under any other share option scheme of the Group (including both exercised or outstanding options) to each grantee in any 12-month period shall not exceed 1% of the issued share capital of the Company for the time being. Where any further grant of options to a grantee under the scheme would result in the shares issued and to be issued upon exercise of all options granted and proposed to be granted to such person (including exercised, cancelled and outstanding options) under the New Scheme and any other share option schemes of the Group in the 12-month period up to and including the date of such further grant representing in aggregate over 1% of the shares in issue, such further grant must be separately approved by shareholders of the Company in general meeting with such grantee and his associates abstaining from voting.

27. SHARE-BASED EMPLOYEE COMPENSATION (CONTINUED)

The maximum number of shares issued and to be issued upon exercise of the options granted under the share option scheme and any other share option schemes of the Company to each of any eligible persons (including those cancelled, exercised and outstanding options), in any twelve months period up to the date of the latest grant shall not exceed 1% of the Company's shares in issue provided that the number of shares issued and to be issued upon exercise of all options granted and to be granted to each of the independent non-executive directors or substantial shareholders of the Company or any of their respective associates in the twelve months period up to the date of such grant in excess of 0.1% of the Company's shares in issue and with a value in excess of HK$5 million must be approved in advance by the Company's independent shareholders. Any further grant of options in excess of such limit must be separately approved by shareholders in general meeting in accordance with the requirements of the GEM Listing Rules.

The offer of a grant of share options might be accepted in writing within 21 days from the date of the offer. The exercise period of the share options granted is determinable by the directors, and should not be less than three years and not be later than ten years from the date of the offer of the share options or the expiry date of the New Scheme, if earlier.

The subscription price is equal to the higher of (i) the nominal value of the shares of the Company; (ii) the closing price per share of the Company as stated in the Stock Exchange's daily quotation sheet on the date of grant; and (iii) the average closing price per share as stated in the Stock Exchange's daily quotation sheets for the five business days immediately preceding the date of grant.

The fair value of share options granted is recognised in the income statement taking into account the probability that the options will vest over the vesting period. Upon the exercise of the options, the resulting shares issued are recorded by the Company as additional share capital at the nominal value of the shares, and the excess of the exercise price per share over the nominal value of the shares is recorded by the Company in the share premium account. At the time when the share options are exercised, the amount previously recognised in employee compensation reserve will be transferred to share premium. When the share options are forfeited or are still not exercised at the expiry date, the amount previously recognised in employee compensation reserve will be transferred to retained profits. Options which lapsed, if any, prior to their exercise date are deleted from the outstanding options.

All share-based employee compensation will be settled in equity. The Group has no legal or constructive obligation to repurchase or settle the options.

27. SHARE-BASED EMPLOYEE COMPENSATION (CONTINUED)

The Old Scheme

Detailed movements in the Old Scheme for the year ended 31 December 2007:

Name or category of participant	Share option type	At 1 January 2007**	Number of options granted**	Number of options exercised**	At 31 December 2007**	Date of grant of options	Exercise period of share options	Exercise price of share option** HK$	Closing price of shares immediately before the date of grant of options** HK$
Directors									
Mr. Choi Koon Ming	2001	15,000,000	–	(15,000,000)	–	21 January 2003	21 January 2003 to 20 January 2008	0.0574	0.057
Mr. Ng Kam Yiu	2001	6,000,000	–	(6,000,000)	–	21 January 2003	8 January 2004 to 7 January 2009	0.0574	0.057
Mr. Chow Yeung Tuen, Richard	2001	6,000,000	–	(6,000,000)	–	21 January 2003	21 January 2003 to 20 January 2008	0.0574	0.057
Sub-total		27,000,000	–	(27,000,000)	–				
Employees									
In aggregate	2001	–	99,000,000	(89,100,000)	9,900,000	11 April 2007	11 April 2007 to 18 February 2011	0.0475	0.023
Total		27,000,000	99,000,000	(116,100,000)	9,900,000				
Weighted average exercise price ***		0.0574	0.0475	0.0498	0.0475				

27. SHARE-BASED EMPLOYEE COMPENSATION (CONTINUED)

Detailed movements in the Old Scheme for the year ended 31 December 2008:

Name or category of participant	Share option type	At 1 January 2008**	Number of options granted**	Number of options exercised**	At 31 December 2008**	Date of grant of options	Exercise period of share options	Exercise price of share option** HK$	Closing price of shares immediately before the date of grant of options** HK$
Employees									
In aggregate	2001	9,900,000	–	(9,900,000)	–	11 April 2007	11 April 2007 to 18 February 2011	0.0475	0.023
Total		9,900,000	–	(9,900,000)	–				
Weighted average exercise price ***		0.0475	–	0.0475	–				

** The exercise price of the share options is subject to adjustment in the case of rights or bonus issues, or other similar changes in the Company's share capital. Following the Share Subdivision with effect from 23 August 2007, the total number of share options outstanding and the exercise price of the share options outstanding and had been adjusted accordingly.

*** The weighted average exercise price was adjusted under Share Subdivision.

The New Scheme

Detailed movements in the New Scheme for the year ended 31 December 2007:

Name or category of participant	Share option type	At 1 January 2007**	Number of options granted**	Number of options exercised**	At 31 December 2007**	Date of grant of options	Exercise period of share options	Exercise price of share option** HK$	Closing price of shares immediately before the date of grant of options** HK$
Other eligible employees									
In aggregate	2007(a)	–	96,000,000	–	96,000,000	9 July 2007	9 July 2007 to 29 June 2017	0.1425	0.124
	2007(b)	–	82,000,000	–	82,000,000	22 August 2007	22 August 2007 to 29 June 2017	0.2030	0.182
Total		–	178,000,000	–	178,000,000				
Weighted average exercise price ***		–	0.1704	–	0.1704				

27. SHARE-BASED EMPLOYEE COMPENSATION (CONTINUED)

Detailed movements in the New Scheme for the year ended 31 December 2008:

Name or category of participant	Share option type	At 1 January 2008#	Number of options granted#	Number of options exercised#	At 31 December 2008#	Date of grant of options	Exercise period of share options	Exercise price of share option# HK$	Closing price of shares immediately before the date of grant of options# HK$
Directors									
Mr. Ng Kwok Chu, Winfield	2008	–	10,000,000	–	10,000,000	10 July 2008	10 July 2008 to 29 June 2017	0.2656	0.258
Ms. Wu Wei Hua	2008	–	10,000,000	–	10,000,000	10 July 2008	10 July 2008 to 29 June 2017	0.2656	0.258
Mr. Liu Jia Qing	2008	–	1,250,000	–	1,250,000	10 July 2008	10 July 2008 to 29 June 2017	0.2656	0.258
Sub-total			21,250,000	–	21,250,000				
Other eligible employees									
In aggregate	2007(a)	48,000,000	–	–	48,000,000	9 July 2007	9 July 2007 to 29 June 2017	0.2850	0.248
	2007(b)	41,000,000	–	–	41,000,000	22 August 2007	22 August 2007 to 29 June 2017	0.4060	0.364
	2008	–	50,000,000	–	50,000,000	10 July 2008	10 July 2008 to 29 June 2017	0.2656	0.258
Sub-total		**89,000,000**	**50,000,000**	**-**	**139,000,000**				
Total		**89,000,000**	**71,250,000**	**-**	**160,250,000**				
Weighted average exercise price ***		0.3408	0.2656	–	0.3074				

** The exercise price of the share options is subject to adjustment in the case of rights or bonus issues, or other similar changes in the Company's share capital. Following the Share Subdivision with effect from 23 August 2007, the total number of share options outstanding and the exercise price of the share options outstanding had been adjusted accordingly.

*** The weighted average exercise price was adjusted under Share Consolidation.

The exercise price of the share options is subject to adjustment in the case of rights or bonus issues, or other similar changes in the Company's share capital. Following the Share Consolidation with effect from 21 October 2008, the total number of share options outstanding and the exercise price of the share options outstanding had been adjusted accordingly.

27. SHARE-BASED EMPLOYEE COMPENSATION (CONTINUED)

Summary of details of the Old Scheme and New Scheme are as follows:

	2008		2007	
	Number#	**Weighted average exercise price#**	Number*	Weighted average exercise price*
Outstanding at 1 January	**93,950,000**	**0.3278**	27,000,000	0.0574
Granted	**71,250,000**	**0.2656**	277,000,000	0.1265
Exercised	**(4,950,000)**	**0.0950**	(116,100,000)	0.0498
Outstanding at 31 December	**160,250,000**	**0.3074**	187,900,000	0.1639

* Taking into account the effect of Share Subdivision as if starting from 1 January 2007.

\# Taking into account the effect of Share Consolidation as if starting from 1 January 2008.

There were 160,250,000 (2007: 187,900,000) share options exercisable as at 31 December 2008.

The followings significant assumptions were used to derive the fair values of share options granted in 2008 and 2007, using the Black Scholes Option Pricing Model:

	2001	**2007(a)**	**2007(b)**	**2008**
Date of grant	11 April 2007	9 July 2007	22 August 2007	10 July 2008
Expected volatility	144.72%	113.43%	111.57%	59.09% to 77.75%
Expected Exercise Date	11 October 2007 to 11 October 2008	8 January 2008	21 February 2008	2 January 2009 to 9 July 2011
Risk-free interest rate	3.55% to 3.793%	3.89%	3.94%	1.350% to 2.727%
Expected dividend yield	Nil	Nil	Nil	Nil

The expected volatility is based on the historical volatility of the Company's share price, adjusted for any expected changes to future volatility based on publicly available information. The expected life used in the model has been adjusted based on management's best estimate.

The weighted average share price of these shares at the date of exercise was HK$0.240 (2007: HK$0.275). All share options have been accounted for under HKFRS 2. The options outstanding at 31 December 2008 had weighted average exercise prices of HK$0.3074 (2007: HK$0.3278 (after share consolidation)) and a weighted average remaining contractual life of 8.5 years (2007: 9.2 years).

27. SHARE-BASED EMPLOYEE COMPENSATION (CONTINUED)

In total, approximately HK$5,068,000 of employee compensation expense, comprising of HK$2,111,000 (2007: Nil) to directors and HK$2,957,000 (2007: HK$11,433,000) to employees has been included in the consolidated income statement for 2008, the corresponding amount of which has been credited to employee compensation reserve (note 28). No liabilities were recognised on the equity-settled share-based payment transactions.

Subsequent after year end, on 4 February 2009, the Company granted 55,930,000 share options at the exercise price of HK$0.043 per share under the New Scheme. The share options were granted to the consultants of the Company. Details of the grant of share options are detailed in the Company's announcement dated 4 February 2009.

28. RESERVES

Group

The amounts of the Group's reserves and the movements therein for the current and prior years are presented in the consolidated statement of changes in equity on pages 35 to 36 of the financial statements.

The capital redemption reserve of the Group represents the nominal value of the share capital of the Company repurchased and cancelled.

Other reserve represents the difference between the consideration paid for the additional interest in the subsidiary and the minority interest's share of the assets and liabilities reflected in the consolidated balance sheet at the date of the acquisition of the minority interests.

28. RESERVES (CONTINUED)

Company

	Share premium account HK$'000	Convertible bond equity reserve HK$'000	Employee compensation reserve HK$'000	Warrant reserve HK$'000	Capital redemption reserve HK$'000	Accumulated losses HK$'000	Total HK$'000
At 1 January 2007	–	–	–	–	–	(23,185)	(23,185)
Loss for the year (Total recognised income and expense for the year)	–	–	–	–	–	(103,488)	(103,488)
Issuance of new shares	107,860	–	–	–	–	–	107,860
Share issue expense	(3,895)	–	–	–	–	–	(3,895)
Recognition of equity-settled share based compensation	–	–	11,433	–	–	–	11,433
Proceeds from shares issued under share option scheme	7,385	–	(1,661)	–	–	–	5,724
Issuance of warrants	–	–	–	358	–	–	358
Exercise of warrants	11,075	–	–	(99)	–	–	10,976
At 31 December 2007	122,425	–	9,772	259	–	(126,673)	5,783

	Share premium account HK$'000	**Convertible bond equity reserve HK$'000**	**Employee compensation reserve HK$'000**	**Warrant reserve HK$'000**	**Capital redemption reserve HK$'000**	**Accumulated losses HK$'000**	**Total HK$'000**
At 1 January 2008	**122,425**	**–**	**9,772**	**259**	**–**	**(126,673)**	**5,783**
Loss for the year (Total recognised income and expense for the year)	**–**	**–**	**–**	**–**	**–**	**(44,588)**	**(44,588)**
Issuance of new shares, net of share issue expense	**46,130**	**–**	**–**	**–**	**–**	**–**	**46,130**
Recognition of equity-settled share based compensation	**–**	**–**	**5,068**	**–**	**–**	**–**	**5,068**
Proceeds from shares issued under share option scheme	**650**	**–**	**(185)**	**–**	**–**	**–**	**465**
Exercise of warrants	**29,377**	**–**	**–**	**(259)**	**–**	**–**	**29,118**
Issuance of convertible bonds	**–**	**333,772**	**–**	**–**	**–**	**–**	**333,772**
Exercise of convertible bonds	**808,342**	**(218,090)**	**–**	**–**	**–**	**–**	**590,252**
Repurchase of shares	**(490)**	**–**	**–**	**–**	**1**	**–**	**(489)**
At 31 December 2008	**1,006,434**	**115,682**	**14,655**	**–**	**1**	**(171,261)**	**965,511**

28. RESERVES (CONTINUED)

Company (Continued)

Note:

(a) The share premium account of the Group and Company arises on shares issued at a premium. In accordance with the Companies Law, Cap. 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands, the share premium account is distributable to the shareholders of the Company provided that immediately following the date on which the dividend is proposed to be distributed, the Company will be able to pay its debts as they fall due in the ordinary course of business. The share premium account may also be distributed in the form of fully paid bonus shares.

(b) On 3 July 2007, the Company entered into two subscription agreements with two investors, namely Mr Li Ming Han and Mr. Pan Chik for the issue of warrants. The Company issued 358,000,000 non-listed warrants at the issue price of HK$0.001 per warrant. The warrants will mature in three years from the date of issue. Each warrant entitles the holder thereof to subscribe for one new share at initial exercise price of HK$2.25 per new share, payable in cash and subject to adjustment, at any time from 3 July 2007 to 2 July 2010. Consideration of HK$358,000 was received in respect of warrants during the year 2007. After the share subdivision being effective on 23 August 2007, the exercise price per share was adjusted from HK$2.25 to HK$0.1125. Each warrant of the Company shall confer right to subscribe for 20 subdivided shares of HK$0.0005 each. On 23 October 2007, the Company issued subscription shares at a discount of more than 10% to the then prevailing market price of the shares of the Company which constitutes an event that gave rise to adjustments to the subscription price of the warrants. The subscription price of the warrants was adjusted from HK$0.1125 per share to HK$0.11 per share. On 11 December 2007, the holders of the warrants passed a special resolution to amend the warrant instrument so that any future issue of securities of the Company at a discount of more than 10% to the then prevailing market price of the shares of the Company will no longer trigger any adjustment to the exercise price of the warrants.

The reason for the issues was to raise additional funds for the Group's general working capital.

As at 31 December 2008, all warrants issued have been exercised.

(c) The capital redemption reserve of the Company represents the nominal value of the share capital of the Company repurchased and cancelled.

29. OPERATING LEASE COMMITMENTS

Group

At 31 December 2008, the total future minimum lease payments under non-cancellable operating leases are payable by the Group as follows:

	2008 **HK$'000**	2007 HK$'000
Within one year	**21**	10
After one year but within five years	**39**	–
	60	10

The Group leases a rented premise under an operating lease. The lease runs for an initial period of one year, with an option to renew the lease terms at the expiry date or at dates mutually agreed between the Group and the landlord. The lease does not include contingent rental.

Company

The Company had no significant operating lease commitments as at 31 December 2008 and 2007.

30. CAPITAL COMMITMENTS

As at 31 December 2008, the Group had capital commitment in respect of the exploration work in the PRC. The contract sum was from approximately of RMB8 million (equivalent to HK$8.96 million) to RMB9 million (equivalent to HK$10.08 million), but the actual amount paid was subject to the actual work performed. During the year, the Group has settled RMB7 million (equivalent to HK$7.84 million). The amount contracted but not provided for was RMB2 million (equivalent to HK$2.24 million). As at 31 December 2007, the Group had no significant capital commitments.

The Company had no significant capital commitments as at 31 December 2008 and 2007.

31. CONTINGENT LIABILITIES

The Group and the Company had no significant contingent liabilities as at 31 December 2008 and 2007.

32. ACQUISITION OF SUBSIDIARIES AND BUSINESS COMBINATION

On 26 August 2008, the Group acquired 100% of the equity interest of China Nonferrous Metals and 100% interest of the shareholder's loan for a consideration of approximately HK$1,338,228,000. The consideration was satisfied by 1) HK$81,000,000 in cash; 2) by issuing 433,150,000 new ordinary shares at HK$0.107 per share (equivalent to HK$46,347,000), being the fair value as at the issue date; and 3) by issuing of convertible bonds of HK$1,217,948,000, being the fair value as at the issue date, to Mr. Leung.

The Target Group did not contribute any revenue to the Group but contributed net loss of HK$648,000 to the Group for period from 26 August 2008 to 31 December 2008. Had the Mine Acquisition occurred on 1 January 2008, the Group's revenue and loss for the year ended 31 December 2008 would have been HK$1,266,000 and HK$51,221,000. The pro forma information is for illustrative purposes only and is not necessarily an indication of the revenue and results of operations of the Group that actually would have been achieved had the acquisition been completed on 1 January 2008, nor are they intended to be a projection of future results.

Details of the net assets acquired and goodwill are as follows:

	HK$'000
Purchase consideration:	
– Cash paid	81,000
– Fair value of convertible bonds issued (note a)	1,217,948
– Fair value of shares issued (note a)	46,347
– Direct costs relating to the acquisition	5,715
Total purchase consideration	1,351,010
Acquisition of a shareholder's loan	(12,782)
	1,338,228
Fair value of net assets acquired	(204,228)
Goodwill (note b)	1,134,000

32. ACQUISITION OF SUBSIDIARIES AND BUSINESS COMBINATION (CONTINUED)

Note:

(a) The fair value of the shares issued was based on the published share price available at the date of acquisition. The fair value of the convertible bonds issued was based on a valuation report from LCH. The basis for determining the fair value of the convertible bonds is detailed in note 33.

(b) In the opinion of the directors, the goodwill arises in the Mine Acquisition is mainly attributable to the consideration for the Mine Acquisition and has taken into account the followings:

(i) the continuous growth in the market price of gold in recent years and the future expectations of the gold price; and

(ii) the expected return from the gold ore resources in the Exploration Area.

As the expectation of future gold price is not possible to be recognised separately as an intangible asset, it was therefore included in goodwill.

Based on the technical report which was included in the circular of the Company dated 13 May 2008, the Exploration Area has a preliminary estimate of up to 60 to 100 tons of contained gold. However, based on the exploration work done as at the date of acquisition, there was no sign of any ore located in the Exploration Area. In the opinion of the directors, after taken into consideration of the advice from the valuer, no value can be assigned to the potential gold resources. The management therefore considered it is not possible to assess the value of such estimation of gold resources and no intangible asset has been recognised separately in respect of the gold resources.

The identifiable assets and liabilities arising from the acquisition are as follows:

	Fair value HK$'000	Carrying amount HK$'000
Property, plant and equipment	239	239
Exploration and evaluation assets (note 19)	21,150	21,150
Prepayments, deposits and other receivables	4,549	4,549
Cash and bank balances	49	49
Other payables and accrued expenses	(946)	(946)
Amount due to a shareholder	(12,782)	(12,782)
Supply Contract (note 19)	287,020	–
Deferred tax liabilities (note 10)	(44,257)	–
Net assets	255,022	12,259
Minority interests	(50,794)	
Net assets attributed to the Group acquired	204,228	

Cash and cash equivalents in subsidiaries acquired	49
Purchase consideration settled in cash	(81,000)
Direct costs relating to the acquisition	(5,715)
Net outflow	(86,666)

33. CONVERTIBLE BONDS – GROUP AND COMPANY

As part of the consideration for the Mine Acquisition, the Company issued a 5-years zero coupon convertible bonds with a principal amount of HK$1,546,000,000 (the "Convertible Bonds") at 100% of principal amount to Mr. Leung (the "Bondholder") on 26 August 2008 (the "Issue Date"). The fair value of the Convertible Bonds on Issue Date is HK$1,217,948,000.

At the option of the Bondholder, the Bondholder may convert the whole or part (in multiples of HK$100,000) of the principal amount of the Convertible Bonds into the conversion shares at the conversion price of HK$0.40 per share for the period commencing from the date of issue of the Convertible Bonds up to the close of business on the day falling 7 days prior to 25 August 2013 (the "Maturity Date") provided that no Convertible Bonds may be converted, to the extent that following such conversion, the bondholder and parties acting in concert with it, taken together, will directly or indirectly, control or be interested in more than 29% of the entire issued shares.

The conversion shares will be issued at an initial conversion price of HK$0.40 per conversion share based on the nominal principal amount of the Convertible Bonds of HK$1,546,000,000, subject to adjustment upon the occurrence of a capitalisation issue, rights issue, subdivision or consolidation of shares and other dilutive events.

The Convertible Bonds were valued as at 26 August 2008 and 31 December 2008 by LCH.

The fair value of the liability component of the Convertible Bonds was calculated using discount rate method. The fair value of the equity component was calculated using Black-Scholes Option Pricing Model, on the Issue Date and is included in shareholders' equity in convertible bond equity reserve.

The fair value of the liability components of the Convertible Bonds was calculated using discount rate method with the major inputs used in the model as follows:

	31 December 2008	26 August 2008
Stock price	**HK$0.058**	HK$0.107
Risk free rate	**1.14%**	2.82%
Effective interest rate	**20.55%**	11.82%
Expected life	**4.65 years**	5 years
Expiration of the Convertible Bonds	**25 August 2013**	25 August 2013
Expected dividend yield	**Nil**	Nil

The assumptions are supported by the prices from observable market transactions and determined based on available observable market data.

On 20 October 2008, the shareholders approved the consolidation of every two shares in the issued and unissued share capital of the Company into one consolidated share of HK$0.001 each as detailed in note 26. Pursuant to the terms of the Convertible Bonds, the conversion price of the Convertible Bonds was adjusted accordingly. The new conversion price per share upon share consolidation was HK$0.80 each based on the nominal principal amount of the Convertible Bonds of HK$1,546,000,000.

33. CONVERTIBLE BONDS – GROUP AND COMPANY (CONTINUED)

The Convertible Bonds recognised in the balance sheet were calculated as follows:

	Liability component HK$'000	**Equity component** HK$'000	**Total** HK$'000
Net carrying amounts on initial recognition	884,176	333,772	1,217,948
Imputed interest expenses	26,488	–	26,488
Arising from exercise of Convertible Bonds	(591,514)	(218,090)	(809,604)
Net carrying amounts at 31 December 2008	319,150	115,682	434,832

During the year, 1,262,500,000 Consolidated Shares were issued upon exercise of Convertible Bonds as detailed in note 26 (f).

Imputed interest expenses of approximately HK$26,488,000 has been recognised in the income statement in respect of the Convertible Bonds for the year ended 31 December 2008 and is calculated using the effective interest method by applying the effective interest rate of 11.82% per annum to the liability component of the Convertible Bonds.

As at 31 December 2008, the carrying amount of the liability component at amortised cost was HK$319,150,000. The fair value of the liability component was HK$224,531,000.

Further details of the principal terms and conditions regarding the issue of the Convertible Bonds have been set out in a circular of the Company dated 13 May 2008.

34. RELATED PARTY TRANSACTIONS

(a) In addition to the transactions and balances disclosed elsewhere in these financial statements, the Group had the following transactions with related parties during the year:

	Notes	**2008** **HK$'000**	2007 HK$'000
Interest expense paid to Sun Wah:			
– Former shareholder's loans	(i)	**35**	1,581
Company secretarial fee paid to Sun Wah	(ii)	**40**	460
Consideration for the Mine Acquisition	(iii)	**1,351,010**	–

Notes:

(i) Sun Wah was one of the former substantial shareholders of the Company until 29 March 2007. Details of the loans advanced by Sun Wah are set out in note 24.

(ii) The Group paid Sun Wah for secretarial services provided to the Group. The amount was mutually agreed between Sun Wah and the Group.

(iii) Details of the Mine Acquisition is included in note 32.

(b) During the year, the Group has issued convertible bonds to Mr. Leung as part of the consideration for the Mine Acquisition, the details of the outstanding balance is included in note 33.

(c) Compensation of key management personnel

Group

	2008 **HK$'000**	2007 HK$'000
Total remuneration of directors and other members of key management during the year	**6,325**	1,426

35. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group is exposed to financial risks through its use of financial instruments in its ordinary course of operations and in its investment activities. The financial risks include market risk (including currency risk, interest risk and other price risk), credit risk and liquidity risk.

Financial risk management is coordinated at the Group's headquarters, in close co-operation with the board of directors. The overall objectives in managing financial risks focus on securing the Group's short to medium term cash flows by mininising its exposure to financial markets. Long term financial investments are managed to generate lasting returns with acceptable risk levels.

35. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

It is not the Group's policy to actively engage in the trading of financial instruments for speculative purposes. The treasury department works under the policies approved by the board of directors. It identifies ways to access financial markets and monitors the Group's financial risk exposures. Regular reports are provided to the board of directors.

35.1 Categories of financial assets and liabilities

The carrying amounts presented in the balance sheets relate to the following categories of financial assets and financial liabilities.

(i) Financial assets

	2008 **HK$'000**	2007 HK$'000
Loans and receivables:		
Current assets		
Trade receivables	**114**	132
Other receivables	**1,159**	1
Cash and cash balances (including pledged deposit)	**1,095**	74,043
	2,368	74,176

(ii) Financial liabilities

	2008 **HK$'000**	2007 HK$'000
Financial liabilities at amortised cost:		
Current liabilities		
Bank overdrafts	**–**	380
Other payables and accrued expenses	**4,313**	603
Loans from a former shareholder	**–**	3,275
Non-current liabilities		
Due to minority shareholders of subsidiaries	**–**	502
Convertible bonds	**319,150**	–
	323,463	4,760

35. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

35.2 Foreign currency risk

The Group's exposure to currency exchange rates is minimal as the group companies usually hold most of their financial assets/liabilities in their own functional currencies. Currently the Group does not have foreign currency hedging policy but the management continuously monitors foreign exchange exposure and will consider hedging significant foreign currency exposure should the need arise.

35.3 Interest rate risk

The Group does not have material exposure to interest rate risk. A reasonably possible change in interest rate in the twelve months is assessed; which could have immaterial change in the Group's loss after tax and accumulated losses. Changes in interest rates have no material impact on the Group's other components of equity. The Group adopts centralised treasury policies in cash and financial management and focuses on reducing the Group's overall interest expenses.

The directors are of the opinion that the Group's sensitivity to the change in interest rate is low.

35.4 Credit risk

Details of the Group's credit risk are included in note 22.

35.5 Fair values

The fair value of the Group's financial assets and liabilities are not materially different from their carrying amounts because of the immediate or short term maturity of these financial instruments. The fair values of non-current liabilities were disclosed in note 33.

35. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

35.6 Liquidity risk

The Group's objective is to ensure adequate funds to meet commitments associated with its financial liabilities. Cash flows are closely monitored on an ongoing basis. The Group finances its operations primarily with internal generated cash flow as well as the cash flow generated from the exercise of warrants during the year.

On 12 September 2008, a subscription agreement was signed between the Group and 北京中冶投資有限公司 ("中冶"). Pursuant to the subscription agreement, 中冶 will acquire 180 million ordinary shares (90,000,000 Consolidated Shares) of the Company at a subscription price of HK$0.25 (HK$0.5 per Consolidated Share). Accordingly, the Company will receive a total amount of HK$45 million upon the completion of the subscription. The completion of the transaction mainly depends on obtaining all related approvals from the supervising entity of 中冶 and the relevant PRC authorities and 中冶 is now in the process of obtaining such approvals.

Furthermore, in the opinion of the directors, the additional capital to be injected in the gold extraction process is unlikely to be of a significant amount to the Group. Also, the credit period of gold sales is comparatively short which in turn can assist to finance its operation. Therefore, in the opinion of the directors, the Group will have adequate resources to start the mining process and continue the operation.

As at 31 December 2008 and 2007, the remaining contractual maturity of the Group's financial liabilities which are based on undiscounted cash flows are summaries below:

	On demand HK$'000	Within 1 year HK$'000	More than 1 year HK$'000	Total contractual undiscounted cash flow HK$'000	Total carrying amount HK$'000
At 31 December 2008					
Other payables and accrued expenses	**–**	**4,313**	**–**	**4,313**	**4,313**
Convertible bonds	**–**	**–**	**535,740**	**535,740**	**319,150**
	–	**4,313**	**535,740**	**540,053**	**323,463**
At 31 December 2007					
Bank overdrafts	380	–	–	380	380
Other payables and accrued expenses	265	338	–	603	603
Loan from a former shareholder	3,456	–	–	3,456	3,275
Due to minority shareholders of subsidiaries	–	–	502	502	502
	4,101	338	502	4,941	4,760

36. CAPITAL MANAGEMENT POLICIES AND PROCEDURES

The Group's capital management objectives are:

– to ensure the Group's ability to continue as a going concern;

– to provide an adequate return to shareholders; and

– to maintain an optimal capital structure to reduce cost of capital

In order to maintain or adjust the capital structure, the Group may adjust the amount of dividend paid to shareholders, return capital to shareholders and issue new shares to reduce its debt level.

Consistent with other industry, the Group monitors capital on the basis of the gearing ratio. This ratio is calculated as total borrowings divided by total capital. Total borrowings are calculated as current and non-current borrowings as shown in the consolidated balance sheet and total capital is calculated as "equity", as shown in the consolidated balance sheet.

The gearing ratios as at 31 December 2008 and 2007 were as follows:

	2008	2007
	HK$'000	HK$'000
Total borrowings	**319,150**	4,157
Total equity	**1,095,817**	89,423
Gearing ratio	**0.291**	0.046

The increase in the gearing ratio during 2008 results primarily from the issue of Convertible Bonds as detailed in note 33.

37. POST BALANCE SHEET EVENTS

In addition to those information disclosed elsewhere in the financial statements, the Group has the following post balance sheet events.

(a) On 12 January 2009, Yunnan Western, a non-wholly-owned subsidiary indirectly held by the Company, and Geological Brigade 209 of the Nuclear Industry of Yunnan Province (雲南省核工業209地質大隊) ("Geological Brigade 209"), the minority shareholder of Yunnan Western, entered into an agreement (the "Acquisition Agreement"). Pursuant to the Acquisition Agreement, Yunnan Western intends to invest in and contribute to capital investment of the supplier named in the Supply Contract, 潞西市核工業209芒市金礦 (Luxi City Nuclear Industry 209 Mangshi Gold Mine (the "Ore Supplier")).

The Ore Supplier is a company established in the PRC and is controlled by the Geological Brigade 209 and supply the ore to the Group according to the Supply Contract.

It is proposed that the registered capital of the Ore Supplier will be increased from RMB468,000 to RMB5,200,000 (equivalent to approximately HK$5,876,000) by an addition of RMB4,732,000 (equivalent to approximately HK$5,347,000) (the "Consideration"). Pursuant to the Acquisition Agreement, Yunnan Western has conditionally agreed to pay up the additional amount of the registered capital of the Ore Supplier.

The amount of the registered capital to be paid up will be satisfied by internal resources of the Group. Upon completion of the Agreement, the Ore Supplier will be controlled by the Geological Brigade 209 and Yunnan Western as to 9% and 91% respectively.

Details of this transaction are included in the Company's announcement dated 14 January 2009.

(b) On 16 December 2008, Richtop, a wholly-owned subsidiary of the Company, entered into a provisional sale and purchase agreement to sell a property to an independent third party at a price of HK$12,775,000. The transaction was completed on 27 February 2009.

Upon completion of the disposal, Richtop leases back the property which is currently occupied by the Group as its principal place of business in Hong Kong for a period of two years commencing from the date of completion for a monthly rental of HK$54,250 exclusive of rates, management fees and other outgoings.

Details of this transaction are included in the Company's circular dated 8 January 2009.

FINANCIAL SUMMARY

FINANCIAL RESULTS

	Year ended 31 December				
	2004	2005	2006	2007	**2008**
	HK$'000	HK$'000	HK$'000	HK$'000	**HK$'000**
Revenue	133	630	964	2,609	**1,266**
Loss before income tax	(5,293)	(4,551)	(5,174)	(19,154)	**(50,245)**
Income tax expense	–	–	–	–	**–**
Loss for the year	(5,293)	(4,551)	(5,174)	(19,154)	**(50,245)**
Minority interests	–	25	25	–	**126**
Loss per share for loss attributable to the equity holders of the Company during the year	(5,293)	(4,526)	(5,149)	(19,154)	**(50,119)**

	As at 31 December				
	2004	2005	2006	2007	**2008**
	HK$'000	HK$'000	HK$'000	HK$'000	**HK$'000**
ASSETS AND LIABILITIES					
Total assets	1,033	2,266	907	94,183	**1,463,537**
Total liabilities	(15,635)	(21,399)	(25,195)	(4,760)	**(367,720)**
	(14,602)	(19,133)	(24,288)	89,423	**1,095,817**