Oriental Explorer Holdings Limited

(Formerly known as Linkful International Holdings Limited)
(Incorporated in Bermuda with limited liability)
(Stock Code: 0430)

2007
Annual Report

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CORPORATE INFORMATION

BOARD OF DIRECTORS

Executive Directors

Lau Chi Yung, Kenneth
(Chairman)
Lau Michael Kei Chi
(Vice-Chairman)

Independent Non-executive Directors

Choy Tak Ho
Lo Yick Wing
Wong Yim Sum

COMPANY SECRETARY

Poon Chun Shing, Edwin

PRINCIPAL BANKERS

The Bank of China (Hong Kong) Limited
United Commercial Bank

AUDITORS

HLB Hodgson Impey Cheng

SOLICITORS

Cheung, Tong & Rosa, solicitors

REGISTERED OFFICE

Clarendon House
Church Street
Hamilton HM11
Bermuda

PRINCIPAL PLACE OF BUSINESS

8th Floor
Multifield House
54 Wong Chuk Hang Road
Hong Kong

PRINCIPAL SHARE REGISTRAR & TRANSFER OFFICE

Butterfield Fund Services (Bermuda) Limited
65 Front Street
Hamilton
Bermuda

HONG KONG BRANCH SHARE REGISTRAR & TRANSFER OFFICE

Tricor Investor Services Limited
26/F Tesbury Centre,
28 Queen's Road East
Wanchai
Hong Kong

CHAIRMAN'S STATEMENT

The year of 2007 was still a challenging year for the Group in both segments of steel trading and electronics products. The Group did not engage in steel trading during the year since the management adopted a prudent approach to minimize risk exposure of steel prices which fluctuated significantly. For the year under review, the electronics division continued to operate at a loss. In order to further consolidate the Group's resources, it is our intention to seek a potential buyer to dispose of the related business.

During the year, the Group continued to undertake portfolio investments. Apart from the Hong Kong market, the Group also focused in the investments amongst other overseas stock markets in order to further diversify investment risks and enhance the Group's profitability. However, the Hong Kong and other overseas stock markets were very volatile and vulnerable during the year and as a result, the Group only performed to a fair level when marking the investment portfolios to the market valuation as at 31 December 2007.

Despite the global economy is generally affected by the continuing concerns about the adverse impact of the subprime credit crisis in the US economy, Hong Kong economy is expected to continue to benefit from the steady economic growth in the PRC for the year of 2008. We are optimistic that the future is good and the Group will pay more attention on expansion and seeking opportunities which are profitable and deliver a strong recurring income to the Group while continuing to concentrate on organic growth.

Finally, on behalf of the Board and the management team, I would like to thank our shareholders who have extended to us their trust and have been patient with our efforts on consolidating the Group's resources. Again, I would like to thank all the staff and Board colleagues for their loyalty and efforts during the past year. I believe we will create and deliver greater value to our investors in the future.

Lau Chi Yung, Kenneth
Chairman

Hong Kong, 23 April 2008

REVIEW OF OPERATION

For the year ended 31 December 2007, the Group recorded a net profit attributable to equity holders of the Company of about HK$29.7 million (2006: HK$3.7 million).

Steel trading

The Group did not engage in steel trading during the year under review since the management adopted a prudent approach to minimize risk exposure of steel prices which fluctuated significantly. Indeed, the PRC continued to implement macroeconomic control measures to rein in economic development during 2007, with bank borrowing rates raised and export tax rebate rates for steel products reduced. The management forecasted that the coming year would still be a hard time for international steel market and accordingly, much more effort has to be devoted to explore business opportunities.

Electronics

For the year under review, the electronics division reported a net loss of approximately HK$0.7 million (2006: HK$1.5 million) based on a turnover of HK$7.9 million (2006: HK$16.5 million). In view of the continuing loss, the Group intends to seek a potential buyer to dispose of the related business.

Portfolio investments

The Group continued to undertake portfolio investments during the year under review since the Group believes that substantial cash balances can be generated from time to time and limited portfolio investing activities will improve the return on cash balances and enhance the Group's profitability. However, the Hong Kong and other overseas stock markets were very volatile and vulnerable during the year and as a result, the Group only performed to a fair level when marking the investment portfolios to the market valuation as at 31 December 2007.

LIQUIDITY AND FINANCIAL RESOURCES

The Group generally finances its operations with internally generated cash flow and banking facilities provided by its principal bankers in Hong Kong. As at 31 December 2007, the Group had other loan of HK$46,458,000 which was secured by certain cash and securities with investment bankers. The Group's cash and bank balances and short term bank deposits amounted to approximately HK$118,971,000 as at 31 December 2007.

Taking into account the available credit facilities, cash on hand and recurring cash flows from business, the Group has sufficient working capital for its present requirements.

NUMBER AND REMUNERATION OF EMPLOYEES

As at 31 December 2007, the Group had approximately 100 employees in Hong Kong and the PRC . Remuneration is reviewed annually and in addition to the basic salaries, the Group also provides staff benefits including discretionary bonus, contributory provident fund and professional tuition/training subsidies in order to retain competent employees.

PROSPECTS

Despite the global economy is generally affected by the continuing concerns about the adverse impact of the subprime credit crisis in the US economy, Hong Kong economy is expected to continue to benefit from the steady economic growth in the PRC for the year of 2008. Therefore, the Group will continue to concentrate on organic growth while remaining attuned to market opportunities that can sustain growth and deliver a strong recurring income to the Group. We strongly believe that we have the necessary skills and expertise to enable us to work towards the goal of maximizing our shareholders' wealth through restructuring our business mix and strengthening the competitiveness of our business.

Further, we will pay more attention on expansion and opportunities which are profitable and have a promising outlook. Whether expansion will be organically driven or by way of acquisition, we can only say it will be a calculated and measured expansion, tempered by caution.

Executive Directors

Mr. LAU Chi Yung, Kenneth, aged 48, is the Chairman of the Company. He has over 25 years of experience in the manufacturing, international trading, property investment and development businesses. He joined the Group as a Non-executive Director in November 1995 and was appointed as Vice-Chairman in February 1996. He is responsible for steering the business direction and corporate development of the Group. He is currently the Chairman of Multfield International Holdings Limited.

Mr. LAU Michael Kei Chi, aged 54, is the Vice-Chairman of the Company, who joined the Group in April 2003. He is responsible for assisting the Chairman in steering the business direction and corporated development of the Group. He is currently the Vice-Chairman of Multifield International Holdings Limited. He is the elder brother of Mr. Lau Chi Yung, Kenneth.

Independent Non-executive Directors

Mr. CHOY Tak Ho, aged 79, joined the Group in May 2000. He is a member of the 9th National Committee of the Chinese People's Political Consultation Conference, the Executive Committee Member of the 8th all China Federation of Industry and Commerce and the Executive Committee Member of the Chinese Manufacture Association of Hong Kong. He also served as a member of the Selection Committee of the First Government of the Hong Kong Special Administrative Region. He is the Honorary Life Chairman of the Chinese General Chamber of Commerce H.K., the Charter President of Hong Kong and Overseas Chinese Association of Commerce Limited and the Charter President of Hong Kong Kwun Tong Industries and Commerce Association Limited.

Mr. LO Yick Wing, aged 55, is a Registered Architect and Authorized Person in Hong Kong. He has attained Class I Registered Architect Qualification (中華人民共和國一級註冊建築師資格) in mainland People's Republic of China. He is a member of the Hong Kong Institute of Architects and the Royal Australian Institute of Architects and The Association of Architectural Practices Ltd. Mr. Lo is the founder and currently the Managing Director of Lo & Partners Architects & Development Consultants Ltd. which provide comprehensive professional services including architecture, planning, interior, landscaping and estate development consultancy.

Mr. WONG Yim Sum, aged 42, is currently the managing director of Conpak CPA Limited a firm of Certified Public Accountants in Hong Kong. Mr. Wong has extensive experience in the finance and auditing fields and is currently practicing as a Certified Public Accountant. He is a fellow member of the Hong Kong Institute of Certified Public Accountants (HKICPA) and the Association of Chartered Certified Accountants (ACCA).

Senior Management

Mr. POON Chun Shing, Edwin, aged 49, joined the Group in 1994. He is the General Manager in charge of the Steel and Electronics Divisions of the Group. Further, he is the Group Financial Controller and Company Secretary of the Group. He has extensive experience in the areas of corporate finance, accounting, businesses of steel trading and manufacturing, and electronics manufacturing in the PRC. He is a member of the Hong Kong Institute of Certified Public Accountants, CPA Australia and the Institute of Chartered Secretaries and Administrators.

Senior Management *(continued)*

Mr. NAGATA Tetsuya, aged 52, joined the Group in September 2002 as the General Manager of the Electronics Division in the Group. He has over 29 years of experience in overseas marketing and business development. He graduated from Meiji University, Tokyo with a bachelor's degree in commerce and had been working at Japanese trading firm for 13 years and Hong Kong based electronics manufacturing firm for 12 years. He is the Associate Director of the Group and is responsible for marketing and business development of the Group.

Mr. YAU Yuk Kau, Benny, aged 35, joined the Group in 2006. He is the Assistant Financial Controller. He holds a master's degree in corporate governance. He is a member of the Hong Kong Institute of Certified Public Accountants and the Institute of Chartered Secetaries and Administrators. He has over 11 years of experience in auditing, taxation and accounting.

The directors present herewith their report and the audited financial statements of the Company and the Group for the year ended 31 December 2007.

PRINCIPAL ACTIVITIES

The principal activity of the Company is investment holding. The principal activities of its principal subsidiaries are set out in note 15 to the financial statements. There were no significant changes in the nature of the Group's principal activities during the year.

RESULTS AND DIVIDENDS

The Group's profit for the year ended 31 December 2007 and the state of affairs of the Company and the Group at that date are set out in the accompanying financial statements.

The directors do not recommend the payment of any dividend in respect of the year ended 31 December 2007.

SUMMARY FINANCIAL INFORMATION

A summary of the published results and assets, liabilities and minority interests of the Group for the last five financial years, as extracted from the audited financial statements and restated / reclassified as appropriate, is set out on page 71. This summary does not form part of the audited financial statements.

PROPERTY, PLANT AND EQUIPMENT

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

SHARE CAPITAL AND SHARE OPTIONS

Details of movements in share capital and share options of the Company during the year are set out in notes 27 and 28 to the financial statements.

PRE-EMPTIVE RIGHTS

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

PURCHASE, REDEMPTION OR SALE OF LISTED SECURITIES OF THE COMPANY

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

RESERVES

Details of movements in the reserves of the Company and of the Group during the year are set out in note 29 to the financial statements and in the consolidated statement of changes in equity, respectively.

DISTRIBUTABLE RESERVES

As at 31 December 2007, the Company's share premium account, in the amount of approximately HK$418,511,000, may be distributed in the form of fully paid bonus shares. Under the Companies Act 1981 of Bermuda (as amended), the contributed surplus of the Company, in the amount of approximately HK$88,380,000 as at 31 December 2007, is distributable to shareholders in certain circumstances, as prescribed by Section 54 thereof, which the Company is currently unable to satisfy.

MAJOR CUSTOMERS AND SUPPLIERS

In the year under review, sales to the Group's five largest customers accounted for 100% of the total sales for the year and sales to the largest customer included therein amounted to 58%. Purchases from the Group's five largest suppliers accounted for 90% of total purchases for the year and purchases from the largest supplier included therein amounted to 30%.

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

DIRECTORS

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

Executive directors

Mr. Lau Chi Yung, Kenneth	*(Chairman)*
Mr. Lau Michael Kei Chi	*(Vice-Chairman)*

Independent non-executive directors

Mr. Choy Tak Ho
Mr. Lo Yick Wing
Mr. Wong Yim Sum

The Company has received annual confirmation from each of the independent non-executive directors as regards their independence to the Company and considers that each of the independent non-executive directors is independent to the Company.

In accordance with the Company's bye-laws, Mr. Choy Tak Ho will retire by rotation and, being eligible, will offer himself for re-election at the forthcoming annual general meeting.

DIRECTORS' AND SENIOR MANAGEMENT'S BIOGRAPHIES

Biographical details of the directors of the Company and the senior management of the Group are set out on pages 5 to 6 of the annual report.

DIRECTORS' SERVICE CONTRACTS

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

DIRECTORS' INTERESTS IN CONTRACTS

Apart from those transactions disclosed in note 30 to the financial statements, no director had a material interest, either directly or indirectly, in any material contract of significance to the business of the Group to which the Company, or any of its holding companies, subsidiaries or fellow subsidiaries was a party during the year.

DIRECTORS' INTERESTS IN SHARES AND UNDERLYING SHARES

As at 31 December 2007, the interests of the directors in the share capital and underlying shares of the Company or its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")), as recorded in the register required to be kept by the Company pursuant to Section 352 of the SFO, or as otherwise notified to the Company and The Stock Exchange of Hong Kong Limited (the "Stock Exchange") pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers of the Listing Rules (the "Model Code"), were as follows:

Long position in ordinary shares of the Company

Name of director	Capacity and nature of interest	Number of shares held	Percentage of the Company's issued share capital
Lau Chi Yung, Kenneth	Through a controlled corporation	1,054,492,999 *(Note)*	58.58

Long position in shares of associated corporations

Name of director	Name of associated corporation	Relationship with the Company	Shares	Number of shares held	Capacity and nature of interest	Percentage of the associated corporation's issued share capital
Lau Chi Yung, Kenneth	Multifield International Holdings Limited	Company's intermediate holding company	Ordinary shares	2,785,715,712 *(Note)*	Through a controlled corporation	66.64

Note: The above shares are ultimately controlled by Power Resources Holdings Limited, which acts as the trustee under the Power Resources Discretionary Trust, a family discretionary trust, the discretionary objects of which include Mr. Lau Chi Yung, Kenneth and his family.

The interests of the directors in the share options of the Company are separately disclosed in note 28 to the financial statements.

Other than certain nominee shares in subsidiaries held by a director in trust for the companies in the Group, no director held an interest in the share capital of the Company's subsidiaries during the year.

Save as disclosed above, as at 31 December 2007, none of the directors had registered an interest or short position in the shares, underlying shares or debentures of the Company or any of its associated corporations that was required to be recorded pursuant to Section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

Save as disclosed in the share option schemes disclosures in note 28 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 minor children, or were any such rights exercised by them; or was the Company, or any of its holding companies, subsidiaries or fellow subsidiaries a party to any arrangement to enable the directors to acquire such rights in any other body corporate.

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

As at 31 December 2007, the following interests of 5% or more of the issued share capital of the Company were recorded in the register of interests required to be kept by the Company pursuant to Section 336 of the SFO:

Long positions

Name	*Notes*	Capacity and nature of interest	Number of ordinary shares held	Percentage of the Company's issued share capital
Limitless Investment Limited	*(a)*	Directly beneficially owned	1,054,492,999	58.58
Multifield International Holdings (BVI) Limited	*(a)*	Through a controlled corporation	1,054,492,999	58.58
Multifield International Holdings Limited	*(a)*	Through a controlled corporation	1,054,492,999	58.58
Lucky Speculator Limited	*(a)*	Through a controlled corporation	1,054,492,999	58.58
Desert Prince Limited	*(a)*	Through a controlled corporation	1,054,492,999	58.58
Power Resources Holdings Limited	*(a)*	Through a controlled corporation	1,054,492,999	58.58

Note:

(a) Power Resources Holdings Limited was deemed to have a beneficial interest in 1,054,492,999 ordinary shares of the Company by virtue of its indirect interests in Lucky Speculator Limited, Desert Prince Limited, Multifield International Holdings Limited, Multifield International Holdings (BVI) Limited and Limitless Investment Limited.

Save as disclosed above, as at 31 December 2007, no person, other than the directors of the Company, whose interests are set out in the section "Directors' interests in shares and underlying shares" above, had registered an interest or short position in the shares or underlying shares of the Company that was required to be recorded pursuant to Section 336 of the SFO.

CONNECTED TRANSACTIONS

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

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.

AUDITORS

A resolution for the reappointment of HLB Hodgson Impey Cheng as the auditors of the Company for the ensuing year is to be proposed at the forthcoming annual general meeting.

ON BEHALF OF THE BOARD

Lau Chi Yung, Kenneth
Chairman

Hong Kong
23 April 2008

The Company is committed to the establishment of good corporate governance practices and procedures. The corporate governance principles of the Company emphasize a quality Board, sound internal control, transparency and accountability to all shareholders.

BOARD COMPOSITION AND BOARD PRACTICE

The Board is mandated to promote the success of the Company by providing leadership and supervising control of Group's business.

Currently, the Board comprises two executive directors and three independent non-executive directors. The Board, led by Mr. Lau Chi Yung, Kenneth is responsible for the approval and monitoring of the Group's overall strategies and policies, approval of annual budgets and business plans; evaluating the performance of Group; and oversight of management. The Chairman ensures that the Board works effectively and discharges its responsibilities. All directors have been consulted on all major and material matters of the Company. With the support of the Company Secretary, the Chairman seeks to ensure that all directors are properly briefed on issues arising at Board meetings and receive adequate and reliable information in a timely manner.

Save as disclosed below, the Company has complied with the Code on Corporate Governance Practices (the "CG Code") as set out in Appendix 14 of the Listing Rules throughout the year ended 31 December 2007.

(a) Under the code provisions of A.4.1 and A.4.2, (i) non-executive directors should be appointed for a specific term and subject to re-election; and (ii) all directors appointed to fill a causal vacancy should be subject to election by shareholders at the first general meeting after their appointment, and every director, including those appointed for a specific term, should be subject to retirement by rotation at least once every three years.

    Non-executive directors do not have a specific term of appointment and under the Bye-laws of the Company, at each general meeting, one third of the directors for the time being, or if their number is not three or a multiple of three , then the number nearest one-third, shall retire from office by rotation save any director holding office as chairman and managing director. The Company intends to propose any amendment of relevant Bye-laws, if necessary, in order to ensure compliance with the Code on Corporate Governance Practices.

(b) Under the code provision of A.2, the role of chairman and chief executive officer should be separated and should not be performed by the same individual.

    The Company does not at present have any officer with the title of "chief executive officer". Mr Lau Chi Yung, Kenneth is the chairman and managing director of the Company. The Board will meet regularly to consider major matters affecting the operations of the Company. The Board considers that this structure will not impair the balance of power and authority between the Board and the management of the Company and is conductive to strong and consistent leadership, enabling the Company to respond promptly and efficiently.

Under the Listing Rules, every listed issuer is required to have at least three Independent Non-executive Directors, at least one of whom must have appropriate professional qualifications, or accounting or related financial management expertise. Currently, the number of Independent Non-executive Directors represents more than one-third of the total board members.

Each of the Independent Non-executive Director has made an annual confirmation of independence pursuant to Rule 3.13 of the Listing Rules. The Company is of the view that all Independent Non-executive Directors meet the independence guidelines set out in Rule 3.13 of the Listing Rules and are independent in accordance with the terms of the guidelines. Review will be made regularly on the Board composition to ensure that it has a balance of expertise, skills and experience appropriate for the requirements of the business of the Company. The biographical details of the Directors are set out on page 5.

The Board has scheduled regular meetings per year and meets more frequently as and when required. During the financial year ended 31 December 2007, the attendance of individual director to the Board meeting is summarized below:-

Executive Directors	**Meetings attended/ held**
Lau Chi Yung, Kenneth	18/18
Lau Michael Kei Chi	18/18
Independent Non-executive Directors	
Choy Tak Ho	4/4
Lo Yick Wing	4/4
Wong Yim Sum	4/4

The Company Secretary keeps the Board minutes of the Company for inspection by the Directors. The Board has arranged appropriate insurance cover for the directors and officers of the Group to protect them from the risk exposure arising from the business of the Group.

MODEL CODE FOR DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers ("Model Code") set out in Appendix 10 of the Listing Rules as its own code of conduct regarding directors' securities transactions. Based on specific enquiry of all the directors of the Company, the directors have complied with the required standard as set out in the Model Code for the year ended 31 December 2007.

DIRECTORS' RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

With the assistance of the Finance Department which is under the supervision of the Qualified Accountant of the Company, the Directors ensure that preparation of the financial statements of the Group are in accordance with statutory requirements and applicable accounting standards. The Directors also ensure that the publication of the financial statements of the Group is in a timely manner.

AUDIT COMMITTEE

The Company has established an Audit Committee with reference to "A Guide for the Formation of an Audit Committee" published by the Hong Kong Institute of Certified Public Accountants. The terms of the Audit Committee are consistent with the provisions set out in the relevant section of the CG Code.

The Audit Committee comprises three Independent Non-executive Directors of the Company, namely Choy Tak Ho, Lo Yick Wing and Wong Yim Sum. The Chairman of the committee, Wong Yim Sum, has extensive experience in the finance and auditing fields.

The principal duties of the Audit Committee include the review and supervision of the Group's financial reporting system, financial statements and internal control procedures. It also acts an important link between the Board and the Company's auditors in matters within the scope of the group audit. In fact, the Group's interim report for the six months ended 30 June 2007 and the annual report for the year ended 31 December 2007 have been reviewed by the Audit Committee, and with recommendation to the Board for approval.

REMUNERATION COMMITTEE

The Company has set up a Remuneration Committee on 16 September 2005 to ensure that there are formal and transparent procedures for setting policies on the remuneration of the Directors. The committee comprises three Independent Non-executive Directors namely, Choy Tak Ho, Lo Yick Wing and Wong Yim Sum.

The terms of reference of the Remuneration Committee are consistent with the terms set out in the relevant section of the CG Code, and no Director is involved in deciding his own remuneration.

INTERNAL CONTROL

The Board has overall responsibility for maintaining a sound and effective internal control system of the Group. The Group's internal control system includes a well defined management structure with limits of authority which is designed for the achievement of business objectives, safeguard assets against unauthorized use or disposition, ensure proper maintenance of books and records for the provision of reliable financial information for internal use or publication, and to ensure compliance with relevant legislation and regulations.

AUDITORS' REMUNERATION

In line with the sound practice that the independence of external auditors should not be impaired by other non-audit assignments, the Group ensures that assignments other than statutory audits undertaken by external auditors should not have an adverse impact on their independence.

For the year ended 31 December 2007, the Auditors of the Company received approximately HK$250,000 for audit service and HK$Nil for tax and consultancy services.

INVESTOR RELATIONS AND COMMUNICATION

The Company continues to pursue a proactive policy of promoting investor relations communications. All shareholders have 21 clear days' notice of the Annual General Meeting and Special General Meeting for passing of a special resolution and 14 clear days' notice of all other general meetings at which the Company's Directors and Committee Chairmen or members are available to answer their questions. The results of the voting by poll are declared on the first business day after the meeting, and are published in newspapers, if applicable, together with details of meetings including the time and venue and major resolutions. As a channel to further promote effective communication, the Company's website is maintained to disseminate corporate information and other relevant financial and non-finanical information electronically.

HLB 國衛會計師事務所
Hodgson Impey Cheng

Chartered Accountants
Certified Public Accountants

31/F, Gloucester Tower
The Landmark
11 Pedder Street, Central
Hong Kong SAR

TO THE SHAREHOLDERS OF
ORIENTAL EXPLORER HOLDINGS LIMITED
(Incorporated in Bermuda with limited liability)

We have audited the consolidated financial statements of Oriental Explorer Holdings Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") set out on pages 16 to 70, which comprise the consolidated and company balance sheets as at 31 December 2007, and the consolidated income statement, the consolidated statement of changes in equity and the consolidated cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory notes.

DIRECTORS' RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

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

AUDITORS' RESPONSIBILITY

Our responsibility is to express an opinion on these consolidated financial statements based on our audit and to report our opinion solely to you, as a body, in accordance with Section 90 of the Companies Act 1981 of Bermuda, 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 2007 and of the Group's profit 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.

HLB Hodgson Impey Cheng
Chartered Accountants
Certified Public Accountants

Hong Kong, 23 April 2008

CONSOLIDATED INCOME STATEMENT

Year ended 31 December 2007

	Notes	2007 HK$'000	2006 HK$'000
REVENUE	5	**7,934**	16,464
Cost of sales		**(3,454)**	(12,593)
Gross profit		**4,480**	3,871
Other income and gains	5	**53,550**	40,920
Selling and distribution costs		**(157)**	(253)
Operating and administrative expenses		**(23,513)**	(42,469)
Finance costs	7	**(528)**	(381)
Share of profits and losses of associates		**(4,066)**	2,049
PROFIT BEFORE TAX	6	**29,766**	3,737
Tax	10	**—**	—
PROFIT FOR THE YEAR		**29,766**	3,737
Attributable to:			
Equity holders of the Company	11	**29,766**	3,737
Minority interests		**—**	—
		29,766	3,737
DIVIDENDS		**Nil**	Nil
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE COMPANY			
Basic	12	**1.65 cents**	0.21 cents
Diluted	12	**1.61 cents**	0.21 cents

CONSOLIDATED BALANCE SHEET

31 December 2007

	Notes	2007 HK$'000	2006 HK$'000
NON-CURRENT ASSETS			
Property, plant and equipment	13	**5,856**	1,399
Prepaid land lease payments	14	**468**	476
Interests in associates	16	**95,296**	90,614
Available-for-sale investments	17	**48,420**	48,230
Equity-linked notes	18	**—**	49,939
Loans to investee companies	19	**4,050**	4,050
Total non-current assets		**154,090**	194,708
CURRENT ASSETS			
Inventories	20	**819**	1,325
Trade receivables	21	**1,822**	2,816
Prepayments, deposits and other receivables		**1,966**	16,153
Equity investments at fair value through profit or loss	22	**91,749**	93,291
Equity-linked notes	18	**18,292**	—
Pledged deposits	23	**54,493**	55,821
Cash and cash equivalents	23	**118,971**	38,545
Total current assets		**288,112**	207,951
TOTAL ASSETS		**442,202**	402,659
CURRENT LIABILITIES			
Trade payables	24	**373**	550
Other payables and accruals	25	**9,581**	10,820
Interest-bearing borrowings	26	**46,458**	44,203
Tax payable		**5,338**	5,338
Total current liabilities		**61,750**	60,911
NET CURRENT ASSETS		**226,362**	147,040
TOTAL ASSETS LESS CURRENT LIABILITIES		**380,452**	341,748
EQUITY			
Equity attributable to equity holders of the Company			
Issued capital	27	**18,000**	18,000
Reserves		**362,452**	323,748
Total equity		**380,452**	341,748

Lau Chi Yung, Kenneth
Chairman

Lau Michael Kei Chi
Vice-Chairman

	Attributable to equity holders of the Company						
	Issued capital	**Share premium account**	**Capital redemption reserve**	**Available-for-sale investment revaluation reserve**	**Exchange fluctuation reserve**	**Accumulated losses**	**Total equity**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
At 1 January 2006	18,000	418,511	546	(509)	3,609	(105,562)	334,595
Changes in fair value of available-for-sale investments	—	—	—	(348)	—	—	(348)
Exchange realignment - associates	—	—	—	—	3,764	—	3,764
Total income and expense for the year recognised directly in equity	—	—	—	(348)	3,764	—	3,416
Profit for the year	—	—	—	—	—	3,737	3,737
Total income and expense for the year	—	—	—	(348)	3,764	3,737	7,153
At 31 December 2006	18,000	418,511*	546*	(857)*	7,373*	(101,825)*	341,748
At 1 January 2007	18,000	418,511	546	(857)	7,373	(101,825)	341,748
Changes in fair value of available-for-sale investments	—	—	—	190	—	—	190
Exchange realignment - associates	—	—	—	—	8,748	—	8,748
Total income and expense for the year recognised directly in equity	—	—	—	190	8,748	—	8,938
Profit for the year	—	—	—	—	—	29,766	29,766
Total income and expense for the year	—	—	—	190	8,748	29,766	38,704
At 31 December 2007	18,000	418,511*	546*	(667)*	16,121*	(72,059)*	380,452

* These reserve accounts comprise the consolidated reserves of approximately HK$362,452,000 (2006: HK$323,748,000) in the consolidated balance sheet.

CONSOLIDATED CASH FLOW STATEMENT

Year ended 31 December 2007

	2007 HK$'000	2006 HK$'000
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit before tax	**29,766**	3,737
Adjustments for:		
Finance costs	**528**	381
Interest income	**(9,096)**	(15,763)
Dividend income from listed investments	**(2,668)**	(3,277)
Depreciation	**944**	423
Recognition of prepaid land lease payments	**8**	8
Share of profits and losses of associates	**4,066**	(2,049)
Fair value (gains)/losses, net:		
Available-for-sale investments (transfer from equity on disposal)	**—**	(492)
Equity investments at fair value through profit or loss	**(41,786)**	(21,388)
Equity-linked notes	**12,147**	35,146
Loss on disposal of items of property, plant and equipment	**36**	15
	(6,055)	(3,259)
Decrease in inventories	**506**	1,016
Decrease/(increase) in trade receivables	**994**	(1,240)
Decrease in prepayments, deposits and other receivables	**14,187**	1,255
Decrease in equity investments at fair value through profit or loss	**43,328**	27,455
Decrease in trade payables	**(177)**	(192)
(Decrease)/increase in other payables and accruals	**(1,239)**	174
Net cash inflow from operating activities	**51,544**	25,209
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of items of property, plant and equipment	**(5,617)**	(362)
Purchases of available-for-sale investments	**—**	(37,284)
Purchases of equity-linked notes	**—**	(85,085)
Repayment of loans to investee companies	**—**	46,149
Decrease/(increase) in pledged time deposits	**1,328**	(30,358)
Proceeds from disposal of items of property, plant and equipment	**180**	200
Proceeds from disposal of available-for-sale investments	**—**	39,181
Proceeds from sale of equity-linked notes	**19,500**	—
Dividend received from listed investments	**2,668**	3,277
Interest received	**9,096**	15,763
Net cash inflow/(outflow) from investing activities	**27,155**	(48,519)

	Notes	2007 HK$'000	2006 HK$'000
CASH FLOWS FROM FINANCING ACTIVITIES			
New interest-bearing borrowings		**—**	48,224
Repayment of interest-bearing borrowings		**—**	(5,624)
Net change in short-term revolving loans		**2,255**	—
Interest paid		**(528)**	(381)
Net cash inflow from financing activities		**1,727**	42,219
NET INCREASE IN CASH AND CASH EQUIVALENTS		**80,426**	18,909
Cash and cash equivalents at beginning of year		**38,545**	19,636
CASH AND CASH EQUIVALENTS AT END OF YEAR		**118,971**	38,545
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS			
Cash and bank balances	23	**4,876**	38,545
Non-pledged time deposits with original maturity of less than three months when acquired	23	**114,095**	—
		118,971	38,545

BALANCE SHEET

31 December 2007

	Notes	**2007** **HK$'000**	2006 HK$'000
NON-CURRENT ASSETS			
Investments in subsidiaries	15	**47,900**	47,900
Available-for-sale investments	17	**670**	670
Total non-current assets		**48,570**	48,570
CURRENT ASSETS			
Due from subsidiaries	15	**122,547**	122,576
Other receivables		**303**	227
Equity investments at fair value through profit or loss	22	**1,625**	665
Cash and cash equivalents	23	**1**	1
Total current assets		**124,476**	123,469
TOTAL ASSETS		**173,046**	172,039
CURRENT LIABILITIES			
Other payables and accruals	25	**124**	155
NET CURRENT ASSETS		**124,352**	123,314
TOTAL ASSETS LESS CURRENT LIABILITIES		**172,922**	171,884
EQUITY			
Issued capital	27	**18,000**	18,000
Reserves	29	**154,922**	153,884
Total equity		**172,922**	171,884

Lau Chi Yung, Kenneth
Chairman

Lau Michael Kei Chi
Vice-Chairman

1. CORPORATE INFORMATION

Oriental Explorer Holdings Limited (the "Company") is a limited liability company incorporated in Bermuda. The registered office of the Company is situated at Clarendon House, Church Street, Hamilton HM11, Bermuda and the principal place of business of the Company is located at 8th Floor, Multifield House, 54 Wong Chuk Hang Road, Hong Kong. The shares of the Company are listed on The Stock Exchange of Hong Kong Limited (the "Stock Exchange").

During the year, the Company and its subsidiaries were involved in the following principal activities:

- trading of steel; and
- manufacturing and trading of electronic products.

In the opinion of the directors, the holding company of the Company is Limitless Investment Limited, which is incorporated in the British Virgin Islands, and the ultimate holding company of the Company is Power Resources Holdings Limited, which is incorporated in the British Virgin Islands.

2.1 BASIS OF PREPARATION

These financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") (which include all Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards ("HKASs") and Interpretations) issued by the Hong Kong Institute of Certified Public Accountants, accounting principles generally accepted in Hong Kong and the disclosure requirements of the Hong Kong Companies Ordinance. They have been prepared under the historical cost convention, except for certain financial instruments, which have been measured at fair value. These financial statements are presented in Hong Kong dollars (HK$) and all values are rounded to the nearest thousand (HK$'000) except when otherwise indicated.

Basis of consolidation

The consolidated financial statements include the financial statements of the Company and its subsidiaries (collectively referred to as the "Group") for the year ended 31 December 2007. Adjustments are made to bring into line any dissimilar accounting policies that may exist. The results of subsidiaries are consolidated from the date of acquisition, being the date on which the Group obtains control, and continue to be consolidated until the date that such control ceases. All significant intercompany transactions and balances within the Group are eliminated on consolidation.

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

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

2.2 IMPACT OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS

The Group has adopted the following new and revised HKFRSs for the first time for the current year's financial statements. Except for in certain cases, giving rise to new and revised accounting policies and additional disclosures, the adoption of these new and revised standards and interpretations has had no material effect on these financial statements.

HKFRS 7	*Financial Instruments: Disclosures*
HKAS 1 Amendment	*Capital Disclosures*
HK(IFRIC)-Int 8	*Scope of HKFRS 2*
HK(IFRIC)-Int 9	*Reassessment of Embedded Derivatives*
HK(IFRIC)-Int 10	*Interim Financial Reporting and Impairment*

The principal effects of adopting these new and revised HKFRSs are as follows:

(a) HKFRS 7 *Financial Instruments: Disclosures*

This standard requires disclosures that enable users of the financial statements to evaluate the significance of the Group's financial instruments and the nature and extent of risks arising from those financial instruments. The new disclosures are included throughout the financial statements. While there has been no effect on the financial position or results of operations of the Group, comparative information has been included/revised where appropriate.

(b) Amendment to HKAS 1 *Presentation of Financial Statements - Capital Disclosures*

This amendment requires the Group to make disclosures that enable users of the financial statements to evaluate the Group's objectives, policies and processes for managing capital. These new disclosures are shown in note 34 to the financial statements.

(c) HK(IFRIC)-Int 8 *Scope of HKFRS 2*

This interpretation requires HKFRS 2 to be applied to any arrangement in which the Group cannot identify specifically some or all of the goods or services received, for which equity instruments are granted or liabilities (based on a value of the Group's equity instruments) are incurred by the Group for a consideration, and which appears to be less than the fair value of the equity instruments granted or liabilities incurred. As the Company has only issued equity instruments to the Group's employees (including executive directors) for identified services provided in accordance with the Company's share option schemes, the interpretation has had no effect on these financial statements.

(d) HK(IFRIC)-Int 9 *Reassessment of Embedded Derivatives*

This interpretation requires that the date to assess whether an embedded derivative is required to be separated from the host contract and accounted for as a derivative is the date that the Group first becomes a party to the contract, with reassessment only if there is a change to the contract that significantly modifies the cash flows. As the Group has no embedded derivative requiring separation from the host contract, the interpretation has had no effect on these financial statements.

2.2 IMPACT OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS *(continued)*

(e) HK(IFRIC)-Int 10 *Interim Financial Reporting and Impairment*

The Group has adopted this interpretation as of 1 January 2007, which requires that an impairment loss recognised in a previous interim period in respect of goodwill or an investment in either an equity instrument classified as available-for-sale or a financial asset carried at cost is not subsequently reversed. As the Group had no impairment losses previously reversed in respect of such assets, the interpretation has had no impact on the financial position or results of operations of the Group.

2.3 IMPACT OF ISSUED BUT NOT YET EFFECTIVE HONG KONG FINANCIAL REPORTING STANDARDS

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

HKFRS 8	*Operating Segments* [1]
HKAS 1 (Revised)	*Presentation of Financial Statements* [1]
HKAS 23 (Revised)	*Borrowing Costs* [1]
HK(IFRIC)-Int 11	*HKFRS 2 – Group and Treasury Share Transactions* [2]
HK(IFRIC)-Int 12	*Service Concession Arrangements* [4]
HK(IFRIC)-Int 13	*Customer Loyalty Programmes* [3]
HK(IFRIC)-Int 14	*HKAS 19 – The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction* [4]
HKFRS 3 (Revised)	*Business Combinations* [5]
HKAS 27 (Revised)	*Consolidated and Separate Financial Statements* [5]

[1] Effective for annual periods beginning on or after 1 January 2009
[2] Effective for annual periods beginning on or after 1 March 2007
[3] Effective for annual periods beginning on or after 1 July 2008
[4] Effective for annual periods beginning on or after 1 January 2008
[5] Effective for annual periods beginning on or after 1 July 2009

HKFRS 8, which will replace HKAS 14 *Segment Reporting*, specifies how an entity should report information about its operating segments, based on information about the components of the entity that is available to the chief operating decision maker for the purposes of allocating resources to the segments and assessing their performance. The standard also requires the disclosure of information about the products and services provided by the segments, the geographical areas in which the Group operates, and revenue from the Group's major customers. The Group expects to adopt HKFRS 8 from 1 January 2009.

HKAS 1 has been revised to separate owner and non-owner changes in equity. The statement of changes in equity will include only details of transactions with owners, with all non-owner changes in equity presented as a single line. In addition, the standard introduces the statement of comprehensive income: it presents all items of income and expense recognised in profit or loss, together with all other items of recognised income and expense, either in one single statement, or in two linked statements. The Group is still evaluating whether it will have one or two statements.

HKAS 23 has been revised to require capitalisation of borrowing costs when such costs are directly attributable to the acquisition, construction or production of a qualifying asset. As the Group's current policy for borrowing costs aligns with the requirements of the revised standard, the revised standard is unlikely to have any financial impact on the Group.

2.3 IMPACT OF ISSUED BUT NOT YET EFFECTIVE HONG KONG FINANCIAL REPORTING STANDARDS *(continued)*

HK(IFRIC)-Int 11 requires arrangements whereby an employee is granted rights to the Group's equity instruments, to be accounted for as an equity-settled scheme, even if the Group acquires the instruments from another party, or the shareholders provide the equity instruments needed. HK(IFRIC)-Int 11 also addresses the accounting for share-based payment transactions involving two or more entities within the Group. As the Group currently has no such transactions, the interpretation is unlikely to have any financial impact on the Group.

HK(IFRIC)-Int 12 requires an operator under public-to-private service concession arrangements to recognise the consideration received or receivable in exchange for the construction services as a financial asset and/or an intangible asset, based on the terms of the contractual arrangements. HK(IFRIC)-Int 12 also addresses how an operator shall apply existing HKFRSs to account for the obligations and the rights arising from service concession arrangements by which a government or a public sector entity grants a contract for the construction of infrastructure used to provide public services and/or for the supply of public services. As the Group currently has no such arrangements, the interpretation is unlikely to have any financial impact on the Group.

HK(IFRIC)-Int 13 requires that loyalty award credits granted to customers as part of a sales transaction are accounted for as a separate component of the sales transaction. The consideration received in the sales transaction is allocated between the loyalty award credits and the other components of the sale. The amount allocated to the loyalty award credits is determined by reference to their fair value and is deferred until the awards are redeemed or the liability is otherwise extinguished.

HK(IFRIC)-Int 14 addresses how to assess the limit under HKAS 19 *Employee Benefits*, on the amount of a refund or a reduction in future contributions in relation to a defined benefit scheme that can be recognised as an asset, in particular, when a minimum funding requirement exists.

As the Group currently has no customer loyalty award credits and defined benefit scheme, HK(IFRIC)-Int 13 and HK(IFRIC)-Int 14 are not applicable to the Group and therefore are unlikely to have any financial impact on the Group.

HKFRS 3 has been revised to introduce a number of changes in the accounting for business combinations that will impact the amount of goodwill recognised, the reported results in the period that an acquisition occurs, and future reported results. HKAS 27 has been revised to require that a change in the ownership interest of a subsidiary is accounted for as an equity transaction. Therefore, such a change will have no impact on goodwill, nor will it give rise to a gain or loss. Furthermore, the amended standard changes the accounting for losses incurred by the subsidiary as well as the loss of control of a subsidiary. The changes introduced by the revisions to HKFRS 3 and HKAS 27 will be applied by the Group prospectively as required under the revised standards and will affect future acquisitions and transactions of the Group with minority interests.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Subsidiaries

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

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

Associates

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

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

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

Impairment of non-financial assets other than goodwill

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

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

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Related parties

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

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

(b) the party is an associate;

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

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

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

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

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

Property, plant and equipment and depreciation

Property, plant and equipment are stated at cost less accumulated depreciation and any impairment losses. The cost of an item of property, plant and equipment comprises its purchase price and any directly attributable costs of bringing the asset to its working condition and location for its intended use. Expenditure incurred after items of property, plant and equipment have been put into operation, such as repairs and maintenance, is normally charged to the income statement in the period in which it is incurred. In situations where it can be clearly demonstrated that the expenditure has resulted in an increase in the future economic benefits expected to be obtained from the use of an item of property, plant and equipment, and where the cost of an item can be measured reliably, the expenditure is capitalised as an additional cost of that asset or as a replacement.

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

Buildings	5%
Leasehold improvements	Over the lease terms
Plant and machinery	10% - 20%
Furniture, fixtures, office and computer equipment	20% - $33\frac{1}{3}$%
Motor vehicles	20% - 25%

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

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Property, plant and equipment and depreciation *(continued)*

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

Leases

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

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

Prepaid land lease payments under operating leases are initially stated at cost and subsequently recognised on the straight-line basis over the lease terms. When the lease payments cannot be allocated reliably between the land and buildings elements, the entire lease payments are included in the cost of the land and buildings as a finance lease in property, plant and equipment.

Investments and other financial assets

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

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

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

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Investments and other financial assets *(continued)*

Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss include financial assets held for trading and financial assets designated upon initial recognition as at fair value through profit or loss. Financial assets are classified as held for trading if they are acquired for the purpose of sale in the near term. Derivatives are also classified as held for trading unless they are designated as effective hedging instruments. Gains or losses on investments held for trading are recognised in the income statement. The net fair value gain or loss recognised in the income statement does not include any dividends or interest earned on these financial assets, which are recognised in accordance with the policies set out for "Revenue recognition" below.

Loans and receivables

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

Available-for-sale financial assets

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

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Investments and other financial assets *(continued)*

Fair value

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

Impairment of financial assets

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

Assets carried at amortised cost

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

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

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

Assets carried at cost

If there is objective evidence that an impairment loss on an unquoted equity instrument that is not carried at fair value because its fair value cannot be reliably measured 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 discounted at the current market rate of return for a similar financial asset. Impairment losses on these assets are not reversed.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Investments and other financial assets *(continued)*

Available-for-sale financial assets

If an available-for-sale asset is impaired, an amount comprising the difference between its cost (net of any principal payment and amortisation) and its current fair value, less any impairment loss previously recognised in the income statement, is transferred from equity to the income statement. A provision for impairment is made for available-for-sale equity investments when there has been a significant or prolonged decline in the fair value below its cost or where other objective evidence of impairment exists. The determination of what is "significant" or "prolonged" requires judgement. In addition, the Group evaluates other factors, such as the share price volatility. Impairment losses on equity instruments classified as available-for-sale are not reversed through the income statement.

Impairment losses on debt instruments are reversed through the income statement, if the increase in fair value of the instrument can be objectively related to an event occurring after the impairment loss was recognised in the income statement.

Derecognition of financial assets

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

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

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

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

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

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

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

Financial guarantee contracts

Financial guarantee contracts in the scope of HKAS 39 are accounted for as financial liabilities. A financial guarantee contact is recognised initially at its fair value less transaction costs that are directly attributable to the acquisition or issue of the financial guarantee contract, except when such contract is recognised at fair value through profit or loss. Subsequent to initial recognition, the Group measures the financial guarantee contract at the higher of: (i) the amount determined in accordance with HKAS 37 *Provisions, Contingent Liabilities and Contingent Assets*; and (ii) the amount initially recognised less, when appropriate, cumulative amortisation recognised in accordance with HKAS 18 *Revenue*.

Derecognition of financial liabilities

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

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

Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined on the first-in, first-out basis and, in the case of work in progress and finished goods, comprises direct materials, direct labour and an appropriate proportion of overheads. Net realisable value is based on estimated selling prices less any estimated costs to be incurred to completion and disposal.

Cash and cash equivalents

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

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Provisions

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

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

Income tax

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

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

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

Deferred tax liabilities are recognised for all taxable temporary differences, except:

- where the deferred tax liability arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and
- in respect of taxable temporary differences associated with investments in subsidiaries and associates, where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets are recognised for all deductible temporary differences, carryforward of unused tax credits and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carryforward of unused tax credits and unused tax losses can be utilised, except:

- where the deferred tax asset relating to the deductible temporary differences arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and
- in respect of deductible temporary differences associated with investments in subsidiaries and associates, deferred tax assets are only recognised to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Income tax *(continued)*

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the balance sheet date.

Deferred tax assets and deferred tax liabilities are offset if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

Revenue recognition

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

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

(b) interest income, on accrual basis using the effective interest method by applying the rate that discounts the estimated future cash receipts through the expected life of the financial instrument to the net carrying amount of the financial asset; and

(c) dividend income, when the shareholders' right to receive payment has been established.

Employee benefits

Share-based payment transactions

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

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

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Employee benefits *(continued)*

Share-based payment transactions (continued)

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

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

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

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

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

Retirement benefits scheme

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

The employees of the Group's subsidiary which operates in Mainland China are required to participate in a central pension scheme operated by the local municipal government. This subsidiary is required to contribute a certain percentage of its payroll costs to the central pension scheme. The contributions are charged to the income statement as they become payable in accordance with the rules of the central pension scheme.

Employment Ordinance long service payments

Certain of the Group's employees have completed the required number of years of service to the Group in order to be eligible for long service payments under the Hong Kong Employment Ordinance in the event of the termination of their employment. The Group is liable to make such payments in the event that such a termination of employment meets the circumstances specified in the Hong Kong Employment Ordinance.

A provision is recognised in respect of the probable future long service payments expected to be made. The provision is based on the best estimate of the probable future payments which have been earned by the employees from their service to the Group to the balance sheet date.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Borrowing costs

Borrowing costs are recognised as expenses in the income statement in the period in which they are incurred.

Foreign currencies

These financial statements are presented in Hong Kong dollars, which is the Company's functional and presentation currency. Each entity in the Group determines its own functional currency and items included in the financial statements of each entity are measured using that functional currency. Foreign currency transactions are initially recorded using the functional currency rates ruling at the date of the transactions. Monetary assets and liabilities denominated in foreign currencies are retranslated at the functional currency rates of exchange ruling at the balance sheet date. All differences are taken to the income statement. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined.

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

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

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES

The preparation of the Group's financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the disclosure of contingent liabilities, at the reporting date. However, uncertainty about these assumptions and estimates could result in outcomes that could require a material adjustment to the carrying amounts of the assets or liabilities affected in the future.

Estimation uncertainty

The key assumptions concerning the future and other key sources of estimation uncertainty at the balance sheet date, 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.

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES *(continued)*

Estimation uncertainty *(continued)*

Fair values of financial instruments

Financial instruments such as equity, debt and derivative instruments are carried at the balance sheet at fair value. The best evidence of fair value is quoted prices in an active market, where quoted prices are not available for a particular financial instrument, the Group uses the market values determined by independent financial institutions or internal or external valuation models to estimate the fair value. The use of methodologies, models and assumptions in pricing and valuing these financial assets and liabilities is subjective and requires varying degrees of judgement by management, which may result in significantly different fair values and results.

Impairment of available-for-sale financial assets

The Group classifies certain assets as available-for-sale and recognises movements of their fair values in equity. When the fair value declines, management makes assumptions about the decline in value to determine whether there is an impairment that should be recognised in the income statement. For the year ended 31 December 2007, no impairment losses have been recognised for available-for-sale assets (2006: Nil). The carrying amount of available-for-sale assets was HK$48,420,000 (2006: HK$48,230,000).

Impairment of receivables

The Group's management determines the provision for impairment of receivables. This estimate is based on the credit history of its customers and the current market condition. Management reassesses the estimation on each of the balance sheet date.

4. SEGMENT INFORMATION

Segment information is presented by way of two segment formats: (i) on a primary segment reporting basis, by business segment; and (ii) on a secondary segment reporting basis, by geographical segment.

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. Summary details of the business segments are as follows:

(a) the steel trading segment is a supplier of steel products mainly for use in construction and other heavy industries;

(b) the electronic products segment is a supplier of electronic components mainly for use in the manufacture of electronic products; and

(c) the corporate and other segment.

In determining the Group's geographical segments, revenue is attributed to the segments based on the location of the customers, and assets are attributed to the segments based on the location of the assets.

Intersegment sales and transfers are transacted with reference to the selling prices used for sales made to third parties at the then prevailing market prices.

(a) Business segments

The following tables present revenue, profit and certain asset, liability and expenditure information for the Group's business segments for the years ended 31 December 2007 and 2006.

Group	Steel trading		Electronic products		Corporate and others		Consolidated	
	2007	2006	**2007**	2006	**2007**	2006	**2007**	2006
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
Segment revenue:								
Sales to external customers	**—**	—	**7,934**	16,464	**—**	—	**7,934**	16,464
Segment results	**(635)**	139	**(684)**	(1,462)	**(5,701)**	(2,382)	**(7,020)**	(3,705)
Other income and gains							**53,550**	40,920
Unallocated expenses							**(12,170)**	(35,146)
Finance costs							**(528)**	(381)
Share of profits and losses of associates							**(4,066)**	2,049
Profit before tax							**29,766**	3,737
Tax							**—**	—
Profit for the year							**29,766**	3,737

4. SEGMENT INFORMATION *(continued)*

(a) Business segments *(continued)*

Group	Steel trading		Electronic products		Corporate and others		Eliminations		Consolidated	
	2007	2006	**2007**	2006	**2007**	2006	**2007**	2006	**2007**	2006
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
Assets and liabilities										
Segment assets	**3,886**	69	**6,133**	5,530	**174,376**	110,936	**—**	—	**184,395**	116,535
Unallocated assets									**162,511**	195,510
Interests in associates									**95,296**	90,614
Total assets									**442,202**	402,659
Segment liabilities	**3,229**	3,028	**3,877**	4,925	**2,848**	3,417	**—**	—	**9,954**	11,370
Unallocated liabilities									**51,796**	49,541
Total liabilities									**61,750**	60,911
Other segment information:										
Depreciation	**520**	—	**85**	100	**339**	323	**—**	—	**944**	423
Capital expenditure	**3,956**	—	**44**	80	**1,617**	282	**—**	—	**5,617**	362

(b) Geographical segments

The following table presents revenue and certain asset and expenditure information for the Group's geographical segments for the years ended 31 December 2007 and 2006.

Group	Hong Kong		Mainland China		Thailand		Consolidated	
	2007	2006	**2007**	2006	**2007**	2006	**2007**	2006
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
Segment revenue:								
Sales to external customers	**7,934**	16,464	**—**	—	**—**	—	**7,934**	16,464
Other segment information:								
Segment assets	**308,453**	267,410	**133,749**	135,249	**—**	—	**442,202**	402,659
Capital expenditure	**5,573**	282	**44**	80	**—**	—	**5,617**	362

5. REVENUE, OTHER INCOME AND GAINS

Revenue, which is also the Group's turnover, represents the net invoiced value of goods sold, after allowances for returns and trade discounts. An analysis of revenue, other income and gains is as follows:

	2007	2006
	HK$'000	*HK$'000*
Revenue		
Sale of goods	**7,934**	16,464
Other income and gains		
Interest income from available-for-sale investments	**708**	2,365
Interest income from equity-linked notes	**1,044**	11,981
Interest income from loans and receivables	**7,344**	1,417
Dividend income from listed investments	**2,668**	3,277
Fair value gains, net:		
Available-for-sale investments (transfer from equity on disposal)	**—**	492
Equity investments at fair value through profit or loss	**41,786**	21,388
	53,550	40,920
	61,484	57,384

6. PROFIT BEFORE TAX

The Group's profit before tax is arrived at after charging/(crediting):

	2007 HK$'000	2006 HK$'000
Cost of inventories sold	**3,242**	12,593
Depreciation of owned assets	**944**	423
Minimum lease payments under operating leases for land and buildings	**708**	633
Auditors' remuneration	**250**	250
Fair value losses, net:		
Equity-linked notes (included in operating and administrative expenses)	**12,147**	35,146
Loss on disposal of items of property, plant and equipment	**36**	15
Foreign exchange differences, net	**774**	(467)
Employee benefits expenses, including directors' remuneration *(note 8)*:		
Salaries, wages and other benefits	**5,676**	4,773
Pension scheme contributions (defined contribution scheme) *(Note)*	**68**	76
	5,744	4,849

Note: At 31 December 2007, the Group had no forfeited contributions available to reduce its contributions to the pension scheme in future years (2006: Nil).

7. FINANCE COSTS

	2007 HK$'000	2006 HK$'000
Interest on bank overdrafts and other loans wholly repayable within five years	**528**	381

8. DIRECTORS' REMUNERATION

Directors' remuneration for the year, disclosed pursuant to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited and Section 161 of the Hong Kong Companies Ordinance, is as follows:

	Group	
	2007	2006
	HK$'000	*HK$'000*
Fees	**180**	180
Other emoluments:		
Salaries, allowances and benefits in kind	**1,200**	950
Pension scheme contributions	**12**	12
	1,212	962
	1,392	1,142

(a) Independent non-executive directors

The fees paid to the independent non-executive directors during the year were as follows:

	2007	2006
	HK$'000	*HK$'000*
Mr. Choy Tak Ho	**60**	60
Mr. Lo Yick Wing	**60**	60
Mr. Wong Yim Sum	**60**	60
	180	180

There were no other emoluments payable to the independent non-executive directors during the year (2006: Nil).

8. DIRECTORS' REMUNERATION *(continued)*

(b) Executive directors

	Fees	Salaries, allowances and benefits in kind	Pension scheme contributions	Total remuneration
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
2007				
Executive directors:				
Mr. Lau Chi Yung, Kenneth	**—**	**1,200**	**12**	**1,212**
Mr. Lau Michael Kei Chi	**—**	**—**	**—**	**—**
	—	**1,200**	**12**	**1,212**
2006				
Executive directors:				
Mr. Lau Chi Yung, Kenneth	—	950	12	962
Mr. Lau Michael Kei Chi	—	—	—	—
	—	950	12	962

There was no arrangement under which a director waived or agreed to waive any remuneration during the year.

9. FIVE HIGHEST PAID EMPLOYEES

The five highest paid employees during the year included one (2006: one) director, details of whose remuneration are set out in note 8 above. Details of the remuneration of the remaining four (2006: four) non-director, highest paid employees for the year are as follows:

	Group	
	2007	2006
	HK$'000	*HK$'000*
Salaries, allowances and benefits in kind	**1,757**	1,697
Pension scheme contributions	**44**	46
	1,801	1,743

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

	Number of employees	
	2007	2006
Nil to HK$1,000,000	**4**	4

10. TAX

No provision for Hong Kong profits tax and overseas income tax has been made for the year ended 31 December 2007 (2006: Nil) as the Company and its subsidiaries did not generate any assessable profits for the year.

A reconciliation of the tax expense applicable to profit before tax using the applicable rate for the jurisdictions in which the Company and its subsidiaries are domiciled to the tax expense at the effective tax rate is as follows:

	Group	
	2007	2006
	HK$'000	*HK$'000*
Profit before tax	**29,766**	3,737
Tax at applicable tax rate	**5,869**	148
Profits and losses attributable to associates	**(450)**	(395)
Income not subject to tax	**(12,465)**	(6,912)
Expenses not deductible for tax	**5,901**	6,340
Tax losses not recognised	**1,149**	653
Others	**(4)**	166
Tax charge at the Group's effective rate	**—**	—

The share of tax attributable to associates amounting to approximately HK$450,000 (2006: HK$395,000) is included in "Share of profits and losses of associates" on the face of the consolidated income statement.

The Group has tax losses arising in Hong Kong of approximately HK$69,515,000 (2006: HK$62,946,000) that are available indefinitely for offsetting against future taxable profits of the companies in which the losses arose. Deferred tax assets have not been recognised in respect of these losses as they have arisen in subsidiaries that have been loss-making for some time and it is not considered probable that taxable profits will be available against which the tax losses can be utilised.

11. PROFIT ATTRIBUTABLE TO EQUITY HOLDERS OF THE COMPANY

The consolidated profit attributable to equity holders of the Company for the year ended 31 December 2007 includes a profit of approximately HK$1,038,000 (2006: HK$37,000) which has been dealt with in the financial statements of the Company (note 29 (b)).

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

The calculation of basic earnings per share amounts is based on the net profit for the year attributable to ordinary equity holders of the Company of approximately HK$29,766,000 (2006: HK$3,737,000), and the weighted average number of 1,800,000,000 (2006: 1,800,000,000) ordinary shares in issue during the year.

The calculation of diluted earnings per share amounts is based on the profit for the year attributable to ordinary equity holders of the Company. The weighted average number of ordinary shares used in the calculation is the number of ordinary shares in issue during the year, as used in the basic earnings per share calculation, and the weighted average number of ordinary shares assumed to have been issued at no consideration on the deemed exercise or conversion of all dilutive potential ordinary shares into ordinary shares.

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

	2007	2006
	HK$'000	*HK$'000*
Earnings		
Profit attributable to ordinary equity holders of the Company used in the basic earnings per share calculation	**29,766**	3,737

	Number of shares	
	2007	2006
Shares		
Weighted average number of ordinary shares in issue during the year used in the basic earnings per share calculation	**1,800,000,000**	1,800,000,000
Effect of dilution – weighted average number		
Share options	**47,216,370**	—
	1,847,216,370	1,800,000,000

13. PROPERTY, PLANT AND EQUIPMENT

Group

	Buildings *HK$'000*	Leasehold improve-ments *HK$'000*	Plant and machinery *HK$'000*	Furniture, fixtures, office and computer equipment *HK$'000*	Motor vehicles *HK$'000*	Total *HK$'000*
31 December 2007						
At 31 December 2006 and at 1 January 2007						
Cost	746	2,926	38,085	5,312	1,942	49,011
Accumulated depreciation	(410)	(2,926)	(37,955)	(5,263)	(1,058)	(47,612)
Net carrying amount	336	—	130	49	884	1,399
At 1 January 2007, net of accumulated depreciation	336	—	130	49	884	1,399
Additions	—	—	35	12	5,570	5,617
Depreciation provided during the year	(37)	—	(62)	(26)	(819)	(944)
Disposals	—	—	—	—	(216)	(216)
At 31 December 2007, net of accumulated depreciation	299	—	103	35	5,419	5,856
At 31 December 2007						
Cost	746	2,926	38,120	5,324	7,242	54,358
Accumulated depreciation	(447)	(2,926)	(38,017)	(5,289)	(1,823)	(48,502)
Net carrying amount	299	—	103	35	5,419	5,856

13. PROPERTY, PLANT AND EQUIPMENT *(continued)*

Group

	Buildings *HK$'000*	Leasehold improve- ments *HK$'000*	Plant and machinery *HK$'000*	Furniture, fixtures, office and computer equipment *HK$'000*	Motor vehicles *HK$'000*	Total *HK$'000*
31 December 2006						
At 1 January 2006						
Cost	746	2,926	38,017	5,288	1,920	48,897
Accumulated depreciation	(373)	(2,926)	(37,881)	(5,236)	(806)	(47,222)
Net carrying amount	373	—	136	52	1,114	1,675
At 1 January 2006, net of accumulated depreciation	373	—	136	52	1,114	1,675
Additions	—	—	68	24	270	362
Depreciation provided during the year	(37)	—	(74)	(27)	(285)	(423)
Disposals	—	—	—	—	(215)	(215)
At 31 December 2006, net of accumulated depreciation	336	—	130	49	884	1,399
At 31 December 2006						
Cost	746	2,926	38,085	5,312	1,942	49,011
Accumulated depreciation	(410)	(2,926)	(37,955)	(5,263)	(1,058)	(47,612)
Net carrying amount	336	—	130	49	884	1,399

14. PREPAID LAND LEASE PAYMENTS

	Group	
	2007	2006
	HK$'000	*HK$'000*
Carrying amount at 1 January	**476**	484
Recognised during the year	**(8)**	(8)
Carrying amount at 31 December	**468**	476

The leasehold land is held under a long term lease and is situated in the PRC.

15. INTERESTS IN SUBSIDIARIES

	Company	
	2007	2006
	HK$'000	*HK$'000*
Unlisted shares, at cost	**136,380**	136,380
Provision for impairment	**(88,480)**	(88,480)
	47,900	47,900

Impairment losses were recognised for investments in the unlisted shares of subsidiaries with a carrying amount of HK$136,380,000 (before deducting the impairment losses) (2006: HK$136,380,000), because certain subsidiaries of the Company have insufficient assets to be realised for the Company to recover its interests therein. There was no change in the impairment account during the current and prior years.

The amounts due from subsidiaries included in current assets on the Company's balance sheet of HK$122,547,000 (2006: HK$122,576,000), are unsecured, interest-free and repayable on demand.

15. INTERESTS IN SUBSIDIARIES *(continued)*

Particulars of the principal subsidiaries are as follows:

Name	Place of incorporation/ registration and operations	Nominal value of issued ordinary share/ registered capital	Percentage of equity interest attributable to the Company Direct %	Indirect %	Principal activities
Alphatronics Limited	Hong Kong	HK$6,000,000	—	75	Trading of electronic products
Alphatronics Electronic (Shenzhen) Co., Ltd. (Note)	People's Republic of China ("PRC")/ Mainland China	US$3,310,000	—	75	Manufacture of electronic components
East Winner Limited	British Virgin Islands	US$1	100	—	Investment holding
Inter China Limited	British Virgin Islands	US$100	—	57	Investment holding
Linkful Electronics Limited	British Virgin Islands	US$1	100	—	Investment holding
Linkful (Holdings) Limited	Hong Kong	Ordinary HK$1,000 Non-voting deferred HK$20,000,000	—	100	Investment holding
Linkful Management Services Limited	Hong Kong	HK$2	—	100	Provision of management services
Linkful Metals Trading Limited	British Virgin Islands/Thailand	US$1	—	100	Metal trading
Linkful (PRC) Investments Limited	Hong Kong	HK$2	—	100	Investment holding

15. INTERESTS IN SUBSIDIARIES *(continued)*

Name	Place of incorporation/ registration and operations	Nominal value of issued ordinary share/ registered capital	Percentage of equity interest attributable to the Company Direct %	Indirect %	Principal activities
Linkful Properties Company Limited	Hong Kong/ Mainland China	HK$2	—	100	Investment and property holding
Linkful Strategic Investment Limited	British Virgin Islands	US$1	100	—	Investment holding
Snowdon Worldwide Limited	British Virgin Islands	US$1	—	100	Investment holding

Note: Registered as a wholly-foreign owned enterprise under PRC law.

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

16. INTERESTS IN ASSOCIATES

	Group 2007 HK$'000	2006 HK$'000
Share of net assets	**63,842**	59,160
Loans to associates	**33,019**	33,019
	96,861	92,179
Provision for impairment	**(1,565)**	(1,565)
	95,296	90,614

The loans to associates are unsecured, interest-free and have no fixed terms of repayment.

16. INTERESTS IN ASSOCIATES *(continued)*

Particulars of the principal associates are as follows:

Name	Particulars of issued shares held	Place of incorporation/ registration	Percentage of ownership interest attributable to the Group	Principal activities
Prince Properties Limited	5,000 ordinary shares of HK$1 each	Hong Kong	50	Investment holding
Call Rich Investments Limited	12,520 ordinary shares of of US$1 each	British Virgin Islands	25.04	Investment holding

The Group's shareholdings in the associates' equity shares are held through wholly-owned subsidiaries of the Company.

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

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

	2007	2006
	HK$'000	*HK$'000*
Assets	**674,294**	711,781
Liabilities	**296,670**	341,574
Revenue	**30,729**	27,033
(Loss)/Profit	**(16,816)**	7,580

17. AVAILABLE-FOR-SALE INVESTMENTS

	Group		Company	
	2007	2006	**2007**	2006
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Listed debt investments, at fair value	**8,790**	8,600	—	—
Club debentures, at fair value	**670**	670	**670**	670
Unlisted equity investments, at cost	**48,967**	48,967	**—**	—
Provision for impairment	**(10,007)**	(10,007)	**—**	—
	48,420	48,230	**670**	670

During the year, the gross gain of the Group's available-for-sale investments recognised directly in equity amounted to approximately HK$190,000 (2006: HK$144,000), of which approximately Nil (2006: HK$492,000) was removed from equity and recognised in the income statement for the year.

At 31 December 2007, the Group's listed debt investments with a carrying value of approximately HK$8,790,000 (2006: HK$8,600,000) were pledged to secure the Group's interest-bearing borrowings, further details of which are disclosed in note 26 to the financial statements.

The Group's unlisted equity investments with a carrying value of approximately HK$48,967,000 (2006: HK$48,967,000) were stated at cost less impairment because the range of reasonable fair value estimates is so significant that the directors are of the opinion that their fair value cannot be measured reliably. The Group does not intend to dispose of them in the near future.

Particulars of the unlisted equity investments were as follows:

Name	**Place of incorporation**	**Nominal value of issued ordinary share capital**	**Percentage of equity interest attributable to the Group**	**Principal activities**
Rich Returns Limited	British Virgin Islands	US$100	18	Investment holding
Head Wonder International Limited	British Virgin Islands	US$10,000	5	Investment holding

18. EQUITY-LINKED NOTES

Equity-linked notes are designated as financial assets at fair value through profit or loss.

Carrying amount analysed for reporting purposes as:

	Group	
	2007	2006
	HK$'000	*HK$'000*
Current	**18,292**	—
Non-current	**—**	49,939
	18,292	49,939

Major terms of the equity-linked notes are as follows:

Notional amount	**Maturity**
US$2,000,000	2008
JPY750,000,000	2008

The equity-linked notes are callable and bear interest at rates based on the value of the underlying equities. The equity-linked notes are linked with various listed securities at various strike prices.

The above equity-linked notes are measured at fair value at the balance sheet date. Their fair values are determined based on the quoted prices provided by the securities' brokers for equivalent instruments at the balance sheet date.

At 31 December 2007, the Group's equity-linked notes with a carrying value of approximately HK$18,292,000 (2006: HK$49,939,000) were pledged to secure the Group's interest-bearing borrowings, further details of which are disclosed in note 26 to the financial statements.

19. LOANS TO INVESTEE COMPANIES

The Group's loans to investee companies are unsecured, interest-free and have no fixed terms of repayment.

20. INVENTORIES

	Group	
	2007	2006
	HK$'000	*HK$'000*
Raw materials	**465**	679
Work in progress	**10**	7
Finished goods	**344**	639
	819	1,325

21. TRADE RECEIVABLES

The Group's trading terms with customers are mainly on credit. Invoices are normally payable within two months of issuance, except for certain well established customers, where the terms are extended to three to six months in some cases, subject to the approval of senior management. The Group seeks to maintain strict control over its outstanding receivables. Overdue balances are regularly reviewed by senior management. Trade receivables are non-interest-bearing.

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

	Group	
	2007	2006
	HK$'000	*HK$'000*
Within 1 month	**692**	776
1 to 2 months	**620**	1,277
2 to 3 months	**510**	387
Over 3 months	**—**	376
	1,822	2,816

At 31 December 2007, there was no provision for impairment of trade receivables (2006: Nil).

21. TRADE RECEIVABLES *(continued)*

The aged analysis of the trade receivables that are not considered to be impaired is as follows:

	Group	
	2007	2006
	HK$'000	*HK$'000*
Neither past due nor impaired	**1,312**	2,053
Less than 1 month past due	**510**	387
1 to 3 months past due	**—**	376
	1,822	2,816

Receivables that were neither past due nor impaired relate to a number of debtors for whom there was no recent history of default.

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

22. EQUITY INVESTMENTS AT FAIR VALUE THROUGH PROFIT OR LOSS

	Group		Company	
	2007	2006	**2007**	2006
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Listed equity investments, at market value				
Hong Kong	**65,801**	67,439	**1,625**	665
Elsewhere	**25,948**	25,852	**—**	—
	91,749	93,291	**1,625**	665

The above equity investments at 31 December 2006 and 2007 were classified as held for trading. As at 31 December 2007, the Group's listed equity investments with a carrying value of approximately HK$14,635,000 (2006: HK$4,260,000) were pledged to secure the Group's interest-bearing borrowings, further details of which are disclosed in note 26 to the financial statements.

23. CASH AND CASH EQUIVALENTS AND PLEDGED DEPOSITS

	Group		Company	
	2007	2006	**2007**	2006
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Cash and bank balances	**4,876**	38,545	**1**	1
Time deposits	**168,588**	55,821	**—**	—
	173,464	94,366	**1**	1
Less: Pledged time deposits	**(54,493)**	(55,821)	**—**	—
Cash and cash equivalents	**118,971**	38,545	**1**	1

The time deposits of approximately HK$54,493,000 (2006: HK$55,821,000) were pledged as security for banking facilities granted.

At the balance sheet date, the cash and bank balances of the Group denominated in Renminbi ("RMB") amounted to approximately HK$8,000 (2006: HK$24,000). The RMB is not freely convertible into other currencies, however, under Mainland China'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.

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

24. TRADE PAYABLES

An aged analysis of trade payables as at the balance sheet date, based on invoice date, is as follows:

	Group	
	2007	2006
	HK$'000	*HK$'000*
Within 1 month	**164**	211
1 to 2 months	**104**	128
2 to 3 months	**105**	132
Over 3 months	**—**	79
	373	550

The trade payables are non-interest-bearing and are normally settled on 60-days terms.

25. OTHER PAYABLES AND ACCRUALS

	Group		Company	
	2007	2006	**2007**	2006
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Accruals	**4,694**	3,011	**122**	153
Other payables	**4,887**	6,538	**2**	2
Due to a minority shareholder	**—**	1,271	**—**	—
	9,581	10,820	**124**	155

The amount due to the minority shareholder is unsecured, interest-free and has no fixed terms of repayment. Other payables are non-interest-bearing and have an average term of two months.

26 INTEREST-BEARING BORROWINGS

	Group					
	2007			2006		
	Contractual interest rate (%)	**Maturity**	**HK$'000**	Contractual interest rate (%)	Maturity	HK$'000
Secured other loans denominated in Japanese Yen	**1.08**	**January 2008**	**46,458**	0.97	January 2007	44,203
Analysed into:						
Other loans repayable:						
Within one year or on demand			**46,458**			44,203

At 31 December 2007, the Group's other loans with an investment bank are secured by certain cash deposits and investments with an aggregate carrying amount of approximately HK$96,210,000 (2006: HK$110,253,000).

27. SHARE CAPITAL

Shares

	2007	2006
	HK$'000	*HK$'000*
Authorised:		
20,000,000,000 (2006: 20,000,000,000) ordinary shares of HK$0.01 each	**200,000**	200,000
Issued and fully paid:		
1,800,000,000 (2006: 1,800,000,000) ordinary shares of HK$0.01 each	**18,000**	18,000

Share options

Details of the Company's share option schemes and the share options issued under the schemes are included in note 28 to the financial statements.

28. SHARE OPTION SCHEMES

(a) The 1993 Scheme

On 8 March 1993, the Company adopted a share option scheme (the "1993 Scheme") for the purpose of providing incentives and rewards to eligible participants who contributed to the success of the Group's operations. Eligible participants of the 1993 Scheme included the Company's directors, including independent non-executive directors and employees of the Group. The 1993 Scheme remained in force for 10 years from that date and expired on 7 March 2003.

The maximum number of shares over which options could be granted could not exceed 10% of the ordinary share capital in issue from time to time, excluding those shares which had been issued under the 1993 Scheme.

Under the 1993 Scheme, the directors could, at their discretion, at any time during the 10 years from the date of approval of the 1993 Scheme, grant to directors, including independent non-executive directors, and employees of the Group options to subscribe for shares in the share capital of the Company. The share subscription price of any options granted under the 1993 Scheme was the higher of 80% of the average of the closing prices of the Company's shares on the Stock Exchange for the five trading days immediately preceding the date on which an option is granted and the nominal value of the shares.

28. SHARE OPTION SCHEMES *(continued)*

(a) The 1993 Scheme *(continued)*

The following share options were outstanding under the 1993 Scheme during the year:

Date of grant of share options	Exercise period of share options	Exercise price of share options per share *HK$*	Number of share options as at 1 January and 31 December 2007
7 February 1998	7 February 1998 to 6 February 2008	0.112	58,500,000

Note: 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.

No share options were granted, exercised, lapsed or cancelled during the years ended 31 December 2006 and 2007.

At 31 December 2007, the Company had 58,500,000 share options outstanding under the 1993 Scheme, which represented approximately 3.25% of the Company's shares in issue as at that date. The exercise in full of such share options would, under the present capital structure of the Company, result in the issue of 58,500,000 additional ordinary shares of the Company and additional share capital of HK$585,000 and share premium of HK$5,967,000 (before issue expenses).

28. SHARE OPTION SCHEMES *(continued)*

(b) The 2003 Scheme

On 27 June 2003, a new share option scheme (the "2003 Scheme"), in compliance with the requirements of Chapter 17 of the Listing Rules, was adopted by the Company for a period of 10 years, for the purpose of providing incentives and rewards to eligible participants who contribute to the success of the Group's operations. Eligible participants of the 2003 Scheme include any employee (including any executive and non-executive director), adviser, consultant, agent, contractor, client or customer, or supplier of any member of the Group.

The maximum number of unexercised share options currently permitted to be granted under the 2003 Scheme is an amount equivalent, upon their exercise, to 10% of the shares of the Company in issue at any time. The maximum number of shares issuable under share options to each eligible participant in the 2003 Scheme within any 12-month period is limited to 1% of the shares of the Company in issue at any time. Any further grant of share options in excess of this limit is subject to shareholders' approval in a general meeting.

Share options granted to a director, chief executive or substantial shareholder of the Company, or to any of their associates, are subject to approval in advance by the independent non-executive directors. In addition, any share options granted to a substantial shareholder or an independent non-executive director of the Company, or to any of their associates, in excess of 0.1% of the shares of the Company in issue at any time or with an aggregate value (based on the price of the Company's shares at the date of the grant) in excess of HK$5 million, within any 12-month period, are subject to shareholders' approval in advance in a general meeting.

The offer of a grant of share options may be accepted within 5 days from the date of the offer upon payment of a nominal consideration by the grantee. The exercise period of the share options granted is determinable by the directors, commences after a certain vesting period and ends on a date which is not later than 10 years from the date of grant of the option.

The subscription price is determined by the directors, but in any event may not be less than the higher of (i) the closing price of the shares on the date of grant, which must be a trading date; (ii) the average closing price of the shares for the five trading days immediately preceding the date of grant; and (iii) the nominal value of share.

No share options were granted, exercised, expired or forfeited during the years ended 31 December 2006 and 2007.

Share options do not confer rights on the holders to dividends or to vote at shareholders' meetings.

29. RESERVES

(a) 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.

(b) Company

	Share premium account	Capital redemption reserve	Contributed surplus	Accumulated losses	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
At 1 January 2006	418,511	546	88,380	(353,590)	153,847
Profit for the year	—	—	—	37	37
At 31 December 2006 and 1 January 2007	418,511	546	88,380	(353,553)	153,884
Profit for the year	—	—	—	1,038	1,038
At 31 December 2007	418,511	546	88,380	(352,515)	154,922

The Company's contributed surplus represents the difference arising between the nominal value of the Company's shares issued in exchange for the issued share capital of the subsidiaries and the value of the net assets of the subsidiaries acquired at the time of the Group's reorganisation in a prior year. Under the Companies Act 1981 of Bermuda (as amended), the contributed surplus is distributable to shareholders in certain circumstances prescribed by Section 54 thereof.

30. SIGNIFICANT RELATED PARTY TRANSACTIONS

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

(i) The Group received rental income of Nil (2006: HK$106,000) from Alpha Japan Limited ("Alpha Japan"), the minority shareholder of a subsidiary of the Group. The rental income was charged based on open market rental.

(ii) A subsidiary sold finished goods of approximately HK$4,604,000 (2006: HK$5,036,000) to and purchased raw materials and equipment parts of approximately HK$825,000 (2006: HK$1,323,000) from a related company of Alpha Japan. These transactions were based on published prices and conditions normally offered by the Group to third party customers in the ordinary course of business of the Group (in respect of the sales), and offered by a related company of Alpha Japan to its third party customers (in respect of the purchases).

(b) Compensation of key management personnel of the Group:

	2007	2006
	HK$'000	*HK$'000*
Short term employee benefits	**3,137**	2,827
Post-employment benefits	**56**	58
Total compensation paid to key management personnel	**3,193**	2,885

Further details of directors' emoluments are included in note 8 to the financial statements.

31. OPERATING LEASE COMMITMENTS

The Group and the Company had no significant commitments under non-cancellable operating leases at the balance sheet date (2006: Nil).

32. CORPORATE GUARANTEES

At 31 December 2007, the Company has given corporate guarantees in favour of banks for banking facilities granted to its subsidiaries and associates to the extent of approximately HK$540,568,000, of which approximately HK$132,038,000 was utilised. In the opinion of the directors, no material liabilities will arise from the above corporate guarantees which arose in the ordinary course of business of the Group and the fair values of the corporate guarantees granted by the Company are immaterial.

33. FINANCIAL INSTRUMENTS BY CATEGORY

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

2007

	Group				
Financial assets	**Financial assets at fair value through profit or loss**				
	- designated as such upon initial recognition	**- held for trading**	**Loans and receivables**	**Available - for-sale financial assets**	**Total**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Loans to associates	—	—	31,454	—	31,454
Available-for-sale investments	—	—	—	48,420	48,420
Equity-linked notes	18,292	—	—	—	18,292
Loans to investee companies	—	—	4,050	—	4,050
Trade receivables	—	—	1,822	—	1,822
Financial assets included in prepayments and other receivables	—	—	1,666	—	1,666
Equity investments at fair value through profit or loss	—	91,749	—	—	91,749
Pledged deposits	—	—	54,493	—	54,493
Cash and cash equivalents	—	—	118,971	—	118,971
	18,292	91,749	212,456	48,420	370,917

Financial liabilities

	Financial liabilities at amortised cost
	HK$'000
Trade payables	373
Financial liabilities included in other payables and accruals	9,294
Interest-bearing borrowings	46,458
	56,125

33. FINANCIAL INSTRUMENTS BY CATEGORY *(continued)*

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

2006

Financial assets

	Group				
	Financial assets at fair value through profit or loss				
	- designated as such upon initial recognition	- held for trading	Loans and receivables	Available - for-sale financial assets	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Loans to associates	—	—	31,454	—	31,454
Available-for-sale investments	—	—	—	48,230	48,230
Equity-linked notes	49,939	—	—	—	49,939
Loans to investee companies	—	—	4,050	—	4,050
Trade receivables	—	—	2,816	—	2,816
Financial assets included in prepayments, deposits and other receivables	—	—	15,910	—	15,910
Equity investments at fair value through profit or loss	—	93,291	—	—	93,291
Pledged deposits	—	—	55,821	—	55,821
Cash and cash equivalents	—	—	38,545	—	38,545
	49,939	93,291	148,596	48,230	340,056

Financial liabilities

	Financial liabilities at amortised cost
	HK$'000
Trade payables	550
Financial liabilities included in other payables and accruals	10,418
Interest-bearing borrowings	44,203
	55,171

34. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group's principal financial instruments comprise bank loans and overdrafts, other interest-bearing loans, and cash and short term deposits. The main purpose of these financial instruments is to raise finance for the Group's operations. The Group has various other financial assets and liabilities such as trade receivables and trade payables, which arise directly from its operations.

The main risks arising from the Group's financial instruments are interest rate risk, foreign currency risk, credit risk and liquidity risk. The board of directors reviews and agrees policies for managing each of these risks and they are summarised below.

Interest rate risk

The Group's exposure to the risk of changes in market interest rates relates primarily to the Group's short term interest-bearing borrowings with fixed interest rates.

The Group's policy to manage its interest rate risk is to reduce or maintain its current level of interest-bearing borrowings. As the Group does not expect to significantly increase its level of interest-bearing borrowings, it has not used any interest rate swaps to hedge its exposure to interest rate risk.

34. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES *(continued)*

Foreign currency risk

The Group has transactional currency exposures. Such exposures arise from sales or purchases by operating units in currencies other than the units' functional currency. Approximately 55% (2006: 67%) of the Group's sales are denominated in currencies other than the functional currency of the operating units making the sale, whilst almost 34% (2006: 2%) of costs are denominated in the units' functional currency. The Group manages the foreign exchange exposure arising from its normal course of business activities and investments in foreign operations by funding its local operations and investments through cash flow generated from business transactions locally. The Group currently does not have a foreign currency hedging policy. However, the management monitors foreign exchange exposure closely and will consider hedging significant foreign currency exposure should the need arise.

The following table demonstrates the sensitivity at the balance sheet date to a reasonably possible change in the United States dollar and Japanese Yen exchange rates, with all other variables held constant, of the Group's profit before tax (due to changes in the fair value of monetary assets and liabilities) and the Group's equity.

	Increase/ (decrease) in foreign currency rate %	Increase/ (decrease) in profit before tax *HK$'000*	Increase/ (decrease) in equity *HK$'000*
2007			
If Hong Kong dollar weakens against United States dollar	**(5)**	**7,448**	**7,448**
If Hong Kong dollar strengthens against United States dollar	**5**	**(7,448)**	**(7,448)**
If Hong Kong dollar weakens against Japanese Yen	**(5)**	**(2,323)**	**(2,323)**
If Hong Kong dollar strengthens against Japanese Yen	**5**	**2,323**	**2,323**
2006			
If Hong Kong dollar weakens against United States dollar	(5)	6,462	6,462
If Hong Kong dollar strengthens against United States dollar	5	(6,462)	(6,462)
If Hong Kong dollar weakens against Japanese Yen	(5)	(2,210)	(2,210)
If Hong Kong dollar strengthens against Japanese Yen	5	2,210	2,210

34. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES *(continued)*

Credit risk

The Group trades only with recognised and creditworthy third parties. Receivable balances are monitored on an ongoing basis and the Group's exposure to bad debts is not significant.

The credit risk of the Group's other financial assets, which comprise pledged deposits, cash and cash equivalents, available-for-sale investments, equity-linked notes, loans to associates and investee companies, and other receivables, arises from default of the counterparty, with a maximum exposure equal to the carrying amounts of these instruments.

Since the Group trades only with recognised and creditworthy third parties, there is no requirement for collateral. Concentrations of credit risk are managed by customer/counterparty. There are no significant concentrations of credit risk within the Group.

Further quantitative data in respect of the Group's exposure to credit risk arising from trade receivables are disclosed in note 21 to the financial statements.

34. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES *(continued)*

Liquidity risk

The Group's objective is to maintain a balance between continuity of funding and flexibility through the use of the Group's available cash, bank overdrafts and other interest-bearing loans.

The maturity profile of the Group's financial liabilities as at the balance sheet date, based on the contracted undiscounted payments, was as follows:

Group

	2007					
	On demand	**Less than 3 months**	**3 to less than 12 months**	**1 to 5 years**	**Over 5 years**	**Total**
	HK$'000	***HK$'000***	***HK$'000***	***HK$'000***	***HK$'000***	***HK$'000***
Interest-bearing borrowings	**—**	**46,458**	**—**	**—**	**—**	**46,458**
Trade payables	**—**	**373**	**—**	**—**	**—**	**373**
Other payables and accruals	**9,294**	**—**	**—**	**—**	**—**	**9,294**
	9,294	**46,831**	**—**	**—**	**—**	**56,125**

	2006					
	On demand	Less than 3 months	3 to less than 12 months	1 to 5 years	Over 5 years	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Interest-bearing borrowings	—	44,203	—	—	—	44,203
Trade payables	—	550	—	—	—	550
Other payables and accruals	10,418	—	—	—	—	10,418
	10,418	44,753	—	—	—	55,171

34. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES *(continued)*

Equity price risk

Equity price risk is the risk that the fair values of equity securities decrease as a result of changes in the levels of equity indices and the value of individual securities. The Group is exposed to equity price risk arising from listed equity securities classified as equity investments at fair value through profit or loss as at 31 December 2007. The Group's listed investments are listed on the Hong Kong Stock Exchange and the Stock Exchange of Thailand and are valued at quoted market prices at the balance sheet date.

The market equity indices for the following stock exchange, at the close of business of the nearest trading day in the year to the balance sheet date, and their respective highest and lowest points during the year were as follows:

	31 December 2007	**High/low 2007**	31 December 2006	High/low 2006
Hong Kong – Hang Seng Index	**27,812**	**31,638/ 18,664**	19,964	20,001/ 14,944
Thailand – SET Index	**858**	**915/ 617**	680	785/ 622

The following table demonstrates the sensitivity to every 10% change in the fair values of the equity investments, with all other variables held constant and before any impact on tax, based on their carrying amounts at the balance sheet date.

	Carrying amount of equity investments *HK$'000*	**Increase/ (decrease) in profit before tax** *HK$'000*	**Increase/ (decrease) in equity** *HK$'000*
2007			
Investments listed in Hong Kong and overseas			
- Held for trading	**91,749**	**9,175/ (9,175)**	**9,175/ (9,175)**
2006			
Investments listed in Hong Kong and overseas			
- Held for trading	93,291	9,329/ (9,329)	9,329/ (9,329)

34. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES *(continued)*

Capital management

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

The Group manages its capital structure and makes adjustments to it, in light of changes in economic conditions and the risk characteristics of the underlying assets. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares. The Group is not subject to any externally imposed capital requirements. No changes were made in the objectives, policies or processes during the years ended 31 December 2007 and 31 December 2006.

The Group monitors capital using a debt-to-equity ratio, which is interest-bearing borrowings divided by the shareholders' equity. The debt-to-equity ratios as at the balance sheet dates were as follows:

Group

	2007	2006
	HK$'000	*HK$'000*
Interest-bearing borrowings	**46,458**	44,203
Equity attributable to equity holders	**380,452**	341,748
Debt-to-equity ratio	**12.21%**	12.93%

35. APPROVAL OF THE FINANCIAL STATEMENTS

The financial statements were approved and authorised for issue by the board of directors on 23 April 2008.

FIVE-YEAR FINANCIAL INFORMATION

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

	Year ended 31 December				
	2007	2006	2005	2004	2003
RESULTS	***HK'000***	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
REVENUE	**7,934**	16,464	1,150,827	538,175	483,467
Cost of sales	**(3,454)**	(12,593)	(1,121,317)	(521,750)	(460,013)
Gross profit	**4,480**	3,871	29,510	16,425	23,454
Other income and gains	**53,550**	40,920	9,923	21,015	10,288
Selling and distribution costs	**(157)**	(253)	(18,659)	(3,867)	(10,334)
Operating and administrative expenses	**(23,513)**	(42,469)	(10,611)	(12,094)	(15,799)
Other expenses	**—**	—	—	(5,588)	(4,240)
Finance costs	**(528)**	(381)	(336)	(370)	(1,009)
Share of profits and losses of associates	**(4,066)**	2,049	1,470	2,198	2,009
Negative goodwill recognised as income on acquisition of an associate	**—**	—	—	2,818	2,818
PROFIT BEFORE TAX	**29,766**	3,737	11,297	20,537	7,187
Tax	**—**	—	(734)	(428)	281
PROFIT FOR THE YEAR	**29,766**	3,737	10,563	20,109	7,468
Attributable to:					
Equity holders of the Company	**29,766**	3,737	10,563	20,109	7,468
Minority interests	**—**	—	—	—	—
	29,766	3,737	10,563	20,109	7,468

ASSETS AND LIABILITIES

	2007	2006	2005	2004	2003
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Total assets	**442,202**	402,659	352,924	313,048	343,618
Total liabilities	**(61,750)**	(60,911)	(18,329)	(14,544)	(67,477)
	380,452	341,748	334,595	298,504	276,141

NOTICE IS HEREBY GIVEN that the Annual General Meeting of Oriental Explorer Holdings Limited (the "Company") will be held at 8th Floor, Multifield House, No. 54 Wong Chuk Hang Road, Hong Kong on Monday, 30 June 2008 at 3:00 p.m. for the following purposes:

1. To receive and consider the Audited Consolidated Financial Statements and the Reports of the Directors and the Auditors for the year ended 31 December 2007.

2. To re-elect Directors and authorise the Board of Directors to fix the remuneration of the Directors.

3. To appoint Auditors and authorise the Directors to fix their remuneration.

4. To consider as Special Business, and if thought fit, pass with or without amendments, the following resolution as an Ordinary Resolution:

   "THAT:

   (A) subject to paragraph (C) of this Resolution, the exercise by the Directors of the Company during the Relevant Period of all the power of the Company to allot, issue and deal with shares in the capital of the Company and to make or grant offers, agreements and options which might require the exercise of such power be and is hereby generally and unconditionally approved;

   (B) the approval in paragraph (A) of this Resolution shall authorise the Directors of the Company during the Relevant Period to make or grant offers, agreements and options which might require the exercise of such power after the end of the Relevant Period;

   (C) the aggregate nominal amount of share capital allotted or agreed conditionally or unconditionally to be allotted (whether pursuant to an option or otherwise) by the Directors of the Company pursuant to the approval in paragraph (A) of this Resolution, otherwise than pursuant to (i) a Rights issue, (ii) the exercise of the subscription rights attaching to any warrants of the Company, (iii) any option scheme or similar arrangement for the time being adopted for the grant or issue to officers or employees of the Company and/or any of its subsidiaries or other eligible persons of shares or rights to acquire shares in the capital of the Company, or (iv) any scrip dividend or similar arrangement providing for the allotment of shares in lieu of the whole or part of the dividend on shares of the Company in accordance with the Bye-laws of the Company, or (v) any offer, agreement or option made or granted prior to the date of passing this Resolution, shall not exceed 20% of the aggregate nominal amount of the share capital of the Company in issue as at the date of the passing of this Resolution and the said approval shall be limited accordingly; and

   (D) for the purpose of this Resolution:

   "Relevant Period" means the period from the passing of this Resolution until whichever is the earliest of:

   (i) the conclusion of the next Annual General Meeting of the Company;

   (ii) the expiration of the period within which the next Annual General Meeting of the Company is required by the Bye-laws of the Company or any applicable laws to be held; and

(iii) the date on which the authority given under this Resolution is revoked or varied by an ordinary resolution of the shareholders in general meeting; and

"Rights issue" means an offer of shares open for a period fixed by the Directors of the Company to the holders of shares on the register of members of the Company on a fixed record date in proportion to their then holdings of such shares, subject to such exclusions or other arrangements as the Directors of the Company may deem necessary or expedient in relation to fractional entitlements or having regard to any restrictions or obligations under the laws of, or the requirements of, any recognised body or any stock exchange."

5. To consider as Special Business, and if thought fit, pass with or without amendments, the following resolution as an Ordinary Resolution:

"THAT:

(A) subject to paragraph (B) of this Resolution, the exercise by the Directors of the Company during the Relevant Period of all the power of the Company to repurchase shares in the capital of the Company and warrants, if any, issued by the Company be and is hereby generally and unconditionally approved;

(B) the amount of the securities of the Company which the Company is authorised to repurchase pursuant to the approval in paragraph (A) of this Resolution shall:

(i) in the case of shares, not exceed 10% of the aggregate nominal amount of the share capital in issue as at the date of the passing of this Resolution; and

(ii) in the case of warrants, if any, not exceed 10% of warrants outstanding as at the date of the passing of this Resolution

and the authority pursuant to paragraph (A) of this Resolution shall be limited accordingly; and

(C) for the purpose of this Resolution:

"Relevant Period" means the period from the passing of this Resolution until whichever is the earlist of:

(i) the conclusion of the next Annual General Meeting of the Company;

(ii) the expiration of the period within which the next Annual General Meeting of the Company is required by the Bye-laws of the Company or any applicable laws to be held; and

(iii) the date on which the authority given under this Resolution is revoked or varied by an ordinary resolution of the shareholders in general meeting."

6. To consider as Special Business, and if thought fit, pass with or without amendments, the following resolution as an Ordinary Resolution:

   "**THAT** conditional upon resolutions nos. 4 and 5 set out in the notice convening this meeting being duly passed, the general mandate granted to the Directors of the Company to exercise the power of the Company to allot and issue shares pursuant to resolution no. 4 set out in the notice convening this meeting be and is hereby extended by the addition to the aggregate nominal amount of the share capital which may be allotted or agreed conditionally or unconditionally to be allotted and issued by the Directors of the Company pursuant to such general mandate of an amount representing the aggregate nominal amount of the share capital of the Company repurchased by the Company under the authority granted pursuant to resolution no. 5 set out in the notice convening this meeting, provided that such an amount shall not exceed 10% of the nominal amount of the issued share capital of the Company as at the date of the passing of this Resolution."

By Order of the Board
Lau Chi Yung, Kenneth
Chairman

Hong Kong, 23 April 2008

Notes:

(i) A member entitled to attend and vote at the meeting is entitled to appoint a proxy to attend and, on a poll, vote instead of him. A proxy need not be a member of the Company.

(ii) In order to be valid, a form of proxy together with the power of attorney or other authority, if any, under which it is signed or a notarially certified copy of the power of attorney or authority, must be lodged at the Company's Branch Share Registrar in Hong Kong, Tricor Investor Services Limited, 26/F Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong not less than 48 hours before the time appointed for the holding of the meeting (or the adjourned meeting as the case may be).

(iii) An explanatory statement containing further details regarding resolutions nos. 4 to 6 will be sent to shareholders shortly together with the 2007 Annual Report.