1 CORPORATE INFORMATION

The Company is incorporated as an exempted company with limited liability in Bermuda under the Companies Act 1981 of Bermuda (as amended) and its shares are listed on The Stock Exchange of Hong Kong Limited (the "Stock Exchange"). The address of its registered office and principal place of business of the Company are disclosed in the "Corporate Information" section of the annual report.

The Company is an investment holding company. The principal activities of its subsidiaries are set out in note 34.

The financial statements are presented in Hong Kong dollars ("HK$"), which is the Company's functional and presentation currency.

2 ADOPTION OF NEW AND REVISED STANDARDS

In the current year, the Group has adopted all of the new and revised Standards and Interpretations issued by Hong Kong Institute of Certified Public Accountants (the "HKICPA") that are relevant to its operations and effective for annual reporting periods beginning on 1 January 2006. The adoption of these new and revised Standards and Interpretations has no material effect on how the results of operation and financial position of the Group are prepared and presented.

At the date of authorisation of these financial statements, the following Standards and Interpretations were in issue but not yet effective:

HKAS 1 (Amendment)	Capital Disclosures [1]
HKFRS 7	Financial Instruments: Disclosures [1]
HKFRS 8	Operating Segments [7]
HK(IFRIC) – INT 7	Applying the Restatement Approach under HKAS 29 Financial Reporting in Hyperinflationary Economies [2]
HK(IFRIC) – INT 8	Scope of HKFRS 2 [3]
HK(IFRIC) – INT 9	Reassessment of Embedded Derivatives [4]
HK(IFRIC) – INT 10	Interim Financial Reporting and Impairment [5]
HK(IFRIC) – INT 11	HKFRS 2 – Group and Treasure Share Transactions [6]
HK(IFRIC) – INT 12	Service Concession Arrangements [8]

1 Effective for annual periods beginning on or after 1 January 2007

2 Effective for annual periods beginning on or after 1 March 2006

3 Effective for annual periods beginning on or after 1 May 2006

4 Effective for annual periods beginning on or after 1 June 2006

5 Effective for annual periods beginning on or after 1 November 2006

6 Effective for annual periods beginning on or after 1 March 2007

7 Effective for annual periods beginning on or after 1 January 2009

8 Effective for annual periods beginning on or after 1 January 2008

The directors anticipate that the adoption of these Standards and Interpretations in future periods will have no material financial impact on the financial statements of the Group.

3 SIGNIFICANT ACCOUNTING POLICIES

(a) Statement of compliance

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

(b) Basis of preparation of the financial statements

The consolidated financial statements for the year ended 31 December 2006 comprise the Company and its subsidiaries (together referred to as the "Group").

The measurement basis used in the preparation of the financial statements is the historical cost basis except that financial instruments classified as trading securities and available-for-sale investments are stated at their fair value as explained in the accounting policies set out below.

The preparation of financial statements in conformity with HKFRSs requires management to make judgments, estimates and assumption that affect the application of policies and reported amounts of assets, liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgments about carrying values of assets and liabilities that are not readily apparent from other source. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Judgments made by management in the application of HKFRSs that have significant effect on the financial statements and estimates with a significant risk of material adjustment in the next year are discussed in note 31.

(c) Subsidiaries and minority interests

Subsidiaries are entities controlled by the Group. Control exists when the Group has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. In assessing control, potential voting rights that presently are exercisable are taken into account.

3 SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(c) Subsidiaries and minority interests *(Continued)*

An investment in a controlled subsidiary is consolidated into the consolidated financial statements from the date that control commences until the date that control ceases. Intra-group balances and transactions and any unrealised profits arising from intra-group transactions are eliminated in full in preparing the consolidated financial statements. Unrealised losses resulting from intra-group transactions are eliminated in the same way as unrealised gains but only to the extent that there is no evidence of impairment.

The purchase method of accounting is used to account for the acquisition of subsidiaries by the Group. The cost of an acquisition is measured as the fair value of assets given, equity instruments issued and liabilities incurred or assumed at the date of exchange, plus costs directly attributable to the acquisition. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date, irrespective of the extent of any minority interest. The excess of the cost of acquisition over the fair value of the Group's share of the identifiable net assets acquired is recorded as goodwill. If the cost of acquisition is less than the fair value of the net assets of the subsidiary acquired, the difference is recognised directly in the income statement.

Minority interests represent the portion of the net assets of subsidiaries attributable to interests that are not owned by the Company, whether directly or indirectly through subsidiaries, and in respect of which the Group has not agreed any additional terms with the holders of those interests which would result in the Group as a whole having a contractual obligation in respect of those interests that meets the definition of a financial liability. Minority interests are presented in the consolidated balance sheet within equity, separately from equity attributable to the equity shareholders of the company. Minority interests in the results of the Group are presented on the face of the consolidated income statement as an allocation of the total profit or loss for the year between minority interests and the equity shareholders of the Company.

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

In the company's balance sheet, an investment in a subsidiary is stated at cost less impairment loss, unless the investment is classified as held for sale or included in a disposal group that is classified as held for sale.

(d) Goodwill

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.

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(g)(ii)).

3 SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(e) Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined on a first in, first out basis and includes all costs of purchase, cost of conversion and other costs incurred in bringing the inventories to their present location and condition. Net realisable value is determined on the basis of anticipated sales proceeds less estimated selling expenses.

(f) Financial instruments

Financial assets and financial liabilities are recognised on the consolidated balance sheet when the Group has become a party to the contractual provisions of the instrument.

(i) Financial assets at fair value through profit or loss

Investments in securities held for trading are classified as current assets and are initially stated at fair value. At each balance sheet date the fair value is re-measured, with any resultant gain or loss being recognised in profit or loss. Upon disposal, the difference between the net sales proceeds and the carrying value is included in the income statement.

(ii) Available-for-sale investments

Available-for-sale investments are those non-derivates and are designated as available-for-sale investments or not classified under other investment categories. Available-for-sale investments are carried at fair value. Unrealised gain and losses (including transaction costs on acquisition) arising from changes in the fair value are recognised in fair value reserve in accordance with HKAS 39. When the securities are sold, the difference between the net sale proceeds and the carrying value, and the accumulated fair value adjustments in the investment revaluation reserve are treated as gains or losses on disposal. For investments where there is no active market and whose fair value cannot be reliably measured, such investments are measured at cost less any impairment losses at each balance sheet date subsequent to initial recognition.

(iii) Trade and other receivables

Trade and other receivables are initially recognised at fair value and thereafter stated at amortised cost less impairment losses for bad and doubtful debts, except where the receivables are interest-free loans made to related parties without any fixed repayment terms or the effect of discounting would be immaterial. In such cases, the receivables are stated at cost less impairment losses for bad and doubtful debts.

(iv) Cash and cash equivalents

Cash and cash equivalents comprise cash at bank and on hand, demand deposits with banks and other financial institutions, and short-term, highly liquid investments that are ready convertible into known amounts of cash and which are subject to an insignificant risk of changes in value, having been within three months of maturity at acquisition.

3 SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(f) Financial instruments *(Continued)*

(v) Trade and other payables

Trade and other payable are initially recognised at fair value and thereafter stated at amortised cost unless the effect of discounting would be immaterial, in which case they are stated at cost.

(vi) Interest-bearing borrowings

Interest-bearing borrowings are recognised initially at fair value less attributable transaction costs. Subsequent to initial recognition, interest-bearing borrowings are stated at amortised cost with any difference between cost and redemption value being recognised in profit or loss over the period of the borrowings using the effective interest method.

(vii) Share capital

Ordinary shares are classified as equity. Incremental costs directly attributable to the issuance of new shares are taken to equity as a deduction, net of tax, from the proceeds.

(g) Impairment of assets

(i) Impairment of investments in equity securities and other receivables

Investment in equity securities and other current and non-current receivables that are stated at cost or amortised cost or are classified as available-for-sale securities are reviewed at each balance sheet date to determine whether there is objective evidence of impairment. If any such evidence exists, any impairment loss is determined and recognised as follows :

— For trade and other current receivables that are carried at cost, the impairment loss is measured as the difference between the carrying amount of financial asset and the estimated future cash flows, discounted at the current market rate of return for a similar financial asset where the effect of discounting is material.

If in a subsequent period the amount of an impairment loss decreases and the decrease can be linked objectively to an event occurring after the impairment loss was recognised, the impairment loss is reversed through profit or loss. A reversal of an impairment loss shall not result in the asset's carrying amount exceeding that which would have been determined had no impairment loss been recognised in prior years.

— For available-for-sale securities, the cumulative loss that had been recognised directly in equity is removed from equity and is recognised in profit or loss. The amount of the cumulative loss that is recognised in profit or loss is the difference between the acquisition cost (net of any principal repayment and amortisation) and current fair value, less any impairment loss on that asset previously recognised in profit or loss.

3 SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(g) Impairment of assets *(Continued)*

(i) Impairment of investments in equity securities and other receivables (Continued)

Impairment losses recognised in profit or loss in respect of available-for-sale equity securities are reversed through profit or loss. Any subsequent increase in the fair value of such assets is recognised directly in equity.

(ii) Impairment of other assets

Internal and external sources of information are reviewed at each balance sheet date to identify indications that the following assets may be impaired or an impairment loss previously recognised no longer exists or may have decreased:

— investment in subsidiaries; and

— goodwill

If any such indication exists, the asset's recoverable amount is estimated. In addition, for goodwill, the recoverable amount is estimated annually whether or not there is any indication of impairment.

(iii) Calculation of recoverable amount

The recoverable amount of an asset is the greater of its fair value 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 assessments of time value of money and the risks specific to the asset. Where an asset does not generate cash inflows largely independent of those from other assets, the recoverable amount is determined for the smallest group of assets that generates cash inflows independently (i.e. a cash-generating unit).

(iv) Recognition of impairment losses

An impairment loss is recognised in profit or loss whenever the carrying amount of an asset, or the cash-generating unit to which it belongs, exceeds its recoverable amount. Impairment losses recognised in respect of cash-generating units are allocated first to reduce the carrying amount of any goodwill allocated to the cash-generating unit (or group of units) and then, to reduce the carrying amount of other assets in the unit (or group of units) on a pro rata basis, 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.

(v) Reversals of impairment losses

In respect of assets other than goodwill, an impairment loss is reversed if there has been a favourable change in the estimates used to determine the recoverable amount. An impairment loss in respect of goodwill is not reversed.

3 SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(g) Impairment of assets *(Continued)*

(v) Reversals of impairment losses (Continued)

A reversal of an impairment loss is limited to the asset's carrying amount that would have been determined had no impairment loss been recognised in prior years. Reversals of impairment losses are credited to profit or loss in the year in which the reversals are recognised.

(h) Employee benefits costs

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

Contributions to Mandatory Provident Fund as required under the Hong Kong Mandatory Provident Fund Schemes Ordinance, are recognised as an expense in the income statement as incurred.

(i) Share-based payments

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

The cost of equity-settled transactions with employees is measured by reference to the fair value at the date at which they are granted. In valuing equity-settled transactions, no account is taken of any performance conditions, other than conditions linked to the price of the shares of the Company, if applicable.

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

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

3 SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(i) Share-based payments *(Continued)*

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

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

(j) Income tax expense

Income tax expense represents the sum of the tax currently payable and deferred tax.

The tax currently payable is based on taxable profit for the year. Taxable profit differs from net profit as reported in the income statement because it excludes items of income or expense that are taxable or deductible in other years, and it further excludes income statement items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the balance sheet date.

Deferred tax is the tax expected to be payable or recoverable on temporary differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit, and is accounted for using the balance sheet liability method. Deferred tax liabilities are generally recognised for all taxable temporary differences, and deferred tax assets are recognised only to the extent that it is probable that future taxable profits will be available against which deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from the initial recognition (other than in a business combination) of assets and liabilities in a transaction that affects neither the tax profit nor the accounting profit.

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

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

(k) Provisions and contingent liabilities

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

3 SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(k) Provisions and contingent liabilities *(Continued)*

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.

(l) Revenue recognition

Sales of goods are recognised when goods are delivered and title has passed or when the relevant sales contracts become unconditional.

Interest income is recognised as it accrues using the effective interest method.

(m) Foreign currencies

In preparing the financial statements, transactions in currencies other than the Group entity's functional currency (foreign currencies) are recorded at the rates of exchanges prevailing on the dates of the transactions. At each balance sheet date, monetary items denominated in foreign currencies are retranslated at the rates prevailing on the balance sheet date. 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. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences arising on the settlement of monetary items, and on the translation of monetary items, are recognised in profit or loss in the period in which they arise. Exchange differences arising on the retranslation of non-monetary items carried at fair value are included in profit or loss for the period except for differences arising on the retranslation of non-monetary items in respect of which gains and losses are recognsied directly in equity, in which case, the exchange differences are also recognised directly in equity.

On consolidation, the assets and liabilities of the Group's operations outside Hong Kong are translated at exchange rates prevailing on the balance sheet date. Income and expense items are translated at the average exchange rates for the period. Exchange differences arising, if any, are classified as equity and transferred to the Group's translation reserve. Such translation differences are recognised as income or as expenses in the period in which the operation is disposed of.

(n) Borrowing costs

Borrowing costs that are directly attributable to the acquisition, construction or production of an asset that necessarily takes a substantial period of time to get ready for its intended use or sale are capitalised as part of the cost of that asset. All other borrowing costs are charged to the income statement in the year in which they are incurred.

3 SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(o) Operating leases

Leases where substantially all the rewards and risks of ownership of assets remain with the leasing company are accounted for as operating leases. Rental payments applicable to such operating leases are charged to the income statement on the straight-line basis over the lease periods.

(p) Segment reporting

A segment is a distinguishable component of the Group that is engaged either in providing products or services (business segment), or in providing products or services within a particular economic environment (geographical segment), which is subject to risks and rewards that are different from those of other segments.

In accordance with the Group's internal financial reporting system, the Group has chosen business segment information as the primary reporting format and geographical segment as the secondary reporting format for the purpose of these financial statements.

Segment revenue, expenses, results, assets and liabilities include items directly attributable to a segment as well as those that can be allocated on a reasonable basis to that segment. For example, segment assets may include inventories, trade receivables and property, plant and equipment. Segment revenue, expenses, assets and liabilities are determined before intra-group balances and intra-group transactions are eliminated as part of the consolidation process, except to the extent that such intra-group balances and transactions are between group enterprises within a single segment. Inter-segment pricing is based on similar terms as those available to other external parties.

Segment capital expenditure is the total cost incurred during the period to acquire segment assets (both tangible and intangible) that are expected to be used for more than one period.

Unallocated items mainly comprise financial and corporate assets, interest-bearing loans, borrowings, tax balances, corporate and financing expenses.

4 TURNOVER AND OTHER INCOME

An analysis of the Group's turnover and other income is as follows:

	2006 HK$'000	2005 HK$'000
Turnover		
Sales of base metals	**5,788**	44,937
Sales of fabric products and other merchandises	**14,132**	23,456
Proceeds from sale of trading securities	**2,853**	—
	22,773	68,393
Other income		
Interest income	**1,181**	160
Unreaslised gain on trading securities	**38,743**	—
Others	**419**	314
	40,343	474
Total income	**63,116**	68,867

5 SEGMENTAL INFORMATION

Primary reporting format - business segments

As at 31 December 2006, the Group comprises the following main business segments:

(i) trading in base metals;

(ii) trading in fabric products and other merchandises; and

(iii) trading and investment of listed securities

5 SEGMENTAL INFORMATION *(Continued)*

Primary reporting format - business segments *(Continued)*

The following tables represent revenue and profit/(loss) information on each of the above business segments for the years ended 31 December 2005 and 2006, and certain assets and liabilities information regarding business segments as at 31 December 2005 and 2006.

	Trading in base metals		Trading in fabric products and other merchandises		Trading and investment of listed securities		Consolidated	
	2006 HK$'000	2005 HK$'000	**2006 HK$'000**	2005 HK$'000	**2006 HK$'000**	2005 HK$'000	**2006 HK$'000**	2005 HK$'000 (restated)
Revenue from external customers	**5,788**	44,937	**14,132**	23,456	**2,853**	—	**22,773**	68,393
Segment result	**21**	110	**577**	966	**39,152**	—	**39,750**	1,076
Unallocated corporate expenses							**(12,377)**	(8,214)
Credit arising from a scheme of arrangement with creditors							**—**	15,421
Finance costs							**(2,153)**	(1,744)
Profit before taxation							**25,220**	6,539
Income tax expense							**(238)**	(38)
Profit for the year							**24,982**	6,501
Segment assets	**551**	432	**7,281**	1,719	**247,039**	—	**254,871**	2,151
Unallocated corporate assets							**24,502**	40,852
Consolidated total assets							**279,373**	43,003
Segment liabilities	**—**	—	**—**	1,570	**570**	—	**570**	1,570
Unallocated corporate liabilities							**148,827**	19,552
Consolidated total liabilities							**149,397**	21,122

5 SEGMENTAL INFORMATION *(Continued)*

Secondary reporting format - geographical segments

The following table provides an analysis of the Group's sales by geographical market, irrespective of the origin of the goods

	2006	2005
	HK$'000	HK$'000
Hong Kong	**10,255**	49,635
Africa	**12,518**	18,758
	22,773	68,393

The following table provides an analysis of the Group's assets by geographical location of assets:

	2006	2005
	HK$'000	HK$'000
Hong Kong	**27,783**	43,003
Australia	**245,229**	—
Africa	**6,361**	—
	279,373	43,003

There was no addition of property, plant and equipment for each of the year ended 31 December 2005 and 2006.

6 ADMINISTRATIVE EXPENSES

	2006	2005
	HK$'000	HK$'000
Administrative expenses include the following:		
Auditors' remuneration	**250**	250
Depreciation	**—**	7
Legal and professional fees	**2,290**	4,760
Loss on disposal of property, plant and equipment	**—**	16
Retirement benefits scheme contributions	**70**	55
Staff costs, including directors' emoluments *(Note 8) (NB)*	**3,354**	1,513

NB: For the year ended 31 December 2005, the staff costs disclosed above included an amount of HK$213,000 which was included in distribution costs in the consolidated income statement. For the year ended 31 December 2006, no staff costs were included in distribution costs in the consolidated income statement.

7 FINANCE COSTS

	2006 HK$'000	2005 HK$'000
Interest on other loans	**958**	1,744
Interest on margin financing account	**1,195**	—
	2,153	1,744

8 DIRECTORS' AND EMPLOYEES' EMOLUMENTS

An analysis of remuneration paid and payable to directors of the Company for the year ended 31 December 2006 and 2005 is set as follows:

2006

	Fee HK$'000	Salaries, allowances and benefits in kind HK$'000	Retirement scheme contribution HK$'000	Total HK$'000
Executive Directors				
Mr. Yue Jialin	—	—	—	—
Mr. Lau Yau Cheung	—	2,050	30	2,080
Mr. Michael Joseph Bogue	11	—	—	11
Independent Non-executive Directors				
Mr. Wong Wing Kuen, Albert	40	—	—	40
Mr. Tsui Robert Che Kwong	40	—	—	40
Mr. Wu Guo Jian	20	—	—	20
Mr. Yang Weiming	16	—	—	16
Total	127	2,050	30	2,207

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

2005

	Fee HK$'000	Salaries, allowances and benefits in kind HK$'000	Retirement scheme contribution HK$'000	Total HK$'000
Executive Directors				
Mr. Yue Jialin	—	—	—	—
Mr. Lau Yau Cheung	—	300	15	315
Independent Non-executive Directors				
Mr. Wong Wing Kuen, Albert	40	—	—	40
Mr. Tsui Robert Che Kwong	40	—	—	40
Mr. Wu Guo Jian	40	—	—	40
Total	120	300	15	435

During the year ended 31 December 2006, Mr. Yue Jialin waived his emoluments to the amount of HK$20,000. During the year ended 31 December 2005, Mr. Lau Yau Cheung waived part of his emoluments to the amount of HK$300,000. The waived emoluments were excluded in the above disclosure.

Apart from the above, no director has waived or agreed to waive any emoluments during the years ended 31 December 2006 and 2005.

Of the five individuals with the highest emoluments in the Group, one (2005: one) individual is a director of the Company whose emoluments are included in the disclosure set out above. The aggregate of the emoluments in respect of the other four (2005: four) individuals whose emolument fell within the band of nil to HK$1,000,000 are as follows:

	2006 HK$'000	2005 HK$'000
Salaries and allowances	**1,136**	1,093
Retirement benefits scheme contributions	**40**	40
	1,176	1,133

During the years ended 31 December 2006 and 2005, no emoluments were paid by the Group to any of the directors or the five highest paid individuals, as an inducement to join or upon joining the Group or as compensation for loss of office.

9 INCOME TAX EXPENSE

Hong Kong profits tax is calculated at 17.5% (2005: 17.5%) of the assessable profit for the year.

The charge for the year can be reconciled to the profit before taxation per the consolidated income statement as follow:

	2006	2005
	HK$'000	HK$'000
Profit before taxation	**25,220**	6,539
Tax at Hong Kong Profits Tax rate of 17.5%	**4,413**	1,144
Tax effect of non-deductible expenses	**2,069**	1,454
Tax effect of non-taxable income	**(6,943)**	(2,755)
Tax effect of tax loss not recognised	**699**	193
Utilisation of tax loss previously not recognised	**—**	2
	238	38

At 31 December 2006, the Group had unused tax losses of approximately HK$8,161,000 (2005: HK$4,164,000) available for offset against future profits. No deferred tax asset has been recognised in respect of such losses due to the unpredictability of future profit streams. The tax losses may be carried forward indefinitely.

The Company had no significant unprovided deferred taxation at the balance sheet date.

10 PROFIT ATTRIBUTABLE TO EQUITY SHAREHOLDERS OF THE COMPANY

The consolidated profit attributable to equity shareholders of the Company includes a profit of approximately HK$22,313,000 (2005: loss of HK$27,772,000) which has been dealt with in the financial statements of the Company.

11 DIVIDENDS

No dividends had been paid or declared by the Company during the year (2005: nil).

12 EARNINGS PER SHARE

The calculation of the basic earnings per share is based on the profit for the year of HK$24,982,000 (2005: HK$6,501,000) and the weighted average number of 807,098,630 (2005: 413,000,000) ordinary shares in issue during the year.

Diluted earnings per share has not been presented for the years ended 31 December 2006 and 2005, as there were no potential dilutive shares outstanding during both years.

13 INVESTMENTS IN SUBSIDIARIES

	The Company	
	2006	2005
	HK$'000	HK$'000
Unlisted investments	**—**	75,274
Amounts due from subsidiaries, less allowances	**90,065**	6,296
	90,065	81,570
Less: Impairment loss	**—**	(75,274)
	90,065	6,296

The amounts due from subsidiaries are unsecured, non-interest bearing and have no fixed terms of repayment. In the opinion of the Directors, the amounts will not be repaid in the next twelve months from the balance sheet date and the amounts are therefore shown as non-current.

Particulars of the Company's principal subsidiaries at 31 December 2006 are set out in note 34.

14 INVENTORIES

	The Group	
	2006	2005
	HK$'000	HK$'000
Goods purchased for resale	**1,494**	—

Inventories comprise electronics parts.

15 TRADE AND OTHER RECEIVABLES

The Group allows an average credit period of 60 days to its trade customers.

The following is an aged analysis of trade receivables at the balance sheet date:

	The Group	
	2006	2005
	HK$'000	HK$'000
Trade receivables		
0 to 30 days	**3,076**	2,151
31 to 60 days	**2,048**	—
61 to 90 days	**2,124**	—
91 to 365 days	**418**	—
Over 365 days	**130**	—
	7,796	2,151
Other receivables	**664**	35,375
	8,460	37,526

All trade and other receivables are expected to be settled within one year.

Included in trade and other receivables are the following amounts denominated in a currency other than the functional currency of the Group's entities to which they relate :

	The Group	
	2006	2005
United States Dollars	**US$951,898**	US$275,718

16 TRADING SECURITIES

	The Group	
	2006	2005
	HK$'000	HK$'000
Trading securities, at fair value		
Listed equity securities, in Hong Kong	**1,810**	—
Listed equity securities, in overseas	**225,229**	—
	227,039	—

16 TRADING SECURITIES *(Continued)*

Included in the trading securities are the following amounts denominated in a currency other than the functional currency of the Group's entities to which they relate:

	2006	2005
Australian Dollars	**A$36,826,000**	—

17 TRADE AND OTHER PAYABLES

The following is an aged analysis of trade payables at the balance sheet date:

	The Group	
	2006	2005
	HK$'000	HK$'000
Trade payables		
0 to 30 days	**—**	1,554
90 days to 365 days	**192**	—
over 365 days	**1,754**	—
	1,946	1,554
Other payables	**5,639**	4,499
	7,585	6,053

All trade and other payables are expected to be settled within one year.

17 TRADE AND OTHER PAYABLES *(Continued)*

Included in trade and other payables are the following amounts denominated in a currency other than the functional currency of the Group's entities to which they relate:

	The Group	
	2006	2005
Australian Dollars	**A$92,000**	—

18 MARGIN FINANCING LOAN

The margin loan facility was secured by trading securities with carrying amount of approximately HK$225,229,000 as at 31 December 2006.

19 SHARE CAPITAL

	2006		2005	
	Number of shares	**Amount HK$'000**	Number of shares	Amount HK$'000
Ordinary shares of HK$0.10 each				
Authorised:				
At 1 January	**1,000,000,000**	**100,000**	1,000,000,000	100,000
Increase in authorised share capital	**1,000,000,000**	**100,000**	—	—
At 31 December	**2,000,000,000**	**200,000**	1,000,000,000	100,000
Issued and fully paid:				
At 1 January	**413,000,000**	**41,300**	413,000,000	41,300
Issue of rights shares	**826,000,000**	**82,600**	—	—
Issue of share upon conversion of convertible bond	**20,000,000**	**2,000**	—	—
At 31 December	**1,259,000,000**	**125,900**	413,000,000	41,300

19 SHARE CAPITAL *(Continued)*

Details of the changes in the Company's share capital during the year ended 31 December 2006 are as follows:

(i) Pursuant to a special resolution passed on 19 June 2006, the authorised share capital of the Company was increased to HK$200,000,000 by the creation of 1,000,000,000 shares of HK$0.1 each.

(ii) The Company completed a rights issue on 14 July 2006, which raised gross proceeds of HK$82.6 million by issuing 826 million rights shares at HK$0.1 each.

(iii) On 24 August 2006, the convertible bond of HK$2 million issued to the Vendor for acquisition of 60% issued equity interest of Chinaright Electronics Limited was converted into 20,000,000 new shares of the Company.

20 SHARE OPTIONS SCHEME

The Company has a share option scheme (the "Scheme") which was adopted on 22 September 2004 whereby the board of directors of the Company may grant options to eligible persons, including directors of the Company and its subsidiaries, as incentives to directors and eligible employees to subscribe for shares in the Company. The Scheme will expire on 21 September 2014.

Options granted must be taken up within 28 days of the date of grant, upon payment of HK$1 per grant. Options may be exercised at any time from the date of grant of the share option to the 10th anniversary of the date of grant. The exercise price is determined by the directors of the Company, and will not be less than the highest of the closing price of the Company's shares on the date of grant, the nominal value of the Company's shares and the average closing price of the shares for the five business days immediately preceding the date of grant.

The total number of shares which may be issued upon exercise of all outstanding options granted and yet to be exercised under the Scheme must not exceed 30% of the shares in issue from time to time. The number of shares in respect of which options may be granted to any individual in any 12-month period is not permitted to exceed 1% of the shares of the Company in issue at any point in time without prior approval from the Company's shareholders. Options granted to substantial shareholders or independent non-executive directors in excess of 0.1% of the Company's share capital or with a value in excess of HK$5 million must be approved in advance by the Company's shareholders.

No option has been granted under the Scheme since its adoption.

21 RESERVES

The amounts of the Group's reserves and the movements therein for the current and prior year are presented in the consolidated statement of changes in equity on page 30 of the financial statements.

Company	Share premium HK$'000	Contributed surplus HK$'000	Accumulated losses HK$'000	Total HK$'000
At 1 January 2005	106,957	60,274	(193,151)	(25,920)
Loss for the year	—	—	(27,772)	(27,772)
At 31 December 2005	106,957	60,274	(220,923)	(53,692)
At 1 January 2006	**106,957**	**60,274**	**(220,923)**	**(53,692)**
Rights shares issuing expenses	(1,487)	—	—	(1,487)
Profit for the year	—	—	22,313	22,313
At 31 December 2006	**105,470**	**60,274**	**(198,610)**	**(32,866)**

Nature and purpose of reserves

(i) Special reserve

The special reserve represents the difference between the nominal value of the aggregate share capital of the subsidiaries acquired and the nominal value of the share capital of the Company issued for the acquisition at the time of a group reorganisation in 1998.

(ii) Contributed surplus

The contributed surplus represents the difference between the consolidated net assets of the subsidiaries acquired and the nominal value of the share capital of the Company issued for the acquisition at the time of a group reorganisation in 1998.

21 RESERVES *(Continued)*

In addition to accumulated profits, under the Companies Act 1981 of Bermuda (as amended), contributed surplus of the Company is also available for distribution to shareholders. However, the Company cannot declare or pay a dividend, or make a distribution out of contributed surplus, if:

(a) it is, or would after the payment be, unable to pay its liabilities as they become due; or

(b) the realisable value of its assets would thereby be less than the aggregate of its liabilities and its issued share capital and share premium accounts.

In the opinion of the directors, the Company had no reserve available for distribution to shareholders at the balance sheet date.

22 ACQUISITION OF A SUBSIDIARY

On 19 July 2006, Rise Cheer Limited (the "Purchaser"), a wholly owned subsidiary of the Company, acquired 60% issued equity interest of Chinaright Electronics Limited ("Chinaright").

Details of the net assets of Chinaright acquired by the Group were as follows :

	Chinaright 's carrying amount before acquisition	**Fair value adjustment**	**Fair value**
	HK$'000	HK$'000	HK$'000
Inventories	1,910	—	1,910
Account and other receivable	8	—	8
Bank balance and cash	54	—	54
Account and other payable	(2,158)	—	(2,158)
Net liabilities	(186)	—	(186)
Goodwill on acquisition *(note)*			3,116
Total cost of acquisition			2,930

22 ACQUISITION OF A SUBSIDIARY *(Continued)*

The cost of acquisition included consideration of HK$2,000,000 payable to the Vendor which was satisfied by issue of convertible bonds (note 2) and legal and professional costs directly related to the acquisition of HK$930,000 which were paid in cash.

	HK$'000
Net cash outflow arising on acquisition	
Cash paid for cost of acquisition	(930)
Cash and cash equivalent acquired	54
	(876)

Chinaright contributed nil revenue and attributed a loss of HK$549,500 to the Group's results for the year between the date of acquisition and the balance sheet date.

If the acquisition had been completed on 1 January 2006, total group turnover for the year would have been approximately HK$40,627,000 and profit attributable to shareholders would have been HK$23,799,000. The proforma information is for illustrative purposes only and is not necessarily an indicative turnover and results of operations of the Group that actually would have been achieved had the acquisition been completed on 1 January 2006 nor is it intended to be a projection of future results.

Note:

(1) The Directors had carried out a test for impairment on the goodwill and considered the value of the goodwill were fully impaired.

(2) The convertible bonds were fully converted into shares of the Company on 24 August 2006.

23 CASH AND CASH EQUIVALENTS

	The Group	
	2006	2005
	HK$'000	HK$'000
Pledged bank deposits	**10,098**	4,012
Cash at bank and in hand	**9,421**	1,465
Cash held in a securities account maintained in a securities company	**2,861**	—
	22,380	5,477
Less: Pledged bank deposits	**(10,098)**	(4,012)
Cash and cash equivalents	**12,282**	1,465

Included in cash and cash equivalents in the balance sheet are the following amounts denominated in a currency other than the functional currency of the Group's entities of which they relate:

	The Group	
	2006	2005
Australian Dollars	**A$15,000**	—

Cash at banks earns interest at floating rates based on daily bank deposit rates. Short term deposits during the year are made for varying period of between 1 day and two months depending on the immediate cash requirements of the Group, and earn interest at respective short term time deposits rates. The carrying amount of the cash and cash equivalent approximate to their fair value.

24 MAJOR NON-CASH TRANSACTIONS

(i) As detailed in note 22 above, the Group acquired 60% issued equity interest of Chinaright by the issuance of the convertible bond to the amount of HK$2 million.

(ii) On 24 August 2006, the convertible bond of HK$2 million issued to the Vendor for acquisition of 60% issued equity interest of Chinaright Electronics Limited was converted into 20,000,000 new shares of the Company.

(iii) During the year ended 31 December 2005, a wholly-owned subsidiary of the Company had effected a scheme of arrangement with creditors, with which the Group's liabilities were reduced by approximately HK$15,421,000.

25 FINANCIAL RISK MANAGEMENT

(a) Financial risk factors

The Group's activities expose it to a variety of financial risks: market risk (including foreign exchange risk, interest rate risk and price risk), credit risk and liquidity risk.

(i) Foreign exchange risk

The Group operates internationally and certain trade receivables are denominated in foreign currencies, which is mainly in United Stated dollars that are pegged with Hong Kong dollars. Therefore, the Group does not have any significant exposure to currency risk.

(ii) Interest rate risk

The Group's income and operating cash flows are substantially independent of changes in market interest rates as the Group has no significant interest-bearing assets. The Group's exposure to changes in interest rates is mainly attributable to its short-term borrowings. Borrowings at variable rates expose the Group to cash flow interest-rate risk.

The Group has not used any interest rate swaps to hedge its exposure to interest rate risk.

(iii) Price risk

The Group's investments in securities are measured at fair value at each balance sheet date. Therefore, the company is exposed to equity price risk. Management manages this exposure by maintaining a portfolio of investments with different risk profiles.

(iv) Credit risk

The Group is exposed to credit risk, which is the risk that a counterparty will be unable to pay amounts in full when due. It arises primarily from the Group's bank deposits and trade and other receivables. The Group only traded with recognised and creditworthy third parties. Receivable balances are monitored on an ongoing basis and the Group's exposure to bad debts is no significant. Bank balances are placed with high-credit-quality institutions and directors of the Company consider that the credit risk for such is minimal.

(v) Liquidity risk

Individual operating entities within the Group are responsible for their own cash management, including the short term investment of cash surpluses and the raising of loans to cover expected cash demands, subject to approval by the parent company's board when the borrowings exceed certain predetermined levels of authority. The Group's policy is to regularly monitor current and expected liquidity requirements and its compliance with lending covenants, to ensure that it maintains sufficient reserves of cash and readily realisable marketable securities and adequate committed lines of funding from major financial institutions to meet its liquidity requirements in short and longer term.

25 FINANCIAL RISK MANAGEMENT *(Continued)*

(b) Fair value estimation

Fair value of trading securities is based on quoted market prices at the balance sheet date without any deduction for transaction costs.

The carrying amounts of the Group's other financial assets including cash and cash equivalents, bank deposits, trade and other receivables; and financial liabilities including trade and other payables, approximate their fair values due to their short maturities. The face value less any estimated credit adjustments for financial assets and liabilities with a maturity of less than one year are assumed to approximate their fair values.

26 COMMITMENT

(a) Operating lease – the Group as lessee

	2006	2005
	HK$'000	HK$'000
Minimum lease payments under operating leases in respect of rented premises during the year	**366**	440

At the balance sheet date, the Group had commitments for future minimum lease payments under non-cancellable operating leases in respect of rented premises, which fall due as follows:

	2006	2005
	HK$'000	HK$'000
Within one year	**153**	366
After one year but within five years	**—**	153
	153	519

Operating lease payments represent rental payable by the Group for its office premises. Leases are negotiated for an average term of two years.

26 COMMITMENT *(Continued)*

(b) Capital commitment

On 27 October 2006, the Group entered into an acquisition agreement with the vendors, Honest Opportunity Limited and New Fortress Investments Limited pursuant to which, among other things, the purchaser, a wholly-owned subsidiary of the Company, has conditionally agreed to acquire 48,373,197 ordinary shares in Mount Gibson Iron Limited ("Mount Gibson"), a corporation incorporated under the laws of Australia, the shares of which are listed on the Australian Stock Exchange, representing approximately 8.79% interest in Mount Gibson as at 7 November 2006. Consideration payable by the Group is approximately HK$224.5 million. As at the balance sheet date, deposit of HK$20 million was paid. The completion of the acquisition agreement is subject to the approval by the independent shareholders of the Company. Subsequently, such proposed acquisition was approved at the special general meeting of the Company held on 4 January 2007.

27 MATERIAL CONNECTED TRANSACTIONS AND RELATED PARTY TRANSACTIONS

During the year, the Group entered into the following material related party transactions.

(a) Key management personnel remuneration

Remuneration for key management personnel, including amounts paid to the Company's directors and certain of the highest paid employees as disclosed in note 8 as follows:

	2006	2005
	HK$'000	HK$'000
Short-term employee benefits	**2,050**	300
Post-employment benefits	**30**	15
	2,080	315

(b) On 12 April 2006, the Company and its controlling shareholder, Profit Harbour Investments Limited ("Profit Harbour") entered into a deed of assignment, pursuant to which Profit Harbour has conditionally agreed to acquire from the Company, the Debt at the consideration of US$4.5 million (equivalent to approximately HK$35.1 million) (the "Assignment of Debts"). The Assignment of Debts constitutes a connected transaction and a major transaction of the Company under the Rules Governing the Listing of Securities on of The Stock of Exchange of Hong Kong Limited and were approved by independent shareholders by way of poll on special general meeting of the Company held on 23 May 2006. On 26 May 2006, the amount was deposited into a bank account of the Company.

28 LITIGATION AND CONTINGENT LIABILITIES

At 31 December 2006, the Group had the following litigation and contingent liabilities:

Reference is made to the disclosure of litigation and contingent liabilities in the annual reports 2004 and 2005 and interim report 2006 of the Company.

1. After taking legal advice, the receivers of the Company, Mr. Alan Chung Wah Tang and Ms. Alison Wong Lee Fung Ying, both from Grant Thornton, Certified Public Accountants (the “Receivers”), commenced legal proceedings on 2 July 2003 against Great Center Limited (“Great Center”) for the repayment of two sums totaling US$4.5 million (or approximately HK$35.1 million), remitted on or about 21 May 2003 with no apparent justification, from the bank account of Merchants (Hong Kong) Limited, to a bank account maintained in the name of Great Center, and interest thereon, damages and costs of the legal proceedings (the “Great Center Action”).

2. The writ of summons issued on 2 July 2003 in relation to the claim against Great Center for the repayment of US$4.5 million was amended on 10 July 2004 (the “Amended Writ”) to include the claims for (i) the repayment of HK$12.8 million remitted from a bank account of the Company to a bank account in the name of Great Center on or about 17 April 2003; and (ii) the repayment of HK$22.0 million remitted from a bank account of the Company to a bank account in the name of Modern Shine Enterprises Limited (“Modern Shine”), a company incorporated in the British Virgin Islands, on or about 22 April 2003, interest thereon, damages and costs of legal proceedings. The sum of claims under the Amended Writ amounts to approximately HK$69.9 million. At last, the court entered judgment against Modern Shine on 7 November 2005 for the sum of HK$22,000,000 plus interest and damages for conversion and interest thereon. Regarding the claim against Great Center, the Company has reached an amicable settlement with Great Center’s liquidators. The settlement was approved by the court on 6 November 2006. The Company received the settlement sum of US$2,637,000 plus interest in the sum of US$114,210.30 from Great Center’s liquidators on 20 November 2006. The Company has not obtained the judgment sum of HK$22,000,000. Since Modern Shine is a company incorporated in the British Virgin Islands, it makes the enforcement extremely costly. Further, the Company has no information on the financial status and asset position of Modern Shine. As advised by the legal advisers to the Company, the viable course of action includes the petitioning for winding up of Modern Shine, which is also a very costly process.

28 LITIGATION AND CONTINGENT LIABILITIES *(Continued)*

3. On 23 August 2003, the Receivers commenced legal proceedings against Win Victory Holdings Limited ("Win Victory"), a company incorporated in Hong Kong, for the repayment of a sum of HK$37.0 million, together with interest thereon, damages and costs of the legal proceedings. Further, the Receivers, on behalf of the Company, petitioned for the winding-up of Win Victory on the grounds, inter alia, that Win Victory is unable to pay its debts and provisional liquidators were appointed. Due to the lack of funds in Win Victory, the provisional liquidators have not undertaken an extensive investigation and have recently made an application to the court for the discharge of their appointment and their application is fixed to be heard on 20 April 2006. The continuation of the winding-up petition was to enable a more thorough investigation of the flow of funds in and out of Win Victory. In view of the application by the provisional liquidators, the official receiver made an application to restore the winding-up petition, which has been adjourned to 24 April 2006 for hearing. The court had on the hearing of 24 April 2006 ordered that Win Victory be wound-up on the petition of the Company. The Company is making arrangement to prove its debts and to recover its costs of the winding up proceedings in the liquidation of Win Victory.

29 PLEDGE OF ASSETS

	The Group		The Company	
	2006	2005	**2006**	2005
	HK$'000	HK$'000	**HK$'000**	HK$'000
(a) Margin loan facilities secured by trading securities	**225,229**	—	**—**	—
(b) Banking facilities of HK$10 million (2005: HK$4 million) granted by a bank and secured by bank deposits of the Group	**10,098**	4,012	**—**	—
(c) Other loan facilities of HK$nil (2005: HK$15 million) granted by a financial institution and secured by floating charges over:				
- Traded and other receivables	**—**	1,864	**—**	145
- Bank balances and cash	**—**	1,376	**—**	7
	—	3,240	**—**	152
	235,327	7,252	**—**	152

30 RETIREMENT BENEFITS SCHEME

The Group operates a Mandatory Provident Fund scheme for all qualifying employees of its Hong Kong subsidiaries. The assets of the scheme are held separately from those of the Group in funds under the control of trustees. The Group contributed 5% of the relevant payroll costs to the scheme, which contribution is matched by employees.

The total cost charged to the consolidated income statement of HK$70,200 (2005: HK$55,000) represents contributions payable to the scheme by the Group at rates specified in the rules of the scheme.

At the balance sheet date, there was no forfeited contribution, which arose upon employees leaving the retirement benefits scheme and which was available to reduce the contribution payables in the future years.

31 CRITICAL ACCOUNTING JUDGMENT AND ESTIMATES

In the process of applying the Group's accounting policies, the Group's management has made judgments and estimates based on past experiences, expectations of the future and other information. The key sources of estimation uncertainty and critical judgments that may significantly affect the amounts recognised in the financial statements are disclosed below:

Net realisable value of inventories

Net realisable value of inventories is the estimated selling price in the ordinary course of business, less estimated costs of completion and selling expenses. These estimates are based on the current market condition and the historical experience of selling products of similar nature. Management reassesses the estimations at each balance sheet date.

32 POST BALANCE SHEET EVENTS

The following events took place subsequent to 31 December 2006:

(a) Pursuant to an ordinary resolution passed on 4 January 2007, the authorised share capital of the Company was increased from HK$200,000,000 divided into 2,000,000,000 shares of HK$0.1 each to HK$800,000,000 divided into 8,000,000,000 shares of HK$0.1 each.

(b) The Company completed a rights issue ("Rights Issue") on 1 February 2007, which raised gross proceeds of HK$378,000,000 by issuing 1,259,000,000 rights shares at HK$0.3 each. As a result of the Rights Issue, a total of 251,800,000 Bonus Warrants were allotted and issued. The Bonus Warrants will be exercisable for a period of three years commencing on 5 February 2007 to 4 February 2010.

(c) On 1 February 2007, the Company (through its direct wholly-owned subsidiary, Fortune Desire Investments Limited ("Fortune Desire")) completed the acquisition of 48,373,197 ordinary shares in the issued share capital of Mount Gibson.

32 POST BALANCE SHEET EVENTS *(Continued)*

(d) On 6 February 2007, the Company (through Fortune Desire) acquired an aggregate of 40,125,967 ordinary shares in the issued share capital of Mount Gibson ("MG Shares"), representing approximately 5.09% interest in the issued share capital of Mount Gibson as at 9 February 2007, through a number of on-market transactions on the Australian Stock Exchange, at an aggregate consideration of A$33,501,170 (equivalent to approximately HK$202,722,279 at approximately A$1.00 to HK$6.0512) (being all at an average price of approximately A$0.8349 per MG Share ("Acquisition"). Completion of the Acquisition has taken place on 9 February 2007 in accordance with the normal clearing and settlement procedures for on-market transactions on the Australian Stock exchange. The Acquisition was not subject to any condition and was ratified by shareholders by way of poll at the special general meeting held on 4 April 2007.

(e) On 9 February 2007, the Company (through Fortune Desire) entered into a conditional acquisition agreement ("Conditional Acquisition Agreement") with the Vendor (a direct wholly-owned subsidiary of Shougang Holding (Hong Kong) Limited), pursuant to which, amongst other things, Fortune Desire as the purchaser, has conditionally agreed to acquire 19,754,646 MG Shares, representing 2.51% interest in the issued share capital of Mount Gibson as at 9 February 2007, at an aggregate consideration of A$16,791,449.1 (equivalent to HK$102,427,839.51 at A$1.00 to HK$6.10). As at 16 February 2007, being the date the Company made announcement for the Conditional Acquisition, Shougang Holding (Hong Kong) Limited was interest in 600,000,000 shares of the Company, representing approximately 23.83% of the existing issued share capital of the Company. The Conditional Acquisition constitutes a very substantial acquisition and a connected transaction for the Company under the Listing Rules and was approved by the independent shareholders of the Company at the special general meeting held on 4 April by way of poll.

(f) On 16 February 2007, the Company as the purchaser entered into an acquisition agreement with the Vendor and the Guarantor (the "China Mineral Acquisition"), pursuant to which subject to satisfaction of certain conditions precedent, among other things, the Vendor has agreed to sell and the Company has agreed to purchase the Sale Shares, representing the entire issued share capital of China Mineral Resource Limited, a limited liability company incorporated in Hong Kong, for an aggregate consideration of HK$450,000,000. The consideration will be satisfied (i) as to HK$300,000,000 by the Company allotting and issuing a total of 500,000,000 ordinary shares at HK$0.60 per share credited as fully paid; and (ii) as to HK$150,000,000 by the Company paying in cash, to the Vendor on completion. The China Mineral Acquisition constitutes a very substantial acquisition for the Company under the Listing Rules and is therefore subject to the approval of the shareholders of the Company.

(g) On 28 February 2007, the Company completed a placing of 800,000,000 new shares at the price of HK$0.30 per share (the "Placing"), underwritten by Sun Hung Kai Investment Services Limited, as placing agent, to more than six placees, who were independent third parties and not connected persons of the Group. The Group raised gross proceeds of HK$240,000,000 from the Placing.

32 POST BALANCE SHEET EVENTS *(Continued)*

(h) On 20 March 2007, the Company and Australasian Resources Limited ("ARH") entered into a conditional subscription agreement ("Conditional Subscription Agreement") in respect of (i) the subscription of 28,000,000 ARH Shares at A$1.00 ARH Share, at an aggregate consideration of A$28,000,000 (equivalent to approximately HK$174,846,000 at approximately A$1.00 to HK$6.2445), representing approximately 7.29% interest in the existing issued share capital of ARH as at 22 March 2007 and approximately 6.80% interest in the issued share capital of ARH as enlarged by the issuance of 28,000,000 ARH Shares, and (ii) the grant of 14,000,000 ARH Options exercisable over the same number of 14,000,000 ARH Shares at nil consideration at an exercise price of A$1.50 per ARH Share for each ARH Option within a period of three years after the date of the completion, representing approximately 3.65% interest in the existing issued share capital of ARH as at 22 March 2007 when all the 14,000,000 ARH Options are exercised in full for the 14,000,000 ARH Shares and approximately 3.29% interest in the issued share capital of ARH as enlarged by the issuance of the 28,000,000 ARH Shares and 14,000,000 ARH Shares which fall to be issued when all the 14,000,000 ARH Options are exercised in full. Completion of the subscription has taken place on 12 April 2007 and then the Company has the right to nominate and appoint a director of ARH. Besides, the Company entered into a commission agreement with International Minerals Pty Limited ("IM"), a wholly owned subsidiary of ARH, and ARH, which set out the intention of the parties for the Company to procure the relevant buyer(s) the signing of certain offtake agreements for the sale of iron ore products (including iron ore concentrate, iron ore pellets and hot briquetted iron) produced by IM in return for a commission of US$1 dry tonne of iron ore products to the Company.

(i) During the period from 29 March 2007 to 3 April 2007, the Company (through Fortune Desire) acquired an aggregate of 500,000 MG Shares, As at the date of this report, the Group held an aggregate of 19.05% in the issued shares of MG.

33 CHANGE OF COMPANY NAME

Pursuant to a special resolution passed on 4 January 2007, the name of the Company was changed from "Shanghai Merchants Holdings Limited" to "APAC Resources Limited" and the Chinese name was changed from "上海商貿控股有限公司" to "亞太資源有限公司", for identification purpose only, with effect from the same date.

34 PARTICULARS OF SUBSIDIARIES

Name of company	Place of incorporation/ establishment and operation	Particulars of issued and paid up capital	Proportion of ownership interest: Group's effective interest	Held by the company	Held by a subsidiary	Principal activities
Asia Cheer Trading Limited	Hong Kong	HK$1 ordinary share	100%	100%		Trading in fabric products and other merchandises
First Landmark Limited	British Virgin Islands	US$1 ordinary share	100%	100%		Investment holding
Merchants (Hong Kong) Limited	Hong Kong	HK$2 ordinary shares	100%		100%	Inactive
Sino Chance Trading Limited	Hong Kong	HK$1 ordinary share	100%	100%		Trading in base metals
Sky Joy Management Limited	Hong Kong	HK$1 ordinary share	100%	100%		Provision of management services
Rise Cheer Limited	British Virgin Islands	US$1 ordinary share	100%	100%		Investment holding
Net Success Investments Limited	British Virgin Islands	US$1 ordinary share	100%	100%		Investment holding
Fortune Desire Investments Limited	British Virgin Islands	US$1 ordinary share	100%	100%		Investment holding
Chinaright Electronics Limited	Hong Kong	HK$100,001 ordinary shares	60%		60%	Trading of electronic parts

The above list contains only the particular of subsidiaries which principally affected the results, assets or liabilities of the Group.