中策集團有限公司

China Strategic Holdings Limited

(Incorporated in Hong Kong with limited liability)

Stock code: 0235

Continued GROWTH

Annual Report 2007

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SECRETARY

Chow Kim Hang

QUALIFIED ACCOUNTANT

Tong So Yuet

AUDITORS

Deloitte Touche Tohmatsu
Certified Public Accountants

REGISTERED OFFICE

Rm 4503 45/F
China Resources Building
26 Harbour Road,
Wanchai, Hong Kong

PRINCIPAL BANKERS

Bank of China (Hong Kong) Limited
Hang Seng Bank Limited

SOLICITORS

Richards Butler
Tung & Co

SHARE REGISTRARS AND TRANSFER OFFICE

Standard Registrars Limited
26/F, Tesbury Centre
28 Queen's Road East
Wanchai, Hong Kong

STOCK CODE

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For the financial year ended 2007, the Company and its subsidiaries (the "Group") recorded a net loss of approximately HK$40.37 million. Further details of the Group's past performance are explained under the "Management Discussion and Analysis" section. The Board of Directors does not recommend the payment of any final dividend for the year ended 31st December, 2007.

I would like to take this opportunity to express my appreciation to all management and staff members for their contribution during the past year.

Chiu Ching Ching
Chairman

Hong Kong, 25th April, 2008

For the year ended 31st December, 2007, revenue from the segment of the battery products increased by 39.2% as compared to the financial year ended in 2006.

Production and sales for the battery products operation has increased in the year of 2007, however due to keen competition in pricing and the increased production costs that generally affected factories in China, the battery products operation suffered a loss in 2007.

For the investments in securities and advance the segment result decreased by 13.7% or HK$2.9 million to HK$18.6 million in 2007 from HK$21.5 million in 2006. Interest income derived from this segment decreased by 90.6% or HK$20.0 million to HK$2.1 million in 2007 from HK$22.1 million in 2006. This decrease is attributable to the fact that pursuant to the group reorganisation, the Group paid dividend in specie in 2006 and a total of HK$596.8 million loans and interest receivables, and bank balances and cash were distributed. Excluding the above effect, the performance of investment in securities and advance in 2007 was significantly improved due to the fact that there was approximately HK$34.5 million gained from fair value change on investments held for trading.

Administrative expenses increased by HK$13.4 million mainly due to the recognition of share based payment expenses arising from the share options issued to the eligible participants amounting to HK$11.4 million during the year. Other expenses also increased by HK$19.7 million. It mainly represented the increased incidental commission expenses relating to investment held for trading during the year. An impairment of HK$25.8 million was recognised in relation to the goodwill arising on acquisition of the segment of battery products.

The Group disposed of its entire 22.65% equity interests in China Velocity Group Limited in 2006 and the interests in Wing On Travel (Holdings) Limited ("Wing On") were diluted upon the placement of shares by Wing On and thus Wing On ceased to be an associate in 2006. Therefore during the year there was no contribution from associates recognized. Overall, loss for the year 2007 amounted to HK$40.4 million, a decrease of 31.9% from the year 2006.

During the financial year of 2007, the Group financed its operations mainly through cash generated from its business activities, banking facilities provided by its principal bankers, external borrowings, share placing and placing of convertible notes. As at 31st December, 2007, the Group had working capital calculated by current assets less current liabilities of approximately HK$120.6 million and the current ratio increased to 1.79, compared with working capital of approximately HK$0.2 million and current ratio of 1.00 as at 31st December, 2006.

In the fiscal year of 2007, the net cash from operating activities was approximately HK$6.6 million compared with HK$27.2 million used in operating activities in the same period of 2006. The net cash used in investing activities and from financing activities in the fiscal year of 2007 was approximately HK$4.3 million and HK$183.6 million respectively compared with the net cash used in investing activities approximately HK$58.7 million and net cash used in financing activities HK$15.7 million respectively in 2006.

The Group's short-term bank overdraft and bank and other borrowings increased from approximately HK$12.9 million as at 31st December, 2006 to approximately HK$18.1 million as at 31st December, 2007, representing an increase of 39.7%. There was HK$0.06 million long term borrowings as at 31st December, 2007 (31st December, 2006: Nil). As at 31st December, 2007, the Group had convertible notes issued on 5th November, 2007 with outstanding principal amount of HK$146.9 million, the convertible notes are non- interest bearing and with maturity on 31st December, 2010. The outstanding convertible notes are convertible at HK$0.33 per share from the date of issue upto 31st December, 2008, HK$0.36 per share from 1st January, 2009 to 31st December, 2009 and HK$0.39 per share from 1st January, 2010 to 31st December, 2010. As at 31st December, 2007, the liability component of the convertible notes was approximately HK$120.5 million. The gearing ratio was approximately 0.83, calculated by the total long-term borrowing, bank loans, other borrowings and convertible notes of HK$120.5 million divided by total shareholders' funds of 144.8 million.

Capital expenditure aggregated to approximately HK$43.5 million for the year ended 31st December, 2007 and was used primarily for purchasing of property, plant and equipment. The Group's capital expenditures will continue to be funded primarily by internal resources or external borrowings or a combination of both as required. Details of the Group's contingent liabilities, commitments and pledge of assets are disclosed in notes 40, 42 and 43 respectively of this report.

Cash and bank balances amounted to approximately HK$191.6 million as at 31st December, 2007, and is mainly denominated in Hong Kong dollars. As at 31st December, 2007, there was no bank deposit pledged. During the year ended 31st December, 2007, the Group did not experience significant exposure to exchange rate and interest rate fluctuations. As a result, the Group did not enter into any material foreign exchange contracts, currency swaps or other financial derivatives. As at 31st December, 2007, the Company issued "all monies" guarantee and indemnity to a bank for the bank facilities granted to a non-wholly owned subsidiary.

As at 31st December, 2007, the Group employed approximately 337 staff, the staff cost (excluding directors' emoluments) was around HK$21.2 million for the year. Staff remuneration package are normally reviewed annually. The Group has participated in Mandatory Provident Fund Scheme. In addition, the Group provides other benefits which include double pay and medical benefits.

During the year 2007, the company has granted share option to Directors and Employees to subscribe 42,000,000 ordinary shares of the Company at the subscription price of HK$0.724 per share. During the year, 13,200,000 share options have been lapsed upon the changes in staff. As at 31st December, 2007, 28,800,000 share options were still outstanding. During the year, no options granted had been exercised.

On 23rd August, 2007, the Company entered into a placing agreement with Kingston Securities Limited ('Kingston") pursuant to which, Kingston agreed to place, on a fully written basis, 88,000,000 new ordinary shares ("Shares") at HK$0.33 per share of nominal value of HK$0.1 each to independent third parties. The closing price of the Company's share was HK$0.38 per Share on 22nd August, 2007. The gross proceeds from the placing was approximately HK$29.0 million and the net proceeds approximately HK$28.3 million equivalent to HK$0.321 per Share. The placing of Shares was completed on 24th September, 2007 and the net proceeds of HK$28.3 million to be used for general working capital purposes. Details of the placing were disclosed in the company's announcement dated 30th August, 2007.

On 23rd August, 2007, the Company also entered into a placing agreement with Kingston, pursuant to which, Kingston agreed to place, on a best effort basis, 1,500,000,000 new share at HK$0.33 per share of nominal value of HK$0.1 each to independent third parties ("Second Placing"). The Second Placing was completed on 7th January, 2008 and the net proceeds of HK$482.6 million was initially intended to be used for potential investment or business opportunities.

On 23rd August, 2007, the Company further entered into the placing agreement with Kingston, pursuant to which, Kingston agreed to place, on a best effort basis, the convertible notes in an aggregate principal amount of HK$1,320 million ("CN Placing"). The convertible note are non-interest bearing and would carry a right to convert into new Shares at the conversion price subject to adjustment, HK$0.33 per share from the date of issue of the convertible notes to 31st December, 2008, HK$0.36 per share from 1st January, 2009 to 31st December, 2009, and HK$0.39 per share from 1st January, 2010 to 31st December, 2010 which is the maturity date of the convertible notes. On 5th November, 2007, the aggregate principal amount of HK$146.9 million has been issued and on 7th January, 2008, the aggregate principal amount of HK$1,173.1 million has been issued. The net proceeds of approximately HK$1,287 million were initially intended to be used for potential investment or business opportunities. As at 31st December, 2007, the net proceeds from the placing of convertible notes have not been utilised. Details of the share placing and placing of the convertible notes were disclosed in the Company's announcements dated 30th August, 2007 and the Company's circular dated 14th September, 2007.

On 7th March, 2008, the Company has announced the change of use of proceeds from the Second Placing and CN Placing, 50% of the relevant net proceeds is now to be used for general working capital with the rest remained unchanged.

Looking ahead, although the appreciation of RMB and the increased cost of raw materials will be expected to have impact on the company's general performance, the Group foresees enormous opportunities will continue to arise from China's growing economy, high growth rate of capital investments from both foreign and domestic fundings and a resultant upsurge in consumer spending. The opportunities in the PRC market will continue to be the focus of domestic and international investors. Following the completion of the placing of shares and placing of convertible notes, the Group's capital and shareholders base are much strengthened. The Board will continue to seek for suitable investment or business opportunities with good strategic value not only on existing businesses but also in other business area such as natural resources business to enhance the shareholder's value of the Company.

On 11th January, 2008, the Group entered into a framework agreement with an independent third party to acquire part or entire equity interests of 蘇尼特左旗小白陽礦業有限公司 and not less than 20% equity interests of 蘇尼特左旗芒來礦業有限公司, which are engaged in mining and railway companies invested by the vendor in Mongolia, the PRC. This transaction is under the negotiation up to the date of this report. Details are set out in the announcement of the Company dated 11th January, 2008.

The Group acknowledges the economic challenges ahead that might come from the domestic and international level. The Group will therefore maintain a prudent and vigilant attitude when assessing any potential investment or acquisition opportunities. Also as part of our risk management philosophy, the Group will aim to gradually diversity its business and investments so as to maintain a more balanced and healthy portfolio.

EXECUTIVE DIRECTORS

Ms. Chiu Ching Ching, aged 57, was appointed as director of the Company in September 2007. She has over 10 years of experience in senior management positions of several multinational corporations. She has over 15 years of experience in the trading business and business development.

Mr. Wong Ah Chik, aged 50, was appointed as director of the Company in December 2007. He graduated from Beijing Institute of Physical Education, and is a member of the Zhangzhou Municipal Committee of the Chinese People's Political Consultative Conference ("**CPPCC**"), a member of the Fujian Provincial Committee of the CPPCC, deputy standing director of the Fujian Province Overseas Friendship Association, vice chairman of the Returned Overseas Chinese Federation of Zhangzhou City, a standing member of the Fujian Natives Association and chief supervisor of the Zhangzhou Native Association. He has over 20 years of experience in commerce and international trade.

Mr. Zhang Hon Ren, aged 55, was appointed as director of the Company in February 2008. He graduated from the Beijing Institute of Economics in the People's Republic of China with a master's degree in economics. He has been in senior and management positions in economic research, media and computertechnology industries for more than 20 years.

Ms. Chan Ling, Eva, aged 42, was appointed as director of the Company in July 2002. She has over 19 years' experience in auditing, accounting and finance in both international accounting firms and listed companies. She is a member of the Institute of Chartered Accountants in Australia, a fellow member of the Association of Chartered Certified Accountants and also a practicing member of the Hong Kong Institute of Certified Public Accountants.

Mr. Lee Sun Man, aged 56, was appointed as director of the Company in September 2007. He graduated from the Law Department of Shenzhen University. He has experience in management in general trading in the PRC and property related business for more than 15 years.

Mr. Chow Kam Wah, aged 45, was appointed as director of the Company in July 2007. He holds a Master degree in Accountancy obtained from The Hong Kong Polytechnic University. He has over 15 years of experience in the management of finance and accounting.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Ms. Ma Yin Fan, aged 44, was appointed as independent non-executive director in September 2007. She obtained a Bachelor Degree with honours in Accountancy at Middlesex University in the United Kingdom. She is also awarded the Master of Business Administration and Master Degree in Professional Accounting at Heriot-Watt University in the United Kingdom and Hong Kong Polytechnic University respectively. She is a CPA (Practising) in Hong Kong and has been working in the auditing, accounting and taxation areas for more than 20 years of professional experience. She is the principal of Messrs. Ma Yin Fan & Company CPAs. Ms. Ma is the Fellow member of Hong Kong Institute of Certified Public Accountants, Taxation Institute of Hong Kong, Association of Chartered Certified Accountants, Hong Kong Institute of Chartered Secretaries and Institute of Chartered Secretaries and Administrators. She is also a member of the Institute of Chartered Accountant in the England and Wales.

Mr. Phillip Fei, aged 52, was appointed as independent non-executive director in September 2007. He was the Professor of The International Economic Department of University of International Relations, the People's Republic of China. He was also the 5th and 6th term director of Beijing Chinese Overseas Friendship Association and the 2nd term director of China Overseas Friendship Association. He has over 10 years of experience in the international trading business and economic research.

Mr. Leung Hoi Ying, aged 57, was appointed as independent non-executive director in September 2007. He graduated from Guangdong Foreign Trade School in the People's Republic of China. He has over 15 years of experience in the trading business and business development.

CORPORATE GOVERNANCE PRACTICES

The Company has recognized the importance of transparency and accountability, and believes that shareholders can benefited from good corporate governance. The Company aims to achieve good standard of corporate governance, and thus during the year the Company has complied with most of the code provisions ("Code Provisions") as set out in Appendix 14 of the Rules Governing the Listing of Securities ("Listing Rules") on The Stock Exchange of Hong Kong Limited ("Stock Exchange"). Any deviation from the Code Provisions will be explained in this report.

DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers ("Model Code") as 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 complied throughout the year in review with the required standards as set out in the Model Code.

THE BOARD OF DIRECTORS

The Board formulates overall strategy of the Group, monitors its financial performance and maintains effective oversight over the management. The Board members are fully committed to their roles and have act in good faith to maximize the shareholders' value in the long run, and have aligned the Group's goal and directions with the prevailing economic and market conditions. Daily operations and administration are delegated to the management.

The Board met regularly throughout the year to discuss the overall strategy as well as the operation and financial performance of the Group. All directors are kept informed on timely basis of major changes that may affect the Group's business, including relevant rules and regulations. The directors can, upon the reasonable request, seek independent professional advice in appropriate circumstances, at the Company's expenses. The Board shall resolve to provide separate appropriate independent professional advice to the directors to assist the relevant directors to discharge their duties.

THE BOARD OF DIRECTORS – continued

During the year, 29 board meetings were held and the attendance of each director is set out as follows:

Name of director	Number of attendance
Gao Yang (resigned on 26th November, 2007)	0
Kwok Ka Lap, Alva (resigned on 7th April, 2008)	17
Chan Ling, Eva	19
Wong King Lam, Joseph (resigned on 18th October, 2007)	3
Sin Chi Fai (resigned on 30th October, 2007)	3
Ching Yuen Man, Angela (resigned 6th June, 2007)	0
Chan Sek Nin (appointed on 6th June, 2007 and resigned on 2nd October, 2007)	3
Chiu Ching Ching (appointed on 28th September, 2007)	1
Wong Ah Chik (appointed on 27th December, 2007)	0
Lee Sun Man (appointed on 3rd September, 2007)	8
Chow Kam Wah (appointed on 30th July, 2007)	13
Ma Yin Fan (appointed on 28th September, 2007)	0
Phillip Fei (appointed on 22nd September, 2007)	0
Leung Hoi Ying (appointed on 22nd September, 2007)	0

Each of our Independent non-executive Directors in 2007 has made an annual confirmation of independence to the Company in accordance with the requirement of the Listing Rules. The Company considered that all the independent non-executive Directors in 2007 to be Independent. None of the Directors has any financial, business, family or other material/relevant relationship(s) with each other.

As at the date of this report, the Board comprises six executive directors, being Ms. Chiu Ching Ching (Chairman), Mr. Wong Ah Chik, Mr. Zhang Hong Ren, Ms. Chan Ling, Eva, Mr. Lee Sun Man and Mr. Chow Kam Wah and three independent non-executive directors, being Ms. Ma Yin Fan, Mr. Phillip Fei and Mr. Leung Hoi Ying. The directors are considered to have a balance of skill and experience appropriate for the requirements of the business of the Company, details of the directors are shown on page 7 to 8 under the section of Biographical Details of Directors.

CHAIRMAN AND CHIEF EXECUTIVE OFFICER

As at the date of this report, the Chairman of the Board is Ms. Chiu Ching Ching while the Chief Executive Officer ("CEO") is Mr. Zhang Hong Ren. During the year 2007, Gao Yang was the Chairman until he resigned and Ms. Chiu Ching Ching took the role of the Chairman. Mr. Kwok Ka Lap, Alva was the CEO during the year of 2007 and subsequently succeeded by Mr. Zhang Hong Ren on 15th February, 2008. There is a clear division of responsibilities between the Chairman and the CEO, in that the Chairman bears primary responsibility for the workings of the Board, by ensuring its effective function, while the CEO bears executive responsibility for the Company's business, the management of the day-to-day operations of the Company.

APPOINTMENTS AND RE-ELECTION

The Company has not fixed the term of appointment for non-executive directors in accordance with A.4.1 of the Code. However, they were appointed subject to retirement by rotation and re-election at the annual general meeting of the Company. The Board has discussed and concluded that the current practice of appointing non-executive directors without specific terms but otherwise subject to rotation and re-election by shareholders was fair and reasonable, and does not intend to change the current practice at the moment.

The Company had not established a nomination committee and retained the functions to the Board. The directors from time to time identify individual suitable to be a Board member and make recommendation to the Board. The main criteria in selecting a candidate is whether he can add value to the management through his contributions in the relevant strategic business areas and the appointment results a strong and diverse Board. Six meetings were held during the year to discuss appointment of new directors with attendance below:

Name of director	Number of attendance
Chan Ling, Eva	3
Kwok Ka Lap, Alva (resigned on 7th April, 2008)	3
Chiu Ching Ching (appointed on 28th September, 2007)	1
Chow Kam Wah (appointed on 30th July, 2007)	4
Lee Sun Man (appointed on 3rd September, 2007)	2

REMUNERATION OF DIRECTORS AND SENIOR MANAGEMENT

Code Provision B.1.1 requires setting up of the remuneration committee with a majority of the members being independent non-executive directors. The Company has deviated from the requirement since 18th October, 2007 due to the resignation of the committee members, The Company is in the process of establishing a remuneration committee as more time is needed before all details including the composition and terms of reference are determined.

The Directors are remunerated with reference to their responsibility with the Company, their qualifications, experiences and past remuneration, the Company's performance and current market situation. Since 18th October, 2008, one board meeting was held during the year to discuss remuneration related matters of new directors in which Chiu Ching Ching, Lee Sun Man and Chow Kam Wah attended the meeting.

Before the deviation from Code Provision B.1.1 on 18th October, 2007, the remuneration committee comprises two independent non-executive directors and one executive director namely Wong King Lam, Joseph, Sin Chi Fai and Chan Ling, Eva (chairman of remuneration committee) respectively. The principal responsibilities of remuneration committee included formulation of the remuneration policy, review and recommending to the Board the annual remuneration policy, and determination of the remuneration of the executive director and members of senior management. The overriding objective of the remuneration policy was to ensure that the Group is able to attract, retain, and motivate a high-calibre team which is essential to the success of the Group.

The remuneration committee before 18th October, 2007 held one meeting during the year 2007 to discuss remuneration matters of the staff for 2007. The members and attendance of the meeting are as follows:

Name of member	Number of attendance
Chan Ling, Eva	1/1
Wong King Lam, Joseph (resigned on 18th October, 2007)	1/1
Sin Chi Fai (resigned on 30th October, 2007)	1/1

In order to attract, retain, and motivate executives and key employees serving for the Group, the Company has adopted a share option scheme in 2002. Such incentive scheme enables the eligible persons to obtain an ownership interest in the Company and thus to reward to the participants who contribute to the success of the Group's operation.

Details of the remuneration of Directors are set out in note 13 to the consolidated financial statements and details of 2002 share option scheme are set out in the report of director and note 35 to the consolidated financial statements.

AUDIT COMMITTEE

The audit committee currently comprises all three independent non-executive directors of the Company, Ms. Ma Yin Fan, Mr. Phillip Fei and Mr. Leung Hoi Ying as the members, who among themselves possess a wealth of management experience in the accounting profession and in commercial fields. The terms of reference of the audit committee included all the duties set out in the Code provision C.3.3 of which among other things include reviewing financial statements of the Company. Any findings and recommendations of the Audit Committee are to be submitted to the Board for consideration.

The Audit Committee is authorized by the Board to investigate any activity within its terms of reference. It is authorized to seek any information it requires from any employee. It is also authorized to obtain outside legal or other independent professional advice and to sercure the attendence of outsiders with relevant experience and expertise if it considers necessary. The audit committee held two meetings during the year 2007. The members and attendance of the meeting are as follows:

Name of member	Number of attendance
Wong King Lam, Joseph (resigned on 18th October, 2007)	2/2
Sin Chi Fai (resigned on 30th October, 2007)	2/2
Ching Yuen Man, Angela (resigned on 6th June, 2007)	1/2
Chan Sek Nin (appointed on 6th June, 2007 and resigned on 2nd October, 2007)	1/2
Ma Yin Fan (appointed on 28th September, 2007)	0
Phillip Fei (appointed on 22nd September, 2007)	0
Leung Hoi Ying (appointed on 22nd September, 2007)	0

During the meetings, the audit committee review reports from external auditors regarding their audit on annual financial statements and review on interim financial results.

AUDITORS' REMUNERATION

Deloitte Touche Tohmatsu has been reappointed as the external auditors of the Company at the 2007 annual general meeting until the conclusion of the next annual general meeting.

During the year, the Company paid approximately HK$2.7 million to Deloitte Touche Tohmatsu in which approximately HK$0.9 million is related to statutory audit. The remaining was paid for the provision of non-statutory audit service for the Group as follows:

	Fee paid/payable HK$'000
Group Reorganisation	992
Others	824
Total	1,816

OTHERS

The Directors are responsible for the preparation of financial statements. The Directors are not aware of material uncertainties relating to events or conditions that may cast significant doubt upon the Company's ability to continue as a going concern, therefore the Directors continue to adopt the going concern approach in preparing the financial statements. Also, the internal control system of the Group has also been reviewed during the year.

The statement of the auditors of the Company regarding their reporting responsibilities is set out in the Independent Auditor's Report on page 22 to 23 of this Annual Report.

The chairman of the Board did not attend the 2007 annual general meeting. This deviates from the provision E.1.2 of the Code. The chairman of the Company had another engagement that was important to the business of the Company and he was unable to attend the 2007 annual general meeting.

The directors present their annual report and the audited consolidated financial statements for the year ended 31st December, 2007.

PRINCIPAL ACTIVITIES

The Company acts as an investment holding company. The principal activities of its principal subsidiaries and associates are set out in notes 47 and 20 respectively to the consolidated financial statements.

RESULTS

The results of the Group for the year ended 31st December, 2007 are set out in the consolidated income statement on page 24.

MAJOR CUSTOMERS AND SUPPLIERS

During the year, the aggregate sales attributable to the Group's five largest customers were approximately 42% of the Group's total sales and the sales attributable to the Group's largest customer were approximately 28% of the Group's total sales.

The aggregate purchases attributable to the Group's five largest suppliers were approximately 62% of the Group's total purchases and the purchases attributable to the Group's largest supplier were approximately 14% of the Group's total purchases.

At no time during the year did a director, an associate of a director or a shareholder of the Company (which to the knowledge of the directors, any more than 5% of the Company's share capital) have an interest in any of the Group's five largest suppliers or customers.

SHARE CAPITAL

Details of movements in the share capital of the Company during the year are set out in note 34 to the consolidated financial statements.

CONVERTIBLE NOTES

During the year, the Company has issued convertible notes with a principal amount of HK$146.9 million to independent third parties, which are non-interest bearing with maturity date on 31st December, 2010 with the conversion price ranging from HK$0.33 to HK$0.39 per share, subject to anti-dilutive adjustments.

Details of other movements of convertible notes of the Company during the year are set out in note 31 to the consolidated financial statements.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

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

DISTRIBUTABLE RESERVE OF THE COMPANY

As at 31st December, 2007, the Company had no reserve available for distribution to shareholders.

DIRECTORS

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

Executive directors:

Ms. Chiu Ching Ching	(appointed on 28th September, 2007 and re-designated as Chairman on 26th November, 2007)
Mr. Wong Ah Chik	(appointed on 27th December, 2007)
Mr. Zhang Hong Ren	(appointed on 15th February, 2008)
Ms. Chan Ling, Eva	
Mr. Chow Kam Wah	(appointed on 30th July, 2007)
Mr. Lee Sun Man	(appointed on 3rd September, 2007)
Mr. Gao Yang	(resigned as Chairman on 26th November, 2007)
Mr. Kwok Ka Lap, Alva	(resigned on 7th April, 2008)

Independent non-executive directors:

Mr. Phillip Fei	(appointed on 22nd September, 2007)
Mr. Leung Hoi Ying	(appointed on 22nd September, 2007)
Ms. Ma Yin Fan	(appointed on 28th September, 2007)
Ms. Chan Sek Nin, Jackey	(appointed on 6th June, 2007 and resigned on 2nd October, 2007)
Mr. Wong King Lam, Joseph	(resigned on 18th October, 2007)
Mr. Sin Chi Fai	(resigned on 30th October, 2007)
Ms. Ching Yuen Man, Angela	(resigned on 6th June, 2007)

In accordance with Article 116 of the Company's Articles of Association, Chan Ling, Eva retired at the forthcoming Annual General Meeting ("AGM") by rotation. In addition, in accordance with Article 99 of the Company's Articles Association, Chiu Ching Ching, Wong Ah Chik, Zhang Hong Ren, Chow Kam Wah, Lee Sun Man, Leung Hoi Ying, Phillip Fei and Ma Yin Fan will retire and, being eligible, offer themselves for re-election at AGM.

It was further reported that in accordance with the Listing Rules, a resolution for re-election of directors should be proposed and voted by shareholders for each re-elected directors separately.

The directors proposed for re-election at the AGM do not have any service contract which is not determinable by the Group within one year without payment of compensation (other than statutory compensation).

The term of office of each non-executive director is the period up to the retirement by rotation in accordance with the Company's Articles of Association.

DIRECTORS' SERVICE CONTRACTS

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

BRIEF DETAILS IN RESPECT OF DIRECTORS

Brief biographical details of Directors are set out on pages 7 to 8.

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

As at 31st December, 2007, the interest and short positions of the directors of the Company in the shares, underlying shares and debentures of the Company as recorded in the register required to be kept under section 352 of the Securities and Futures Ordinance ("SFO") were as follows:

Name of Director	Nature of interest	Number of Underlying Shares (long position)	Approximate percentage of existing issued share capital of the Company
Chan Ling, Eva ("Ms. Chan")	Personal	4,400,000[1]	0.83
Kwok Ka Lap, Alva ("Mr. Kwok")	Personal	4,000,000[2]	0.75

Notes:

1. The personal interest of Ms. Chan represents an interest in 4,400,000 underlying shares in respect of options granted by the Company as stated below.

2. The personal interest of Mr. Kwok represents an interest in 4,000,000 underlying shares in respect of options granted by the Company as stated below.

Except as disclosed above, as at 31st December, 2007, none of directors nor chief executives of the Company had any interest or short position in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which are required (a) to be recorded in the register required to be kept under Section 352 of the SFO, or (b) to be notified to the Company and The Stock Exchange of Hong Kong Limited (the "Hong Kong Stock Exchange") pursuant to the Model Code ("Model Code") for Securities Transactions by Directors of Listed Companies.

SHARE OPTION SCHEME

Particulars of the Company's share option scheme are set out in note 35 to the consolidated financial statements.

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

				Number of shares			
	Date of grant	Exercisable period	Exercise price HK$	At 1.1.2006 and 1.1.2007	Granted during the year	Lapsed during the year	At 31.12.2007
Employees	10.7.2007	10.7.2007 to 9.7.2012	0.724	—	21,600,000	(1,200,000)	20,400,000
Independent non-executive directors:							
Chan Sek Nin, Jackey	10.7.2007	10.7.2007 to 9.7.2012	0.724	—	4,000,000	(4,000,000)	—
Wong King Lam, Joseph	10.7.2007	10.7.2007 to 9.7.2012	0.724	—	4,000,000	(4,000,000)	—
Sin Chi Fai	10.7.2007	10.7.2007 to 9.7.2012	0.724	—	4,000,000	(4,000,000)	—
				—	12,000,000	(12,000,000)	—
Executive directors:							
Chan Ling, Eva	10.7.2007	10.7.2007 to 9.7.2012	0.724	—	4,400,000	—	4,400,000
Kwok Ka Lap, Alva	10.7.2007	10.7.2007 to 9.7.2012	0.724	—	4,000,000	—	4,000,000
				—	8,400,000	—	8,400,000
				—	42,000,000	(13,200,000)	28,800,000

The closing price of the Company's shares immediately before 10th July, 2007, the date of grant of the options, was HK$0.69.

ARRANGEMENTS TO PURCHASE SHARES OR DEBENTURES

Other than as disclosed above, at no time during the year was the Company, its holding company, or any of its subsidiaries or fellow subsidiaries, a party to any arrangements to enable the directors of the Company to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate.

DIRECTORS' INTERESTS IN CONTRACTS OF SIGNIFICANCE

No contract of significance, to which the Company, its holding company, any of subsidiaries or fellow subsidiaries was a party and in which a director of the Company had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year.

SUBSTANTIAL SHAREHOLDERS

As at 31st December, 2007, the register of substantial shareholders maintained by the Company pursuant to Section 336 of the Securities and Future Ordinance shows that the following shareholders had notified the Company of relevant interests in the issued share capital of the Company.

Long positions

Name	Notes	Capacity	Long position/ short position	No. of shares held	No. of underlying shares (convertible notes) held	Approximate % of the issued ordinary share capital of the Company
Dong Xiu Juan		Beneficial owner	Long position	—	909,090,000	171.92%
Fan Guo Ping		Beneficial owner	Long position	380,910,000	528,180,000	171.92%
Yeung Bo Lin		Beneficial owner	Long position	606,060,000	—	114.61%
Mak Tai Wo		Beneficial owner	Long position	—	200,000,000	37.82%
Tse Young Lai		Beneficial owner	Long position	200,000,000	—	37.82%
Leung Ngok		Beneficial owner	Long position	—	196,000,000	37.06%
Ruan Yuan		Beneficial owner	Long position	160,000,000	25,000,000	34.98%
So Chi Ming		Beneficial owner	Long position	—	185,000,000	34.98%
Wong Chun Loong		Beneficial owner	Long position	—	185,000,000	34.98%
Zhang Ming		Beneficial owner	Long position	—	185,000,000	34.98%
Tam Yuk Ching Jenny	1	Beneficial owner	Long position	84,000,000	92,000,000	33.28%
Platinum Century Limited	1	Interests held by controlled corporation	Long position	79,000,000	92,000,000	32.33%
Integrated Asset Management (Asia) Limited	2	Interests held by controlled corporation	Long position	152,000,000	—	28.74%
Yam Tak Cheung	2	Beneficial owner	Long position	152,000,000	—	28.74%
Chau Lai Him		Beneficial owner	Long position	—	146,000,000	27.60%
Gao Yang	3	Beneficial owner	Long position	125,782,321	—	23.79%
Nation Field Limited	3	Interests held by controlled corporation	Long position	125,782,321	—	23.79%
Wong Lai Hop		Beneficial owner	Long position	—	115,000,000	21.74%
Liu Wing Yan, Winnie		Beneficial owner	Long position	103,030,000	—	19.48%

SUBSTANTIAL SHAREHOLDERS – continued

Name	Notes	Capacity	Long position/ short position	No. of shares held	No. of underlying shares (convertible notes) held	Approximate % of the issued ordinary share capital of the Company
Best China Limited	4	Interests held by controlled corporation	Long position	—	100,000,000	18.91%
Chu Yuet Wah	4	Beneficial owner	Long position	—	100,000,000	18.91%
Lao Chio Kuan		Beneficial owner	Long position	—	100,000,000	18.91%
Lee Wai Man		Beneficial owner	Long position	—	100,000,000	18.91%
Ng Leung Ho		Beneficial owner	Long position	—	100,000,000	18.91%
Yau Yuk Tong		Beneficial owner	Long position	—	100,000,000	18.91%
Wong Hip Keung		Beneficial owner	Long position	—	94,000,000	17.77%
Chong Tin Lung	5	Beneficial owner	Long position	75,000,000	—	14.18%
VMS Capital Limited	5	Interests held by controlled corporation	Long position	75,000,000	—	14.18%
Wong Hin Shek		Beneficial owner	Long position	—	51,000,000	9.64%
Lee Tony Yu Tung		Beneficial owner	Long position	—	48,730,000	9.21%
Christian Emil Toggenburger		Beneficial owner	Long position	63,932,500	—	7.25%
Chu Kong Wing		Beneficial owner	Long position	5,000,000	25,000,000	5.67%
Chan Kwok Keung, Charles		Beneficial owner	Long position	27,480,000	—	5.19%
Ng Yuen Lan Macy		Beneficial owner	Long position	27,480,000	—	5.19%

Notes:

1. Platinum Century Limited was wholly owned by Ms. Tam Yuk Ching Jenny.

2. Integrated Asset Management (Asia) Limited was wholly owned by Mr. Yam Tak Cheung.

3. Mr. Gao Yang is beneficially interested in the entire issued share capital of Nation Field Limited and accordingly Mr. Gao Yang deemed to be interested in the 125,782,321 shares in the Company.

4. Ms. Chu Yuet Wah is beneficially interested in the entire issued share capital of Best China Limited and accordingly Ms. Chu Yuet Wah deemed to be interested in the 100,000,000 shares in the Company.

5. VMS Capital Limited was wholly owned by Mr. Chong Tin Lung.

Other than disclosed above, the Company had not been notified of any other interests or short position in the issued shares of the Company as at 31st December, 2007.

APPOINTMENT OF INDEPENDENT NON-EXECUTIVE DIRECTORS

The Company has received, from each of the independent non-executive directors, an annual confirmation of his independence pursuant to Rules 3.13 of the Listing Rules. The Company considers all of the independent non-executive directors are independent.

CORPORATE GOVERNANCE

The Company is committed to maintaining high standards of corporate governance so as to ensure better transparency and protection of shareholders' interest. The Company has complied with the code provision of the Code on Corporate Governance Practices (the "Code") in Appendix 14 of the Listing Rules throughout the year ended 31st December, 2007, except for the following deviations:

1. Code Provision A.4.1 stipulates that non-executive directors should be appointed for a specific term and subject to re-election. Independent non-executive directors of the Company do not have a specific term of appointment as subject to retirement by rotation and re-election at the annual general meeting in accordance with the articles of association of the Company is fair and reasonable.

2. Code Provision B.1.1 requires setting up of the remuneration committee with a majority of the members being independent non executive directors. The Company has deviated from the requirement since 18 October, 2007 due to the resignation of the committee members. The Company is in the process of establishing a remuneration committee as more time is needed before all details including the composition and terms of reference are determined.

3. Code Provision E.1.2 stipulates that the chairman of the board should attend the annual general meeting. The Chairman was unable to attend the 2007 annual general meeting as he had another engagement that was important to the business of the Company.

EMOLUMENT POLICY

Saved as disclosed above, a Remuneration Committee had been set up for reviewing the Group's emolument policy structure for all remuneration of the directors and senior management of the Group, having regard to the Group's operating results, individual performance and comparable market statistic.

The Company has adopted a share option scheme as an incentive to directors and eligible employees, details of the scheme is set out in note 35 to the consolidated financial statements.

SUFFICIENCY OF PUBLIC FLOAT

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

POST BALANCE SHEET EVENTS

Details of the significant events occurring after the balance sheet date are set out in note 44 to the consolidated financial statements.

AUDITOR

A resolution will be submitted to the annual general meeting to re-appoint Messrs. Deloitte Touche Tohmatsu as auditor of the Company.

On behalf of the Board

Mr. Zhang Hong Ren
Director

25th April, 2008

Deloitte.
德勤

TO THE MEMBERS OF CHINA STRATEGIC HOLDINGS LIMITED
中策集團有限公司
(incorporated in Hong Kong with limited liability)

We have audited the consolidated financial statements of China Strategic Holdings Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") set out on pages 24 to 99, which comprise the consolidated and Company's balance sheets as at 31st 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 CONSOLIDATED 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 Hong Kong Companies Ordinance. This responsibility includes designing, implementing and maintaining internal control relevant to the preparation and the true and fair presentation of the consolidated 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.

AUDITOR'S 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 141 of the Hong Kong Companies Ordinance 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 consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and true and fair presentation of the consolidated 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 consolidated 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 31st December, 2007 and of the Group's loss and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards and have been properly prepared in accordance with the Hong Kong Companies Ordinance.

Deloitte Touche Tohmatsu
Certified Public Accountants
Hong Kong

25th April, 2008

CONSOLIDATED INCOME STATEMENT

For the year ended 31st December, 2007

	NOTES	2007 HK$'000	2006 HK$'000
Continuing operations			
Revenue	5	45,717	32,846
Cost of sales		(50,311)	(24,199)
Gross (loss) profit		(4,594)	8,647
Other income	7	48,779	31,551
Selling and distribution costs		(4,911)	(2,968)
Administrative expenses		(41,101)	(27,695)
Other expenses	8	(31,619)	(11,909)
Finance costs	9	(9,007)	(9,940)
Fair value changes on investments held for trading		34,485	564
Impairment loss on goodwill		(25,807)	—
Gain on disposal of interest in an associate	20	—	17,180
Loss on dilution of interest in an associate	20	—	(65,762)
Share of results of associates		—	16,681
Loss before tax		(33,775)	(43,651)
Income tax expense	10	(6,595)	(5,782)
Loss for the year from continuing operations		(40,370)	(49,433)
Discontinued operation			
Loss for the year from discontinued operation	11	—	(9,818)
Loss for the year	12	(40,370)	(59,251)
Attributable to:			
Equity holders of the Company		(40,369)	(38,417)
Minority interests		(1)	(20,834)
		(40,370)	(59,251)
Dividend in specie	14	—	1,179,307
Loss per share	15		
From continuing and discontinued operations			
– Basic		HK$(0.09)	HK$(0.09)
– Diluted		N/A	N/A
From continuing operations			
– Basic		HK$(0.09)	HK$(0.07)
– Diluted		N/A	N/A

CONSOLIDATED BALANCE SHEET

At 31st December, 2007

	NOTES	2007 HK$'000	2006 HK$'000
Non-Current Assets			
Property, plant and equipment	16	91,739	46,982
Prepaid lease payments	17	19,604	27,425
Goodwill	18	—	25,807
Investments in associates	20	—	—
Club debentures	21	825	825
Available-for-sale investments	22	36,978	60,127
		149,146	161,166
Current Assets			
Inventories	23	9,340	18,954
Trade receivables	24	3,585	7,825
Prepaid lease payments	17	466	626
Amount due from an associate	20	6,686	6,514
Loans and interest receivables	25	41,724	25,761
Other receivables, deposits and prepayments		6,158	4,888
Tax reserve certificates paid		—	5,916
Investments held for trading	26	13,800	8,115
Pledged bank deposits	27	—	1,078
Bank balances and cash	27	191,617	8,992
		273,376	88,669
Available-for-sale investments classified as held-for-sale	22	—	17,770
		273,376	106,439
Current Liabilities			
Trade payables, other payables and accrued charges	28	40,150	23,685
Amount due to a related company	29	—	4,128
Amount due to a subsidiary of an associate	20	6,686	—
Loan payables	30	82,100	58,568
Income tax payable		5,735	6,916
Bank borrowings	32	18,042	12,889
Obligations under finance leases	33	26	—
Bank overdrafts	27	—	23
		152,739	106,209
Net Current Assets		120,637	230
Total Assets less Current Liabilities		269,783	161,396

CONSOLIDATED BALANCE SHEET

At 31st December, 2007

	NOTES	2007 HK$'000	2006 HK$'000
Capital and Reserves			
Share capital	34	52,880	44,080
Reserves		91,925	106,751
Equity attributable to equity holders of the Company		144,805	150,831
Minority interests		261	262
Total equity		145,066	151,093
Non-Current Liabilities			
Deferred tax liabilities	37	4,172	—
Amount due to a related company	29	—	5,310
Amount due to an associate	20	—	4,993
Convertible notes	31	120,488	—
Obligations under finance leases	33	57	—
		124,717	10,303
		269,783	161,396

The consolidated financial statements on pages 24 to 99 were approved and authorised for issue by the Board of Directors on 25th April, 2008 and are signed on its behalf by:

Zhang Hong Ren	Chan Ling, Eva
DIRECTOR	*DIRECTOR*

BALANCE SHEET

At 31st December, 2007

	NOTES	2007 HK$'000	2006 HK$'000
Non-Current Assets			
Property, plant and equipment	16	1,708	1,803
Prepaid lease payments	17	3,628	3,745
Investments in subsidiaries	19	—	—
Investments in associates	20	—	2
Club debentures	21	825	825
		6,161	6,375
Current Assets			
Prepaid lease payments	17	117	117
Amount due from an associate	20	—	8
Amounts due from subsidiaries	19	158,636	178,618
Loans and interest receivables	25	20,980	—
Other receivables, deposits and prepayments		1,601	2,311
Tax reserve certificate paid		—	5,916
Bank balances and cash	27	28,503	4,062
		209,837	191,032
Current Liabilities			
Other payables and accrued charges		7,555	2,190
Amount due to a related company	29	—	4,128
Loan payables	30	21,902	3,166
Amounts due to subsidiaries	19	92,053	144,310
Income tax payable		—	6,916
		121,510	160,710
Net Current Assets		88,327	30,322
Total Assets less Current Liabilities		94,488	36,697
Capital and Reserves			
Share capital	34	52,880	44,080
Reserves and deficit	36	(83,052)	(12,693)
Total equity		(30,172)	31,387
Non-current Liabilities			
Deferred tax liabilities	37	4,172	—
Amount due to a related company	29	—	5,310
Convertible notes	31	120,488	—
		124,660	5,310
		94,488	36,697

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31st December, 2007

	Attributable to equity holders of the Company												
	Share capital HK$'000	Share premium HK$'000	Special capital reserve HK$'000 (note)	Share option reserve HK$'000	Convertible notes reserve HK$'000	Capital redemption reserve HK$'000	Investment revaluation reserve HK$'000	Exchange reserve HK$'000	Other non-distributable reserves HK$'000	(Deficit) retained profits HK$'000	Total HK$'000	Minority interests HK$'000	Total HK$'000
At 1st January, 2006	88,160	1,900,916	414,881	—	—	233	(2,553)	(10,730)	38,126	(1,103,719)	1,325,314	330,255	1,655,569
Exchange difference arising on translation	—	—	—	—	—	—	—	3,851	—	—	3,851	2,705	6,556
Share of reserves movement of associates	—	—	—	—	—	—	—	—	1,495	—	1,495	128	1,623
Gains on fair value changes of available-for-sale investments	—	—	—	—	—	—	37,925	—	—	—	37,925	—	37,925
Share of other non-distributable reserves by minority shareholders	—	—	—	—	—	—	—	—	(669)	—	(669)	669	—
Income recognised directly in equity	—	—	—	—	—	—	37,925	3,851	826	—	42,602	3,502	46,104
Reserves realised upon disposal of an associate	—	—	—	—	—	—	—	(405)	1,044	—	639	—	639
Loss for the year	—	—	—	—	—	—	—	—	—	(38,417)	(38,417)	(20,834)	(59,251)
Total recognised (expense) income for the year	—	—	—	—	—	—	37,925	3,446	1,870	(38,417)	4,824	(17,332)	(12,508)
Capital reorganisation	(44,080)	(1,900,916)	1,944,996	—	—	—	—	—	—	—	—	—	—
Transfer of accumulated deficit of the Company	—	—	(1,212,806)	—	—	—	—	—	—	1,212,806	—	—	—
Dividend in specie (note 14)	—	—	(1,145,804)	—	—	—	(2,380)	6,930	(38,053)	—	(1,179,307)	(312,661)	(1,491,968)
At 31st December, 2006	44,080	—	1,267	—	—	233	32,992	(354)	1,943	70,670	150,831	262	151,093
Exchange difference arising on translation	—	—	—	—	—	—	—	1,682	—	—	1,682	—	1,682
Gains on fair value changes of available-for-sale investments	—	—	—	—	—	—	7,625	—	—	—	7,625	—	7,625
Income recognised directly in equity	—	—	—	—	—	—	7,625	1,682	—	—	9,307	—	9,307

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31st December, 2007

	Attributable to equity holders of the Company												
	Share capital HK$'000	Share premium HK$'000	Special capital reserve HK$'000 (note)	Share option reserve HK$'000	Convertible notes reserve HK$'000	Capital redemption reserve HK$'000	Investment revaluation reserve HK$'000	Exchange reserve HK$'000	Other non-distributable reserves HK$'000	(Deficit) retained profits HK$'000	Total HK$'000	Minority interests HK$'000	Total HK$'000
Loss for the year	–	–	–	–	–	–	–	–	–	(40,369)	(40,369)	(1)	(40,370)
Realised upon disposal of available-for-sale investments	–	–	–	–	–	–	(39,625)	–	–	–	(39,625)	–	(39,625)
Realised upon impairment loss on available-for-sale investments	–	–	–	–	–	–	5,348	–	–	–	5,348	–	5,348
Total recognised (expense) income for the year	–	–	–	–	–	–	(26,652)	1,682	–	(40,369)	(65,339)	(1)	(65,340)
Issue of shares	8,800	19,454	–	–	–	–	–	–	–	–	28,254	–	28,254
Issue of convertible notes	–	–	–	–	23,839	–	–	–	–	–	23,839	–	23,839
Recognition of equity settled share-based payments	–	–	–	11,392	–	–	–	–	–	–	11,392	–	11,392
Deferred tax liabilities on recognition of equity component of convertible notes	–	–	–	–	(4,172)	–	–	–	–	–	(4,172)	–	(4,172)
At 31st December, 2007	52,880	19,454	1,267	11,392	19,667	233	6,340	1,328	1,943	30,301	144,805	261	145,066

Note: The special capital reserve of the Group at 1st January, 2006 represented the amount arising from the capital reduction carried out by the Company during the year ended 31st December, 2001. During the year ended 31st December, 2006, the amount was reduced as a result of the group reorganisation and capital reorganisation as explained in note 14.

CONSOLIDATED CASH FLOW STATEMENT

For the year ended 31st December, 2007

	NOTE	2007 HK$'000	2006 HK$'000
OPERATING ACTIVITIES			
Loss before tax from continued operations		(33,775)	(43,651)
Loss before tax from discontinued operation	11	—	(9,818)
		(33,775)	(53,469)
Adjustments for:			
Finance costs		9,007	9,940
Interest income		(3,266)	(24,237)
Dividend income		(3,341)	(4,676)
Depreciation of property, plant and equipment		2,357	6,438
Loss (gain) on disposal of property, plant and equipment		161	(102)
Release of prepaid lease payments		638	622
Share-based payment expenses		11,392	—
Impairment loss on goodwill		25,807	4,561
Impairment loss on inventories		13,987	—
Impairment loss on available-for-sale investments		5,348	—
Impairment loss on prepaid lease payments		8,015	—
Impairment loss on amount due from an associate		1,272	—
Impairment loss on other receivables		946	5,626
Impairment loss on loans and interest receivables		191	6,283
Reversal of impairment loss on trade receivables		(310)	—
Fair value changes on investments held for trading		(34,485)	(564)
Gain on disposal of available-for-sale investments		(39,625)	—
Share of results of associates		—	(16,681)
Gain on disposal of interest in an associate		—	(17,180)
Loss on dilution of interest in an associate		—	65,762
Operating cash flows before movements in working capital		(35,681)	(17,677)
Decrease in investments held for trading		28,952	455
Increase (decrease) in trade payables, other payables and accrued charges		15,584	(5,391)
Decrease (increase) in trade receivables		4,813	(2,930)
(Increase) decrease in other receivables, deposits and prepayments		(2,216)	10,964
Increase in inventories		(3,033)	(6,101)
Net cash inflow (outflow) used in operations		8,419	(20,680)
Hong Kong Profits Tax paid		(1,860)	(637)
Purchase of tax reserve certificates		—	(5,916)
NET CASH FROM (USED IN) OPERATING ACTIVITIES		6,559	(27,233)

CONSOLIDATED CASH FLOW STATEMENT

For the year ended 31st December, 2007

	NOTE	2007	2006
		HK$'000	HK$'000
INVESTING ACTIVITIES			
Proceeds on disposal of available-for-sales investments		53,044	4,155
Repayment of loans and interest receivables		29,690	191,107
Dividend income received from available-for-sale investments		3,189	4,221
Decrease (increase) in pledged bank deposits		1,078	(42)
Interest received		785	6,853
Proceeds on disposal of property, plant and equipment		183	1,776
Proceed on disposal of an associate		—	30,000
(Increase) decrease in amount due from an associate		(1,444)	7,362
Purchase of available-for-sale investments		(4,500)	(25,742)
Amounts advanced to loans and interest receivables		(43,363)	(244,230)
Purchase of property, plant and equipment		(42,995)	(34,204)
NET CASH USED IN INVESTING ACTIVITIES		(4,333)	(58,744)
FINANCING ACTIVITIES			
Proceeds from issue of convertible notes		146,850	—
Proceeds from issue of shares		29,040	—
Increase in amounts due to related companies		12,464	16,112
New bank borrowings raised		4,245	11,477
Increase in amount due to an associate		1,693	5,577
Increase in loan payables		1,630	55,189
Repayment of obligations under finance leases		—	(7)
Net cash outflow arising from dividend in specie	14	—	(94,092)
Expenses on issue of shares		(786)	—
Expenses on issue of convertible notes		(3,671)	—
Interest paid		(7,859)	(9,940)
NET CASH FROM (USED IN) FINANCING ACTIVITIES		183,606	(15,684)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS		185,832	(101,661)
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR		8,969	108,601
EFFECT OF FOREIGN EXCHANGE RATE CHANGES		(3,184)	2,029
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR		191,617	8,969
ANALYSIS OF THE BALANCES OF CASH AND CASH EQUIVALENTS			
Bank balances and cash		191,617	8,992
Bank overdrafts		—	(23)
		191,617	8,969

1. GENERAL

The Company is a public limited company incorporated in Hong Kong and its shares are listed on The Stock Exchange of Hong Kong Limited (the "Hong Kong Stock Exchange"). The address of the registered office and principal place of business of the Company is disclosed in the corporate information to the annual report.

The Company and its subsidiaries (the "Group") are mainly engaged in (i) manufacturing and trading of batteries products and related accessories and (ii) investments in securities holding.

The consolidated financial statements are presented in Hong Kong dollars, which is also the functional currency of the Company.

The Company is an investment holding company. The principal activities of its principal subsidiaries and associates are set out in notes 47 and 20 respectively.

2. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs")

In the current year, the Group has applied, for the first time, the following new standard, amendment and interpretations ("new HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"), which are effective for the Group's financial year beginning 1st January, 2007.

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

The adoption of the new HKFRSs had no material effect on how the results and financial position for the current or prior accounting periods have been prepared and presented. Accordingly, no prior period adjustment has been required.

The Group has applied the disclosure requirements under HKAS 1 (Amendment) and HKFRS 7 retrospectively. Certain information presented in prior year under the requirements of HKAS 32 has been removed and the relevant comparative information based on the requirements of HKAS 1 (Amendment) and HKFRS 7 has been presented for the first time in the current year.

2. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") – continued

The Group has not early applied the following new and revised standards or interpretations that have been issued but are not yet effective.

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

[1] Effective for annual periods beginning on or after 1st January, 2009

[2] Effective for annual periods beginning on or after 1st July, 2009

[3] Effective for annual periods beginning on or after 1st March, 2007

[4] Effective for annual periods beginning on or after 1st January, 2008

[5] Effective for annual periods beginning on or after 1st July, 2008

The adoption of HKFRS 3 (Revised) may affect the accounting for business combination for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after 1st July, 2009. HKAS 27 (Revised) will affect the accounting treatment for changes in a parent's ownership interest in a subsidiary that do not result in a loss of control, which will be accounted for as equity transactions.

The directors of the Company anticipate that the application of these standards or interpretations will have no material impact on the results and the financial position of the Group.

3. SIGNIFICANT ACCOUNTING POLICIES

The consolidated financial statements have been prepared on the historical cost basis except for certain financial instruments, which are measured at fair values, as explained in the accounting policies set out below.

The consolidated financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards issued by the HKICPA. In addition, the consolidated financial statements include applicable disclosures required by the Rules Governing the Listing of Securities on the Hong Kong Stock Exchange and by the Hong Kong Companies Ordinance.

3. SIGNIFICANT ACCOUNTING POLICIES – continued

Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Company (its subsidiaries). Control is achieved where the Company has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities.

The results of subsidiaries acquired or disposed of during the year are included in the consolidated income statement from the effective date of acquisition or up to the effective date of disposal, as appropriate.

Where necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with those used by other members of the Group.

All intra-group transactions, balances, income and expenses are eliminated on consolidation.

Minority interests in the net assets of consolidated subsidiaries are presented separately from the Group's equity therein. Minority interests in the net assets consist of the amount of those interests at the date of the original business combination and the minority's share of changes in equity since the date of the combination. Losses applicable to the minority in excess of the minority's interest in the subsidiary's equity are allocated against the interests of the Group except to the extent that the minority has a binding obligation and is able to make an additional investment to cover the losses.

Business combinations

The acquisition of businesses is accounted for using the purchase method. The cost of the acquisition is measured at the aggregate of the fair values, at the date of exchange, of assets given, liabilities incurred or assumed, and equity instruments issued by the Group in exchange for control of the acquiree, plus any costs directly attributable to the business combination. The acquiree's identifiable assets, liabilities and contingent liabilities that meet the conditions for recognition under HKFRS 3 "Business Combinations" are recognised at their fair values at the acquisition date.

Goodwill arising on acquisition is recognised as an asset and initially measured at cost, being the excess of the cost of the business combination over the Group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities recognised. If, after reassessment, the Group's interest in the net fair value of the acquiree's identifiable assets, liabilities and contingent liabilities exceeds the cost of the business combination, the excess is recognised immediately in profit or loss.

The interest of minority shareholders in the acquiree is initially measured at the minority's proportion of the net fair value of the assets, liabilities and contingent liabilities recognised.

3. SIGNIFICANT ACCOUNTING POLICIES – continued

Goodwill

Goodwill arising on acquisition prior 1st January, 2005

Goodwill arising on an acquisition of net assets and operations of another entity for which the agreement date is before 1st January, 2005 represents the excess of the cost of acquisition over the Group's interest in the fair value of the identifiable assets and liabilities of the relevant acquiree at the date of acquisition.

Previously capitalised goodwill arising on acquisitions of net assets and operations of another entity after 1st January, 2001 is tested for impairment annually, and whenever there is an indication that the cash generating unit to which the goodwill relates may be impaired (see the accounting policy below).

Goodwill arising on acquisitions on or after 1st January, 2005

Goodwill arising on acquisition of a business for which the agreement date is on or after 1st January, 2005 represents the excess of the cost of acquisition over the Group's interest in the fair value of the identifiable assets, liabilities and contingent liabilities of the relevant business at the date of acquisition. Such goodwill is carried at cost less any accumulated impairment losses.

Capitalised goodwill arising on an acquisition of a business is presented separately in the consolidated balance sheet.

For the purposes of impairment testing, goodwill arising from an acquisition is allocated to each of the relevant cash-generating units, or groups of cash-generating units, that are expected to benefit from the synergies of the acquisition. A cash-generating unit to which goodwill has been allocated is tested for impairment annually, and whenever there is an indication that the unit may be impaired. For goodwill arising on an acquisition in a financial year, the cash-generating unit to which goodwill has been allocated is tested for impairment before the end of that financial year. When the recoverable amount of the cash-generating unit is less than the carrying amount of the unit, the impairment loss is allocated to reduce the carrying amount of any goodwill allocated to the unit first, and then to the other assets of the unit pro rata on the basis of the carrying amount of each asset in the unit. Any impairment loss for goodwill is recognised directly in the consolidated income statement. An impairment loss for goodwill is not reversed in subsequent periods.

On subsequent disposal of the relevant cash-generating unit, the attributable amount of goodwill capitalised is included in the determination of the amount of profit or loss on disposal.

Investments in subsidiaries

Investments in subsidiaries are included in the Company's balance sheet at cost less any identified impairment loss.

3. SIGNIFICANT ACCOUNTING POLICIES – continued

Investments in associates

An associate is an entity over which the investor has significant influence and that is neither a subsidiary nor an interest in a joint venture.

The results and assets and liabilities of associates are incorporated in these consolidated financial statements using the equity method of accounting. Under the equity method, investments in associates are carried in the consolidated balance sheet at cost as adjusted for post-acquisition changes in the Group's share of the net assets of the associates, less any identified impairment loss. When the Group's share of losses of an associate equals or exceeds its interest in that associate (which includes any long-term interests that, in substance, form part of the Group's net investment in the associate), the Group discontinues recognising its share of further losses. An additional share of losses is provided for and a liability is recognised only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of that associate.

Any excess of the cost of acquisition over the Group's share of the net fair value of the identifiable assets, liabilities of the associate recognised at the date of acquisition is recognised as goodwill. The goodwill is included within the carrying amount of the investment and is assessed for impairment as part of the investment.

Any excess of the Group's share of the net fair value of the identifiable assets, liabilities and contingent liabilities over the cost of acquisition, after reassessment, is recognised immediately in profit or loss.

Where a group entity transactions with an associate of the Group, profits and losses are eliminated to the extent of the Group's interest in the relevant associate.

Revenue recognition

Revenue is measured at the fair value of the consideration received and receivable and represents amounts receivable for goods sold and services provided in the normal course of business, net of discounts and sales related taxes.

Revenue from sales of goods is recognised when goods are delivered and title has passed.

Interest income from a financial asset is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts the estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount.

Dividend income from investments is recognised when the shareholders' rights to receive payment have been established.

3. SIGNIFICANT ACCOUNTING POLICIES – continued

Property, plant and equipment

Property, plant and equipment, including buildings held for use in the production or supply of goods or services, or for administrative purposes (other than construction in progress) are stated at cost less subsequent accumulated depreciation and accumulated impairment losses.

Depreciation is provided to write off the cost of items of property, plant and equipment (other than construction in progress) over their estimated useful lives and after taking into account of their estimated residual value, using the straight-line method.

Construction in progress includes property, plant and equipment in the course of construction for production or for its own use purposes. Construction in progress is carried at cost less any recognised impairment loss. Construction in progress is classified to the appropriate category of property, plant and equipment when completed and ready for intended use. Depreciation of these assets, on the same basis as other property assets, commences when the assets are ready for their intended use.

Assets held under finance leases are depreciated over their expected useful lives on the same basis as owned assets or, where shorter, the term of the relevant lease.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the item) is included in the consolidated income statement in the year in which the item is derecognised.

Leasing

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

The Group as lessee

Assets held under finance leases are recognised as assets of the Group at their fair value at the inception of the lease or, if lower, at the present value of the minimum lease payments. The corresponding liability to the lessor is included in the consolidated balance sheet as a finance lease obligation. Lease payments are apportioned between finance charges and reduction of the lease obligation so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are charged directly to profit or loss.

Rentals payable under operating leases are charged to profit or loss on a straight-line basis over the term of the relevant lease. Benefits received and receivable as an incentive to enter into an operating lease are recognised as a reduction of rental expense over the lease term on a straight-line basis.

Leasehold land and building

The land and building elements of a lease of land and building are considered separately for the purpose of lease classification, unless the lease payments cannot be allocated reliably between the land and building elements, in which case, the entire lease is classified as a finance lease and accounted for as property, plant and equipment. To the extent the allocation of the lease payments can be made reliably, leasehold interests in land are accounted for as operating leases.

3. SIGNIFICANT ACCOUNTING POLICIES – continued

Foreign currencies

In preparing the financial statements of each individual group entity, transactions in currencies other than the functional currency of that entity (foreign currencies) are recorded in the respective functional currency (i.e. the currency of the primary economic environment in which the entity operates) at the rates of exchanges prevailing on the dates of the transactions. At each balance sheet date, monetary items denominated in foreign currencies are retranslated at the rates prevailing on the balance sheet date. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing on the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

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

For the purposes of presenting the consolidated financial statements, the assets and liabilities of the Group's entities are translated into the presentation currency of the Group (i.e. Hong Kong dollars) at the rate of exchange prevailing at the balance sheet date, and their income and expenses are translated at the average exchange rates for the year, unless exchange rates fluctuate significantly during the period, in which case, the exchange rates prevailing at the dates of transactions are used. Exchange differences arising, if any, are recognised as a separate component of equity (the exchange reserve). Such exchange differences are recognised in profit or loss in the period in which the entity is disposed of.

Borrowing costs

All borrowing costs are recognised as and included in finance costs in the consolidated income statement in the year in which they are incurred.

Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is calculated using the weighted average cost method.

Retirement benefit costs

Payments to state-managed retirement benefit schemes and Mandatory Provident Fund Scheme are charged as expense when employees have rendered service entitling them to the contributions.

3. SIGNIFICANT ACCOUNTING POLICIES – continued

Taxation

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

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

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

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

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 profits will be available to allow all or part of the asset to be recovered.

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

Financial instruments

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

3. SIGNIFICANT ACCOUNTING POLICIES – continued

Financial instruments – continued

Financial assets

The Group's financial assets are classified into one of the three categories, including financial assets at fair value through profit or loss, loans and receivables and available-for-sale financial assets. All regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace.

Effective interest method

The effective interest method is a method of calculating the amortised cost of a financial asset and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees on points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial asset, or, where appropriate, a shorter period.

Income is recognised on an effective interest basis for debt instruments other than those financial assets designated as at fair value through profit or loss of which interest income is included in net gains or losses.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. At each balance sheet date subsequent to initial recognition, loans and receivables (including loans and interest receivables, trade receivables, other receivables, pledged bank deposits, bank balances, amount due from an associate and amounts due from subsidiaries for the Company) are carried at amortised cost using the effective interest method, less any identified impairment losses (see accounting policy on impairment loss on financial assets below).

Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss included financial assets held for trading.

A financial asset is classified as held for trading if:

- it has been acquired principally for the purpose of selling in the near future; or
- it is a part of an identified portfolio of financial instruments that the Group manages together and has a recent actual pattern of short-term profit-taking; or
- it is a derivative that is not designated and effective as a hedging instrument.

At each balance sheet date subsequent to initial recognition, financial assets at fair value through profit or loss are measured at fair value, with changes in fair value recognised directly in profit or loss in the period in which they arise. The net gain or loss recognised in profit or loss excludes any dividend or interest earned on the financial assets.

3. SIGNIFICANT ACCOUNTING POLICIES – continued

Financial instruments – continued

Financial assets – continued

Available-for-sale financial assets

Available-for-sale financial assets are non-derivatives that are either designated or not classified as financial assets at fair value through profit or loss or loans and receivables.

At each balance sheet date subsequent to initial recognition, available-for-sale financial assets are measured at fair value. Changes in fair value are recognised in equity, until the financial asset is disposed of or is determined to be impaired, at which time, the cumulative gain or loss previously recognised in equity is removed from equity and recognised in profit or loss (see accounting policy on impairment loss on financial assets below).

For available-for-sale equity investments that do not have a quoted market price in an active market and whose fair value cannot be reliably measured and derivatives that are linked to and must be settled by delivery of such unquoted equity instruments, they are measured at cost less any identified impairment losses at each balance sheet date subsequent to initial recognition (see accounting policy on impairment loss on financial assets below).

Impairment of financial assets

Financial assets, other than those at financial assets at fair value through profit or loss, are assessed for indicators of impairment at each balance sheet date. Financial assets are impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the financial assets have been impacted.

For an available-for-sale equity investment, a significant or prolonged decline in the fair value of that investment below its cost is considered to be objective evidence of impairment.

For all other financial assets, objective evidence of impairment could include:

- significant financial difficulty of the issuer or counterparty; or
- default or delinquency in interest or principal payments; or
- it becoming probable that the borrower will enter bankruptcy or financial re-organisation.

For financial assets carried at amortised cost, an impairment loss is recognised in profit or loss when there is objective evidence that the asset is impaired, and is measured as the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the original effective interest rate.

3. SIGNIFICANT ACCOUNTING POLICIES – continued

Financial instruments – continued

Impairment of financial assets – continued

For financial assets carried at cost, the amount of the impairment loss is measured as the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the current market rate of return for a similar financial asset. Such impairment loss will not be reversed in subsequent periods.

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of trade receivables, where the carrying amounts are reduced through the use of an allowance account. Changes in the carrying amount of the allowance account are recognised in profit or loss. When a trade receivable is considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited to profit or loss.

For financial assets measured at amortised cost, if, in a subsequent period, the amount of impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment losses was recognised, the previously recognised impairment loss is reversed through profit or loss to the extent that the carrying amount of the asset at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

Impairment losses on available-for-sale equity investments will not be reversed in profit or loss in subsequent periods. Any increase in fair value subsequent to impairment loss is recognised directly in equity.

Financial liabilities and equity

Financial liabilities and equity instruments issued by a group entity are classified according to the substance of the contractual arrangements entered into and the definitions of a financial liability and an equity instrument.

An equity instrument is any contract that evidences a residual interest in the assets of the group after deducting all of its liabilities. The Group's financial liabilities are generally classified into financial liabilities of fair value through profit or loss and other financial liabilities.

Effective interest method

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments through the expected life of the financial liability, or, where appropriate, a shorter period.

3. SIGNIFICANT ACCOUNTING POLICIES – continued

Financial instruments – continued

Financial liabilities and equity – continued

A financial liability is classified as held for trading if:

- it has been incurred principally for the purpose of repurchasing in the near future; or
- it is a part of an identified portfolio of financial instruments that the Group manages together and has a recent actual pattern of short-term profit-taking; or
- it is a derivative that is not designated and effective as a hedging instrument.

At each balance sheet date subsequent to initial recognition, financial liabilities at fair value through profit or loss are measured at fair value, with changes in fair value recognised directly in profit or loss in the period in which they arise.

The net gain or loss recognised in profit or loss excludes any interest paid on the financial liabilities.

Convertible notes

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

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

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

Transaction costs that relate to the issue of the convertible notes are allocated to the liability and equity components in proportion to the allocation of the gross proceeds. Transaction costs relating to the equity component are charged directly to equity. Transaction costs relating to the liability component are included in the carrying amount of the liability portion and amortised over the period of the convertible notes using the effective interest method.

3. SIGNIFICANT ACCOUNTING POLICIES – continued

Financial instruments – continued

Other financial liabilities

Other financial liabilities (including trade payables, other payables, loan payables, amount due to an associate, amounts due to related companies, bank borrowings, bank overdrafts and amounts due to subsidiaries for the Company) are subsequently measured at amortised cost, using the effective interest rate method.

Equity instruments

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

Derecognition

Financial assets are derecognised when the rights to receive cash flows from the assets expire or, the financial assets are transferred and the Group has transferred substantially all the risks and rewards of ownership of the financial assets. On derecognition of a financial asset, the difference between the asset's carrying amount and the sum of the consideration received and receivable and the cumulative gain or loss that had been recognised directly in equity is recognised in profit or loss. If the Group retains substantially all the risks and rewards of ownership of a transferred asset, the Group continues to recognise the financial asset and recognise a collateralised borrowing for proceeds received.

Financial liabilities are derecognised when the obligation specified in the relevant contract is discharged, cancelled or expires. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in profit or loss.

Impairment losses on assets other than goodwill (see the accounting policy in respect of goodwill above)

At each balance sheet date, the Group reviews the carrying amounts of its assets to determine whether there is any indication that those assets have suffered an impairment loss. In addition, intangible assets with indefinite useful lives and intangible assets not yet available for use are tested for impairment annually, and whenever there is an indication that they may be impaired.

Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior years. A reversal of an impairment loss is recognised as income immediately.

3. SIGNIFICANT ACCOUNTING POLICIES – continued

Share-based payment transactions

Equity-settled share-based payment transactions

Share options granted to employees and directors

The fair value of services received determined by reference to the fair value of share options granted at the grant date is recognised as an expense in full at the grant date when the share options granted vest immediately, with a corresponding increase in equity (share options reserve).

At each balance sheet date, the Group revises its estimates of the number of options that are expected to ultimately vest. The impact of the revision of the estimates, if any, is recognised in profit or loss, with a corresponding adjustment to share options reserve.

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

4. KEY SOURCES OF ESTIMATION UNCERTAINTY

The following are 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.

Estimated impairment on goodwill

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

During the year ended 31st December, 2007, the Group recognised an impairment loss of approximately HK$25,807,000 in relation to the goodwill arising on acquisition of the segment of battery products. Details are set out in note 18.

During the year ended 31st December, 2006, the Group recognised an impairment loss of approximately HK$4,561,000 in relation to goodwill arising on acquisition of the segment of sand mining.

Estimated impairment on loans and interest receivables and other receivables

Management regularly reviews the recoverability of loans and interest receivables and other receivables. Appropriate impairment for estimated irrecoverable amounts are recognised in profit and loss when there is objective evidence that the amounts are not recoverable.

In determining whether allowances for bad and doubtful debts is required, the Group takes into consideration the aged status and likelihood of collection. Specific allowance is only made for receivables that are unlikely to be collected and is recognised based the estimation of the future cash flow expected to receive and discounted at the original effective interest rate in order to calculate the present value. During the year ended 31st December, 2007, allowance for loans and interest receivables of approximately HK$191,000 (2006: HK$6,283,000) and for other receivables of approximately HK$946,000 (2006: HK$5,626,000) have been made respectively.

5. REVENUE

An analysis of the Group's revenue for the year, for both continuing and discontinued operations, is as follows:

	2007 HK$'000	2006 HK$'000
Continuing operations:		
Sales of batteries products and related accessories	45,717	32,846
Discontinued operation (note 11):		
Sand mining activities	—	2,726

6. BUSINESS AND GEOGRAPHICAL SEGMENTS

Business segments

For management purposes, the Group is currently organised into the following two major operating divisions. These divisions are the basis on which the Group reports its primary segment information.

Principal operating divisions are as follows:

Battery products	—	Manufacturing and trading of battery products and related accessories
Investments in securities and advance	—	Investments in and trading of securities and advance of receivables

In previous year, the Group also engaged in the sand mining activities in the People's Republic of China (the "PRC"). This segment of sand mining were discontinued on 19th May, 2006 as a result of group reorganisation ("Group Reorganisation" as set out in note 14) as described in note 11.

6. BUSINESS AND GEOGRAPHICAL SEGMENTS – continued

Business segments – continued

An analysis of the Group's revenue and segment results and segment assets and liabilities by business segments is as follows:

	Continuing operations		
	Investments in securities and advance HK$'000	Battery products HK$'000	Consolidated HK$'000
For the year ended 31st December, 2007			
REVENUE			
Revenue			
– External	—	45,717	45,717
Other income			
– Dividend income from available-for-sale investments	3,189	—	3,189
– Dividend income from investments held for trading	152	—	152
– Interest income	2,067	—	2,067
– Others	—	2,311	2,311
	5,408	2,311	7,719
RESULT			
Segment result	18,582	(39,238)	(20,656)
Unallocated corporate income			37,418
Unallocated corporate expenses			(41,530)
Finance costs			(9,007)
Loss before tax			(33,775)
Income tax expenses			(6,595)
Loss for the year			(40,370)

6. BUSINESS AND GEOGRAPHICAL SEGMENTS – continued

Business segments – continued

	Continuing operations		
	Investments in securities and advance HK$'000	Battery products HK$'000	Consolidated HK$'000
Assets and liabilities at 31st December, 2007			
ASSETS			
Segment assets	102,774	114,280	217,054
Unallocated			205,468
Consolidated total assets			422,522
LIABILITIES			
Segment liabilities	14,158	25,992	40,150
Unallocated corporate liabilities			233,134
Consolidated total liabilities			273,284

6. BUSINESS AND GEOGRAPHICAL SEGMENTS – continued

Business segments – continued

	Continuing operations			
	Investments in securities and advance HK$'000	Battery products HK$'000	Unallocated HK$'000	Consolidated HK$'000
Other information for the year ended 31st December, 2007				
Capital additions				
– Property, plant and equipment	12	43,319	216	43,547
Depreciation of property, plant and equipment	162	2,195	—	2,357
Release of prepaid lease payments	117	521	—	638
Impairment loss on goodwill	—	25,807	—	25,807
Impairment loss on inventories	—	13,987	—	13,987
Impairment loss on available-for-sale investments	5,348	—	—	5,348
Impairment loss on amount due from an associate	—	1,272	—	1,272
Impairment loss on prepaid lease payments	—	—	8,015	8,015
Impairment loss on other receivables	—	—	946	946
Impairment loss on loans and interest receivables	191	—	—	191
Reversal of impairment loss on trade receivables	—	(310)	—	(310)

6. BUSINESS AND GEOGRAPHICAL SEGMENTS – continued

Business segments – continued

	Continuing operations				Discontinued operation	
	Investments in securities and advance HK$'000	Battery products HK$'000	Elimination HK$'000	Sub-total HK$'000	Sand mining HK$'000	Consolidated HK$'000
For the year ended 31st December, 2006						
REVENUE						
Revenue						
– External	—	32,846	—	32,846	2,726	35,572
– Inter-segment	182	—	(182)	—	—	—
	182	32,846	(182)	32,846	2,726	35,572
Other income						
– Interest income	22,068	—	—	22,068	—	22,068
– Dividend income from available-for-sale investments	4,321	—	—	4,321	—	4,321
– Dividend income from investments held for trading	355	—	—	355	—	355
– Others	149	1,303	—	1,452	97	1,549
	26,893	1,303	—	28,196	97	28,293
RESULT						
Segment result	21,538	(771)	(182)	20,585	(9,818)	10,767
Unallocated corporate income				2,961	—	2,961
Unallocated corporate expenses				(25,356)	—	(25,356)
Finance costs				(9,940)	—	(9,940)
Gain on disposal of interest in an associate				17,180	—	17,180
Loss on dilution of interest in an associate				(65,762)	—	(65,762)
Share of results of associates				16,681	—	16,681
Loss before tax				(43,651)	(9,818)	(53,469)
Income tax expense				(5,782)	—	(5,782)
Loss for the year				(49,433)	(9,818)	(59,251)

Inter-segment sales are charged at terms determined and agreed between the group companies.

6. BUSINESS AND GEOGRAPHICAL SEGMENTS – continued

Business segments – continued

	Continuing operations		
	Investments in securities and advance HK$'000	Battery products HK$'000	Consolidated HK$'000
Assets and liabilities at 31st December, 2006			
ASSETS			
Segment assets	106,818	129,486	236,304
Unallocated			31,301
Consolidated total assets			267,605
LIABILITIES			
Segment liabilities	2,304	26,374	28,678
Unallocated corporate liabilities			87,834
Consolidated total liabilities			116,512

	Continuing operations		Discontinued operation	
	Investments in securities and advance HK$'000	Battery products HK$'000	Sand mining HK$'000	Consolidated HK$'000
Other information for the year ended 31st December, 2006				
Capital additions				
– Property, plant and equipment	10	34,123	71	34,204
Depreciation of property, plant and equipment	164	1,822	4,452	6,438
Release of prepaid lease payments	117	505	—	622
Impairment loss on loans and interest receivables	6,283	—	—	6,283
Impairment loss on other receivables	5,626	—	—	5,626
Impairment loss on goodwill	—	—	4,561	4,561

6. BUSINESS AND GEOGRAPHICAL SEGMENTS – continued

Geographical segments

The following table provides an analysis of the Group's revenue by geographic market, irrespective of the origin of the goods and services:

	2007 HK$'000	2006 HK$'000
Continuing operations:		
PRC	29,611	17,097
Hong Kong	16,106	15,749
	45,717	32,846
Discontinued operation:		
PRC	—	2,726

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

	Carrying amount of segment assets At 31st December,		Additions of property, plant and equipment For the year ended 31st December,	
	2007 HK$'000	2006 HK$'000	2007 HK$'000	2006 HK$'000
PRC	120,966	129,486	42,913	34,194
Hong Kong	96,088	106,818	634	10
	217,054	236,304	43,547	34,204

7. OTHER INCOME

	Continuing operations		Discontinued operation		Consolidated	
	2007 HK$'000	2006 HK$'000	2007 HK$'000	2006 HK$'000	2007 HK$'000	2006 HK$'000
Gain on disposal of available-for-sale investments	39,625	—	—	—	39,625	—
Dividend income from available-for-sale investments	3,189	4,321	—	—	3,189	4,321
Interest income from available-for-sale investments	—	773	—	—	—	773
	42,814	5,094	—	—	42,814	5,094
Interest income from loans receivables	2,481	21,295	—	—	2,481	21,295
Interest income from banks	785	2,169	—	—	785	2,169
	3,266	23,464	—	—	3,266	23,464
Dividend income from investments held for trading	152	355	—	—	152	355
Others	2,547	2,638	—	97	2,547	2,735
	48,779	31,551	—	97	48,779	31,648

8. OTHER EXPENSES

	Continuing operations		Discontinued operation		Consolidated	
	2007 HK$'000	2006 HK$'000	2007 HK$'000	2006 HK$'000	2007 HK$'000	2006 HK$'000
Impairment loss on available -for-sale investments	5,348	—	—	—	5,348	—
Impairment loss on amount due from an associate	1,272	—	—	—	1,272	—
Impairment loss on loans and interest receivables	191	6,283	—	—	191	6,283
Impairment loss on other receivables	946	5,626	—	—	946	5,626
Impairment loss on loans and receivables	2,409	11,909	—	—	2,409	11,909
Impairment loss on prepaid lease payments	8,015	—	—	—	8,015	—
Commission expenses on investments held for trading	15,847	—	—	—	15,847	—
	31,619	11,909	—	—	31,619	11,909

9. FINANCE COSTS

	Continuing operations		Discontinued operation		Consolidated	
	2007 HK$'000	2006 HK$'000	2007 HK$'000	2006 HK$'000	2007 HK$'000	2006 HK$'000
Interest on borrowings wholly repayable within five years:						
Bank borrowings	1,071	933	—	—	1,071	933
Loan payables	6,782	9,006	—	—	6,782	9,006
Obligations under finance leases	6	1	—	—	6	1
Effective interest on convertible notes	1,148	—	—	—	1,148	—
	9,007	9,940	—	—	9,007	9,940

10. INCOME TAX EXPENSE

	Continuing operations		Discontinued operation		Consolidated	
	2007 HK$'000	2006 HK$'000	2007 HK$'000	2006 HK$'000	2007 HK$'000	2006 HK$'000
Current tax:						
Hong Kong Profits Tax						
– Current year	3,520	—	—	—	3,520	—
– Underprovision in prior years	860	5,785	—	—	860	5,785
Taxation in other jurisdictions						
– Current year	2,215	(3)	—	—	2,215	(3)
	6,595	5,782	—	—	6,595	5,782

Hong Kong Profits Tax is calculated at 17.5% (2006: 17.5%) of the estimated assessable profit for the year.

Taxation arising in other jurisdictions is calculated at the rates prevailing in the relevant jurisdictions.

Pursuant to the previous relevant laws and regulations in the PRC, certain PRC subsidiaries of the Group are exempted from PRC income tax for two years starting from their first profit-making year, followed by a 50% reduction for the next three years.

On 16th March, 2007, the President of PRC promulgated Order No. 63 – Law of the PRC on Enterprise Income Tax (the "New Law"). On 6th December, 2007, the State Council of the PRC issued Implementation Regulations of the New Law. The New Law and Implementation Regulations will change the tax rate from 33% to 25% for the subsidiaries established in the PRC from 1st January, 2008 and provides a five-year transition period starting from its effective date for those enterprises which were established before the promulgation date of the New Tax Law and which were entitled to a preferential lower tax rate and tax holiday under the then effective tax laws or regulations.

10. INCOME TAX EXPENSE – continued

The tax charge for the year can be reconciled to the loss per the consolidated income statement as follows:

	2007 HK$'000	2006 HK$'000
Loss before tax		
– Continuing operations	(33,775)	(43,651)
– Discontinued operation (note 11)	—	(9,818)
	(33,775)	(53,469)
Tax at the domestic rates applicable to losses of the entities in the countries concerned (note)	(7,534)	(9,790)
Tax effect of share of results of associates	—	(3,054)
Tax effect of expenses not deductible for tax purpose	20,959	16,715
Tax effect of income not taxable for tax purpose	(8,289)	(5,894)
Tax effect of deductible temporary differences not recognised	3,809	2,181
Tax effect of tax losses not recognised	(1,792)	—
Effect of different tax rates of subsidiaries operating in other jurisdictions	(1,418)	(161)
Underprovision in respect of prior year	860	5,785
Tax charge for the year	6,595	5,782

Note: As the Group operates in different tax jurisdictions, separate reconciliations for different jurisdictions, using the domestic tax rate in each jurisdiction have been aggregated and presented.

During the year ended 31st December, 2006, the Hong Kong Inland Revenue Department ("IRD") issued protective profits tax assessments, in aggregate, of approximately HK$5,916,000 relating to the years of assessment 2001/2002 and 2002/2003, that was, for the financial years ended 31st December, 2001 and 31st December, 2002, against the Company. The Company lodged objections with the IRD against the protective assessments. The IRD agreed to hold over the tax claimed completely, subject to the Company in question purchasing tax reserve certificates (the "TRC") of HK$5,916,000 for those two years of assessment. These TRC were purchased by the Company during the year ended 31st December, 2006 and an amount of HK$5,916,000 was recognised in the consolidated income statement for the year ended 31st December, 2006.

During the year ended 31st December, 2007, the Company resolved the dispute with the IRD by using the TRC as settlement for the protective profits tax assessments relating to the years of assessment 2001/2002 and 2002/2003.

11. DISCONTINUED OPERATION

On 19th May, 2006, the Group distributed its entire interests in 東莞市江海貿易有限公司 ("東莞江海") and 廣州耀陽實業有限公司 ("廣州耀陽") (being the subsidiaries of Group Dragon Investments Limited ("GDI", a former wholly owned subsidiary of the Company)) to the then shareholders of the Company as dividend in specie as a result of the Group Reorganisation. 東莞江海 and 廣州耀陽 are engaged in the business of sand mining and the segment of sand mining was regarded as discontinued operation during the year ended 31st December, 2006.

The loss for the year of 2006 from the discontinued operation is analysed as follows:

	1.1.2006 to 18.5.2006 HK$'000
Loss of segment of sand mining	(5,257)
Impairment loss on goodwill	(4,561)
	(9,818)
Attributable to:	
Equity holder of the Company	(9,480)
Minority interests	(338)
	(9,818)

The result of the sand mining segment for the period from 1st January, 2006 to 18th May, 2006 is as follows:

	1.1.2006 to 18.5.2006 HK$'000
Revenue	2,726
Cost of sales	(2,519)
Gross profit	207
Other income	97
Distribution costs	(575)
Administrative expenses	(4,986)
Loss for the period	(5,257)

11. DISCONTINUED OPERATION – continued

The net assets value of 東莞江海 and 廣州耀陽 and the goodwill attributable to its 東莞江海 and 廣州耀陽 on 19th May, 2006 is as follows:

	HK$'000
Property, plant and equipment	105,292
Inventories	123
Other receivables, deposits and prepayments	95
Bank balances and cash	748
Trade payables, other payables and accrued charges	(1,141)
Deferred tax liabilities	(21,175)
	83,942
Carrying amount of attributable goodwill (note 18)	4,562
	88,504

The net asset values of 東莞江海 and 廣州耀陽 were distributed as dividend in specie upon the completion of the Group Reorganisation.

東莞江海 and 廣州耀陽 did not make any significant contribution to the cash flows of the Group during the year ended 31st December, 2006.

12. LOSS FOR THE YEAR

	Continuing operations		Discontinued operation		Consolidated	
	2007 HK$'000	2006 HK$'000	2007 HK$'000	2006 HK$'000	2007 HK$'000	2006 HK$'000
Loss for the year has been arrived at after charging (crediting):						
Staff costs						
– directors' emoluments (note 13(a))	5,737	1,707	—	—	5,737	1,707
– other staff costs	12,833	13,364	—	356	12,833	13,720
– retirement benefits schemes contributions, excluding directors	326	353	—	4	326	357
– share-based payment expenses, excluding directors	8,069	—	—	—	8,069	—
Total staff costs	26,965	15,424	—	360	26,965	15,784
Auditor's remuneration	1,180	1,000	—	—	1,180	1,000
Depreciation of property, plant and equipment	2,357	1,986	—	4,452	2,357	6,438
Release of prepaid lease payments	638	622	—	—	638	622
Cost of inventories recognised as expense	36,324	17,258	—	2,411	36,324	19,669
Impairment loss on goodwill	25,807	—	—	4,561	25,807	4,561
Impairment loss on inventories (note)	13,987	—	—	—	13,987	—
Reversal of impairment loss on trade receivables	(310)	—	—	—	(310)	—
Loss (gain) on disposal of property, plant and equipment	161	(102)	—	—	161	(102)

Note: An amount of approximately HK$13,987,000 was written off for inventories due to obsolescence.

13. DIRECTORS' AND EMPLOYEES' EMOLUMENTS

(a) Directors' Emoluments

The emoluments paid or payable to each of the 14 (2006: 13) directors were as follows:

	Notes	2007 HK$'000	2006 HK$'000
Fees			
Executive directors		—	—
Independent non-executive directors			
– Mr. Phillip Fei	(a)	28	—
– Mr. Leung Hoi Ying	(a)	28	—
– Ms. Ma Yin Fan	(b)	39	—
– Mr. Chan Sek Nin, Jackey	(c)	19	—
– Mr. Wong King Lam, Joseph	(d)	40	—
– Mr. Sin Chi Fai	(e)	44	51
– Ms. Ching Yuen Man, Angela	(f)	43	67
– Mr. David Edwin Bussmann	(g)	—	50
		241	168
Other emoluments			
Executive directors			
(i) Salaries and other benefits			
– Ms. Chiu Ching Ching	(h)	60	—
– Ms. Chan Ling, Eva		1,418	1,400
– Mr. Chow Kam Wah	(i)	409	—
– Mr. Lee Sun Man	(j)	155	—
– Mr. Wong Ah Chik	(k)	11	—
– Mr. Gao Yang	(l)	—	—
– Mr. Kwok Ka Lap, Alva		100	67
– Dr. Chan Kwok Keung, Charles	(g)	—	—
– Dr. Yap, Allan	(g)	—	60
– Ms. Chau Mei Wah, Rosanna	(g)	—	—
– Mr. Li Bo	(g)	—	—
– Mr. Chan Kwok Chuen, Augustine (formerly known as Mr. Chan Kwok Hung)	(g)	—	—
– Mr. Lui Siu Tsuen, Richard	(g)	—	—
		2,153	1,527

13. DIRECTORS' AND EMPLOYEES' EMOLUMENTS – continued

(a) Directors' Emoluments – continued

	Notes	2007 HK$'000	2006 HK$'000
(ii) Retirement benefits schemes contributions			
– Ms. Chiu Ching Ching	(h)	2	—
– Ms. Chan Ling, Eva		12	12
– Mr. Chow Kam Wah	(i)	4	—
– Mr. Lee Sun Man	(j)	2	—
– Mr. Wong Ah Chik	(k)	—	—
– Mr. Gao Yang	(l)	—	—
– Mr. Kwok Ka Lap, Alva		—	—
– Dr. Chan Kwok Keung, Charles	(g)	—	—
– Dr. Yap, Allan	(g)	—	—
– Ms. Chau Mei Wah, Rosanna	(g)	—	—
– Mr. Li Bo	(g)	—	—
– Mr. Chan Kwok Chuen, Augustine (formerly known as Mr. Chan Kwok Hung)	(g)	—	—
– Mr. Lui Siu Tsuen, Richard	(g)	—	—
		20	12
(iii) Share-based payment expenses			
– Ms. Chiu Ching Ching	(h)	—	—
– Ms. Chan Ling, Eva		1,741	—
– Mr. Chow Kam Wah	(i)	—	—
– Mr. Lee Sun Man	(j)	—	—
– Mr. Wong Ah Chik	(k)	—	—
– Mr. Gao Yang	(l)	—	—
– Mr. Kwok Ka Lap, Alva		1,582	—
– Dr. Chan Kwok Keung, Charles	(g)	—	—
– Dr. Yap, Allan	(g)	—	—
– Ms. Chau Mei Wah, Rosanna	(g)	—	—
– Mr. Li Bo	(g)	—	—
– Mr. Chan Kwok Chuen, Augustine (formerly known as Mr. Chan Kwok Hung)	(g)	—	—
– Mr. Lui Siu Tsuen, Richard	(g)	—	—
		3,323	—
Independent non-executive directors		—	—
		5,496	1,539
Total directors' emoluments		5,737	1,707

13. DIRECTORS' AND EMPLOYEES' EMOLUMENTS – continued

(a) Directors' Emoluments – continued

Notes:

(a) Appointed on 22nd September, 2007

(b) Appointed on 28th September, 2007

(c) Appointed on 6th June, 2007 and resigned on 2nd October, 2007

(d) Resigned on 18th October, 2007

(e) Resigned on 30th October, 2007

(f) Resigned on 6th June, 2007

(g) Resigned on 16th June, 2006

(h) Appointed on 28th September, 2007

(i) Appointed on 30th July, 2007

(j) Appointed on 3rd September, 2007

(k) Appointed on 27th December, 2007

(l) Resigned on 26th November, 2007

During the year, no emoluments were paid by the Group to any director as an inducement to join or upon joining the Group or as compensation for loss of office. No directors waived any emoluments in the year ended 31st December, 2007.

(b) Employees' Emoluments

Of the five individuals with the highest emoluments in the Group, two (2006: one) were directors of the Company, whose emoluments are included in the disclosures in note 13(a) above. The emoluments of the remaining three (2006: four) individuals were as follows:

	2007 HK$'000	2006 HK$'000
Salaries and other benefits	671	1,978
Retirement benefits scheme contributions	23	48
Share-based payment expenses	3,322	—
	4,016	2,026

13. DIRECTORS' AND EMPLOYEES' EMOLUMENTS – continued

(b) *Employees' Emoluments* – continued

The emoluments were within the following bands:

	2007 Number of employees	2006 Number of employees
Nil to HK$1,000,000	—	4
HK$1,000,001 to HK$1,500,000	2	—
HK$1,500,001 to HK$2,000,000	1	—
	3	4

14. DIVIDEND IN SPECIE

In April 2005, the Company announced that the following group reorganisation ("Group Reorganisation") which was completed on 19th May, 2006:

(i) the Company continues to be a public listed company with its subsidiaries engaged in its business of manufacturing and trading of battery products and investments in and trading of securities and advance of receivables;

(ii) all other subsidiaries of the Company carrying on sand mining business, and all other associates of the Company carrying on manufacturing and marketing of tires and business of providing package tour, travel and other related services were grouped under GDI and its subsidiaries and operated by the former management of the Company; and

(iii) shares in GDI were distributed as dividend in specie to the then shareholders of the Company on the effective date of the Group Reorganisation, on the basis of one GDI share for every share in the Company after the shares consolidation pursuant to the capital reorganisation ("Capital Reorganisation").

Details of the Group Reorganisation and the Capital Reorganisation are set out in the Company's circular dated 26th May, 2005.

Pursuant to the Group Reorganisation, shares in GDI were distributed as dividend in specie to the shareholders of the Company on the basis of one GDI share for every share in the Company after the Capital Reorganisation. The amount of dividend in specie, approximately HK$1,179,307,000, representing the net assets value of GDI, were distributed on 19th May, 2006, which is the completion date of the Group Reorganisation.

14. DIVIDEND IN SPECIE – continued

The aggregate carrying amount of assets and liabilities at 19th May, 2006 distributed as dividend in specie as a result of the Group Reorganisation are as follows:

	HK$'000
Net assets value distributed:	
Property, plant and equipment	105,835
Goodwill	4,562
Interests in associates	498,973
Available-for-sale investments	100,106
Deposit paid for acquisition of interest in properties	56,131
Other asset	229,288
Inventories	123
Amounts due from associates	145,338
Loans and interest receivables	502,738
Other receivables, deposits and prepayments	21,445
Bank balances and cash	94,092
Trade payables, other payables and accrued charges	(26,787)
Amounts due to related companies	(206,961)
Income tax payables	(11,616)
Obligation under a finance lease	(124)
Deferred tax liabilities	(21,175)
	1,491,968
Minority interests	(312,661)
	1,179,307

15. LOSS PER SHARE

From continuing and discontinued operations

The calculation of the basic loss per share is based on the loss for the year attributable to the equity holders of the Company of approximately HK$40,369,000 (2006: HK$38,417,000) and the weighted average number of 464,666,036 (2006: 440,797,543) ordinary shares in issued during the year.

The computation of diluted loss per share for the year ended 31st December, 2007 does not assume the conversion of the Company's outstanding convertible notes and share options since their exercise would result in a decrease in loss per share.

No diluted loss per share has been presented for the year ended 31st December, 2006 as there were no potential ordinary shares in issue during the year.

15. LOSS PER SHARE - continued

From continuing operations

The calculation of the basic loss per share from continuing operations attributable to the ordinary equity holders of the Company is based on the following data:

	2007 HK$'000	2006 HK$'000
Loss for the year attributable to equity holders of the Company	40,369	38,417
Less: Loss for the year from discontinued operation attributable to equity holders of the Company (note 11)	—	(9,480)
Loss for the year for the purposes of basic loss per share from continuing operations	40,369	28,937

The weighted average number of shares for calculation of basic and diluted loss per share from continuing operations are the same as those detailed above for the continuing and discontinuing operations.

From discontinued operation

For the year ended 31st December, 2006, basic loss per share for discontinued operation was HK$0.02 per share, based on the loss for the year from the discontinued operation attributable to the equity holders of the Company of approximately HK$9,480,000 and the denominators detailed above for basic loss per share.

16. PROPERTY, PLANT AND EQUIPMENT

	Building HK$'000	Leasehold improvements HK$'000	Furniture and fixtures HK$'000	Machinery and equipment HK$'000	Sand vessels HK$'000	Motor vehicles HK$'000	Construction in progress HK$'000	Total HK$'000
THE GROUP								
COST								
At 1st January, 2006	2,125	—	2,304	170,259	115,081	2,497	2,323	294,589
Exchange adjustments	—	—	40	453	380	15	36	924
Transfer	—	—	366	—	—	—	(366)	—
Additions	—	—	345	1,679	—	—	32,180	34,204
Dividend in specie	—	—	(150)	(40)	(115,461)	(573)	—	(116,224)
Disposals	—	—	(192)	(1,634)	—	(599)	—	(2,425)
At 1st January, 2007	2,125	—	2,713	170,717	—	1,340	34,173	211,068
Exchange adjustments	—	—	117	1,121	—	31	3,075	4,344
Transfer	—	10,718	—	—	—	—	(10,718)	—
Additions	—	—	868	859	—	491	41,329	43,547
Disposals	—	—	(341)	(366)	—	(397)	—	(1,104)
At 31st December, 2007	2,125	10,718	3,357	172,331	—	1,465	67,859	257,855
DEPRECIATION AND IMPAIRMENT								
At 1st January, 2006	325	—	1,591	159,612	5,754	1,350	—	168,632
Exchange adjustments	—	—	24	126	—	6	—	156
Provided for the year	53	—	297	1,438	4,446	204	—	6,438
Dividend in specie	—	—	(8)	—	(10,200)	(181)	—	(10,389)
Eliminated on disposals	—	—	(187)	(489)	—	(75)	—	(751)
At 1st January, 2007	378	—	1,717	160,687	—	1,304	—	164,086
Exchange adjustments	—	—	68	353	—	12	—	433
Provided for the year	53	89	384	1,603	—	228	—	2,357
Eliminated on disposals	—	—	(296)	(365)	—	(99)	—	(760)
At 31st December, 2007	431	89	1,873	162,278	—	1,445	—	166,116
CARRYING VALUES								
At 31st December, 2007	1,694	10,629	1,484	10,053	—	20	67,859	91,739
At 31st December, 2006	1,747	—	996	10,030	—	36	34,173	46,982

16. PROPERTY, PLANT AND EQUIPMENT – continued

	Building HK$'000	Leasehold improvements HK$'000	Furniture and fixtures HK$'000	Machinery and equipment HK$'000	Sand vessels HK$'000	Motor vehicles HK$'000	Construction in progress HK$'000	Total HK$'000
THE COMPANY								
COST								
At 1st January, 2006	2,125	—	1,488	1,338	—	1,140	—	6,091
Additions	—	—	—	10	—	—	—	10
Disposals	—	—	—	(122)	—	(599)	—	(721)
At 31st December, 2006	2,125	—	1,488	1,226	—	541	—	5,380
Additions	—	—	—	12	—	—	—	12
Disposals	—	—	(340)	(351)	—	—	—	(691)
At 31st December, 2007	2,125	—	1,148	887	—	541	—	4,701
DEPRECIATION AND IMPAIRMENT								
At 1st January, 2006	325	—	1,435	1,327	—	578	—	3,665
Provided for the year	53	—	8	10	—	37	—	108
Eliminated on disposals	—	—	—	(122)	—	(74)	—	(196)
At 1st January, 2007	378	—	1,443	1,215	—	541	—	3,577
Provided for the year	53	—	—	9	—	—	—	62
Eliminated on disposals	—	—	(295)	(351)	—	—	—	(646)
At 31st December, 2007	431	—	1,148	873	—	541	—	2,993
CARRYING VALUES								
At 31st December, 2007	1,694	—	—	14	—	—	—	1,708
At 31st December, 2006	1,747	—	45	11	—	—	—	1,803

16. PROPERTY, PLANT AND EQUIPMENT – continued

The above items of property, plant and equipment, other than construction in progress, are depreciated on a straight-line basis at the following rates per annum:

Building	Over the shorter of the term of the lease, or 50 years
Leasehold improvements	5% - 10%
Furniture and fixtures	10% - 25%
Machinery and equipment	10% - 20%
Sand vessels	10%
Motor vehicles	12.5% - 25%

At the balance sheet dates, the carrying value of the building of the Group are situated on land in the PRC under medium-term land use right.

The carrying value of certain furniture and fixtures of the Group includes an amount of approximately HK$84,000 (2006: nil) in respect of assets held under finance leases.

17. PREPAID LEASE PAYMENTS

	THE GROUP		THE COMPANY	
	2007 HK$'000	2006 HK$'000	2007 HK$'000	2006 HK$'000
Analysed for reporting purposes as:				
Current asset	466	626	117	117
Non-current asset	19,604	27,425	3,628	3,745
	20,070	28,051	3,745	3,862

The Group's prepaid lease payments represent payments for land use rights in the PRC under medium-term land use rights. While the subsidiaries have paid substantially the full consideration of the purchase consideration, the relevant government authorities have not yet granted formal titles to certain of these land use rights to the subsidiaries. The carrying value of the land use rights for which the Group had not yet been granted formal title as at 31st December, 2007 was approximately HK$7,165,000 (2006: HK$15,510,000).

At 31st December, 2007, the Group has pledged a land use right with a carrying value of approximately HK$9,160,000 (2006: HK$8,678,000) to a bank to secure short-term bank loan granted to the Group.

For the Group's prepaid lease payments, the recoverable amount has been determined based on fair value less costs to sell for the land use rights not being used and on value in use for the land use right being used. During the year ended 31st December, 2007, the Group recognised an impairment loss of approximately HK$8,015,000 (2006: nil).

18. GOODWILL

	HK$'000
COST	
At 1st January, 2006	34,930
Eliminated on disposal of subsidiaries by way of dividend in specie (note 14)	(9,123)
At 31st December, 2006 and 31st December, 2007	25,807
IMPAIRMENT	
At 1st January, 2006	—
Impairment loss recognised in the year	4,561
Eliminated on disposal of subsidiaries by way of dividend in specie (note 14)	(4,561)
At 31st December, 2006	—
Impairment recognised in the year	25,807
At 31st December, 2007	25,807
CARRYING VALUES	
At 31st December, 2007	—
At 31st December, 2006	25,807

The carrying amount of the goodwill of approximately HK$25,807,000 at 1st January, 2007 was arisen on the acquisition of certain subsidiaries in the segment of battery products ("CGU"). The recoverable amount of this unit has been determined based on a value in use calculation. That calculation uses cash flow projections for a period of 10 years (assuming the business license expiring in 2012 can be renewed at minimal costs), including financial budgets approved by management covering a 5-year period, with a 7% growth rate and discount rate of 13%. The growth rate is based on the relevant industry growth forecasts and does not exceed the average long-term growth rate for the relevant industry. Other key assumptions for the value in use calculations relate to the estimation of cash inflows/outflows which include budgeted sales and gross margin, such estimation is based on the unit's past performance and management's expectations for the market development. During the year ended 31st December, 2007, the Group recognised an impairment loss of approximately HK$25,807,000 in relation to goodwill arising on acquisition of the segment of battery products.

During the year ended 31st December, 2006, the Group recognised an impairment loss of approximately HK$4,561,000 in relation to goodwill arising on acquisition of the segment of sand mining.

19. INVESTMENTS IN SUBSIDIARIES/AMOUNTS DUE FROM (TO) SUBSIDIARIES

	THE COMPANY	
	2007 HK$'000	2006 HK$'000
Investments in subsidiaries		
Unlisted shares, at cost	33,261	33,261
Less: Accumulated impairment	(33,261)	(33,261)
	—	—

The amounts due from (to) subsidiaries are unsecured, non-interest bearing and repayable on demand.

Before making any advances, the Company will understand the potential subsidiary's credit quality and defines its credit limits. Receivables are advanced to subsidiary with an appropriate credit history. Credit limits attributed to subsidiaries are reviewed regularly.

At the balance sheet dates, the Company reviews the carrying amounts of the amounts due from subsidiaries to determine whether there is any indication that those assets have suffered an impairment loss. If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount.

The recoverable amount has been determined based on present value of the future cash flows expected to be derived from the subsidiaries. During the year, the Company recognised an impairment loss of approximately HK$160,000,000 (2006: HK$5,089,000). The Company has fully provided impairment for all amounts due from subsidiaries being past due based on the past experience.

At 31st December, 2007 and 2006, except for the amounts due from subsidiaries being past due and fully impaired, all the Company's remaining amounts due from subsidiaries are neither past due nor impaired at the reporting date for which the Company has not provided for impairment loss since the remaining balance is with good credit quality. In addition, the Company does not hold any collateral over this balance.

The principal activities of the principal subsidiaries are set out in note 47.

20. INVESTMENTS IN ASSOCIATES/AMOUNT(S) DUE FROM (TO) AN ASSOCIATE

(a) *Cost of investments in associates*

	THE GROUP		THE COMPANY	
	2007 HK$'000	2006 HK$'000	2007 HK$'000	2006 HK$'000
Unlisted	386	386	—	2
Share of post-acquisition losses	(386)	(386)		
	—	—		

Details of the principal associate as at 31st December, 2007 are as follows:

Name of associate	Place of the incorporation/ operation	Class of share held	Proportion of nominal value of issued share capital held indirectly by the Company %	Principal activity
Wing Fung Metal and Equipment Company Limited ("Wing Fung")	Hong Kong	Ordinary	16 (note)	Manufacturing of battery products

Note: 20% equity interests in Wing Fung were held by a 80% subsidiary of the Company.

20. INVESTMENTS IN ASSOCIATES/AMOUNT(S) DUE FROM (TO) AN ASSOCIATE – continued

(a) *Cost of investments in associates* – continued

The summarised financial information in respect of the Group's associates is set out below:

	2007 HK$'000	2006 HK$'000
Total assets	10,351	9,304
Total liabilities	(10,743)	(9,320)
Net liabilities	(392)	(16)
Group's share of net assets of associates	—	—
Revenue	—	3,360,502
(Loss) profit for the year	(376)	53,323
Group's share of results of associates for the year	—	16,681

The Group has discontinued recognition of its share of losses of the associates. The amounts of unrecognised share of those associates, extracted from the relevant management accounts of the associates, both for the year and cumulatively, are as follows:

	2007 HK$'000	2006 HK$'000
Unrecognised share of losses of associates for the year	60	88
Accumulated unrecognised share of losses of associates	147	87

In May 2006, the Group disposed of its entire 22.65% equity interests in China Velocity Group Limited (a company whose shares were listed on the Hong Kong Stock Exchange) at a consideration of HK$30,000,000 and resulted in a gain on disposal of interest in an associate of approximately HK$17,180,000.

In March 2006, the interests in Wing On Travel (Holdings) Limited ("Wing On") were diluted from 27.74% to 19.82% upon the placement of shares by Wing On and resulted in a loss on dilution of interest in an associate of approximately HK$65,762,000. Wing On ceased to be an associate at 31st December, 2006.

All the interests of associates except Wing Fung were distributed as dividend in specie upon the completion of the Group Reorganisation on 19th May, 2006.

20. INVESTMENTS IN ASSOCIATES/AMOUNT(S) DUE FROM (TO) AN ASSOCIATE – continued

(b) Amount due from an associate

	THE GROUP		THE COMPANY	
	2007	2006	2007	2006
	HK$'000	HK$'000	HK$'000	HK$'000
Amount due from an associate	6,686	6,514	—	8

The amount is unsecured, non-interest bearing and repayable on demand.

Before making any advances, the Group will understand the potential associate's credit quality and defines its credit limits. Receivables are advanced to asociate with an appropriate credit history. Credit limits attributed to associate are reviewed regularly.

At the balance sheet dates, the Group reviews the carrying amounts of the amount due from an associate to determine whether there is any indication that those assets have suffered an impairment loss. If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount.

The recoverable amount has been determined based on present value of the future cash flows expected to be derived from the associate. During the year ended 31st December, 2007, the Group recognised an impairment loss of approximately HK$1,272,000 (2006: nil), for which the Group has not held any collateral. The Group has fully provided impairment for all amount due from an associate being past due based on the past experience.

At 31st December, 2007 and 2006, except for the amount due from an associate being past due and fully impaired, all the Group's remaining amount due from an associate is neither past due nor impaired at the reporting date for which the Group has not provided for impairment loss since the remaining balance is with good credit quality. In addition, the Group does not hold any collateral over this balance.

(c) Amount due to a subsidiary of an associate

	THE GROUP		THE COMPANY	
	2007	2006	2007	2006
	HK$'000	HK$'000	HK$'000	HK$'000
Amount due to a subsidiary of an associate	6,686	4,993	—	—
Less: Amount due within one year	(6,686)	—	—	—
Amount due after one year	—	4,993	—	—

The amount is unsecured, non-interest bearing and repayable on demand, except for an amount of approximately HK$4,993,000 at 31st December, 2006 which was not repayable within one year from 31st December, 2006 and therefore, the amount was shown under non-current liabilities.

21. CLUB DEBENTURES

THE GROUP AND THE COMPANY

The club debentures represent the club membership of Macau Golf & Country Club and Aberdeen Marine Club. The directors are of opinion that there is no impairment of the club debentures since the market prices are higher than its carrying values.

22. AVAILABLE-FOR-SALE INVESTMENTS

Available-for-sale investments comprise:

	THE GROUP	
	2007 HK$'000	2006 HK$'000
Listed investments:		
– Equity securities listed in Hong Kong	25,270	64,614
– Equity securities listed elsewhere	—	1,575
	25,270	66,189
Unlisted investments:		
– Equity securities	11,708	11,708
Total	36,978	77,897
Analysed for reporting purposes as:		
Classified as held-for-sale	—	17,770
Non-current assets	36,978	60,127
	36,978	77,897

At the balance sheet date, all available-for-sale investments are stated at fair value, except for those unlisted investments of which their fair value cannot be measured reliably. Fair value of the listed investments have been determined by reference to bid prices quoted in active markets.

The carrying value of unlisted investments at 31st December, 2007 comprise 16.4% equity interests in Beijing Technology Development Fund LDC, a company incorporated in Cayman Island and engaged in investment venture business.

The unlisted investments are measured at cost less impairment at each balance sheet date because the range of reasonable fair value estimates is so significant that the directors of the Company are of the opinion that their fair values cannot be measured reliably.

At the balance sheet dates, the Group reviews the carrying amounts of the unlisted investments to determine whether there is any indication that those assets have suffered an impairment loss. If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount.

The recoverable amount has been determined based on present value of the future cash flows expected to be derived from the unlisted investments. At 31st December, 2007 and 2006, no impairment loss is considered necessary.

23. INVENTORIES

	THE GROUP	
	2007 HK$'000	2006 HK$'000
Raw materials	5,058	9,168
Finished goods	4,282	9,786
	9,340	18,954

24. TRADE RECEIVABLES

	THE GROUP	
	2007 HK$'000	2006 HK$'000
Trade receivables	4,284	8,806
Less: allowance for doubtful debts	(699)	(981)
	3,585	7,825

The Group allows its trade customers with credit period normally ranging from 90 days to 180 days. The following is an aged analysis of trade receivables, net of allowance for doubtful debts at the reporting date:

	THE GROUP	
	2007 HK$'000	2006 HK$'000
0-90 days	3,343	7,067
91-180 days	36	620
Over 180 days	206	138
	3,585	7,825

Before accepting any new customer, the Group will understand the potential customer's credit quality and defines its credit limits. Credit sales are made to customers with an appropriate credit history. Credit limits attributed to customers are reviewed regularly.

At the balance sheet dates, the directors considered the debts not impaired nor past due are of good credit quality.

Included in the Group's trade receivable balance are debtors with aggregate carrying amount of approximately HK$206,000 (2006: HK$138,000) which are past due at the reporting date for which the Group has not provided for impairment loss. There has not been significant change in credit quality and the directors of the Company considered the amounts are still recoverable. The Group does not hold any collateral over these balances.

24. TRADE RECEIVABLES – continued

Ageing of trade receivables which are past due but not impaired

	THE GROUP	
	2007	2006
	HK$'000	HK$'000
Over 180 days	206	138

The Group has provided fully for all receivables over 365 days because historical experience is such that receivables that are past due beyond 365 days are generally not recoverable.

Movement in the allowance for doubtful debts

	THE GROUP	
	2007	2006
	HK$'000	HK$'000
At 1st January	981	981
Exchange adjustments	30	—
Amounts written off as uncollectible	(2)	—
Impairment losses reversed	(310)	—
At 31st December	699	981

25. LOANS AND INTEREST RECEIVABLES

	THE GROUP		THE COMPANY	
	2007 HK$'000	2006 HK$'000	2007 HK$'000	2006 HK$'000
Unsecured loans and interest receivables	41,724	25,761	20,980	—

The amounts are unsecured, repayable within one year and carry variable-rate interest (at Hong Kong Prime Rate plus a spread) ranging from 7% to 10% (2006: 8% to 12%) per annum.

Before making any advances, the Group will understand the potential debtor's credit quality and defines its credit limits. Loan receivables are advanced to debtors with an appropriate credit history. Credit limits attributed to debtors are reviewed regularly.

At the balance sheet dates, the Group reviews the carrying amounts of the loans and interest receivables to determine whether there is any indication that those assets have suffered an impairment loss. If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount.

The recoverable amount has been determined based on present value of the future cash flows expected to be derived from the debtors. During the year ended 31st December, 2007, the Group recognised an impairment loss of approximately HK$191,000 (2006: HK$6,283,000), for which the Group has not held any collateral. The Group has fully provided impairment for all loans and interest receivables being past due based on the past experience.

At 31st December, 2007 and 2006, except for the loans and interest receivables being past due and fully impaired, all the Group's remaining loans and interest receivables are neither past due nor impaired at the reporting date for which the Group has not provided for impairment loss since they are debtors with good quality. In addition, the Group does not hold any collateral over these balances.

26. INVESTMENTS HELD FOR TRADING

	THE GROUP	
	2007	2006
	HK$'000	HK$'000
Equity securities listed in Hong Kong	13,800	8,115

27. PLEDGED BANK DEPOSITS/BANK BALANCES AND CASH/BANK OVERDRAFTS

Pledged bank deposits represented bank deposits pledged to banks to secure bank overdrafts and short-term bank borrowings facilities granted to the Group and therefore classified as current assets. The amounts carried interest at 3.25% to 3.95% per annum during the year ended 31st December, 2006.

Bank balances and cash comprises cash and short-term bank deposits with an original maturity of three months or less held by the Group. The amounts carry interest at 1% to 4% (2006: 2% to 3%) per annum.

Bank overdrafts carry interest at prevailing market rate ranging from 5% to 7% (2006: 6% to 7%) per annum.

28. TRADE PAYABLES, OTHER PAYABLES AND ACCRUED CHARGES

Included in trade payables, other payables and accrued charges are trade payables of approximately HK$4,660,000 (2006: HK$5,501,000) with the following aged analysis:

	THE GROUP	
	2007	2006
	HK$'000	HK$'000
0-90 days	2,720	3,836
91-180 days	1,501	1,025
Over 180 days	439	640
	4,660	5,501

The average credit period on purchases of goods is 90 days.

29. AMOUNT DUE TO A RELATED COMPANY

	THE GROUP		THE COMPANY	
	2007	2006	2007	2006
	HK$'000	HK$'000	HK$'000	HK$'000
Amount due to a related company	—	9,438	—	9,438
Less: Amount due within one year	—	(4,128)	—	(4,128)
Amount due after one year	—	5,310	—	5,310

The amount was due to an associate of a former substantial shareholder of the Company and such related party ceased to be a related party as at 31st December, 2007. The amount was unsecured, carried interest at prevailing market rate ranging from 8% to 10% per annum and repayable on demand, except for an amount of approximately HK$5,310,000 at 31st December, 2006 which was not repayable within one year from 31st December, 2006 and therefore, the amount was shown under non-current liabilities.

30. LOAN PAYABLES

The loan payables of the Group and the Company are payable to third parties, unsecured and repayable on demand. Except for the amount of approximately HK$25,254,000 (2006: HK$3,352,000) is non-interest bearing, all remaining amounts carry interest (at Hong Kong Prime Rate plus a spread) ranging from 6% to 10% (2006: 8% to 10%) per annum.

31. CONVERTIBLE NOTES

On 23rd August, 2007, the Company entered into convertible notes placing agreement with the independent placing agent for the placement of a maximum aggregate principal amount of HK$1,320,000,000 on a best effort basis. The convertible notes will be non-interest bearing and redeemable, with maturity date, on 31st December, 2010. The conversion price, subject to anti-dilutive adjustment, shall be HK$0.33 per share from the date of issue of the convertible notes up to 31st December, 2008, HK$0.36 per share from 1st January, 2009 to 31st December, 2009, and HK$0.39 per share from 1st January, 2010 to the maturity date. The placements are expected to raise maximum net proceeds of approximately HK$1,287,000,000.

On 5th November, 2007, convertible notes with a principal amount of HK$146,850,000 ("Convertible Notes") were issued. The Convertible Notes are denominated in Hong Kong dollars.

The Convertible Notes holders had the right, at any time before the maturity date on 31st December, 2010, to convert the whole or part of the outstanding principal amount of the Convertible Notes into ordinary shares in the issued share capital of the Company of HK$0.1 par value each, by giving prior written notice to the Company.

The Company had the right to early redeem the Convertible Notes, at any time before the maturity date on 31st December, 2010, by giving not less than 7 business days' prior written notice to the Convertible Note holders.

On initial recognition, the fair value of the liability component of Convertible Notes is determined using the prevailing market intererst of similar non-covertible debts. The difference between the gross proceeds of the issue of the Convertible Notes and the fair value assigned to the liability component, representing the conversion option for the holder to convert the Convertible Notes into equity, is included in equity (convertible notes reserve).

At 31st December, 2007, the Convertible Notes with a principal amount of HK$146,850,000 remained outstanding.

The movement of the liability component of the Convertible Notes for the year ended 31st December, 2007 is set out below:

	THE GROUP AND THE COMPANY HK$'000
At 1st January, 2007	—
Issue of Convertible Notes	119,340
Effective interest expenses	1,148
At 31st December, 2007	120,488

32. BANK BORROWINGS

	THE GROUP	
	2007 HK$'000	2006 HK$'000
Secured bank borrowings repayable within one year	18,042	12,889

An amount of fixed-rate bank borrowings of approximately HK$14,469,000 (2006: HK$9,945,000) carries interest at prevailing market rate ranging from 5% to 7% (2006: 5% to 6%).

An amount of variable-rate bank borrowings of approximately HK$3,573,000 (2006: HK$2,944,000) carries interest at prevailing market rate ranging from 5% to 7% (2006: 6% to 8%).

There were undrawn facilities of approximately HK$1,927,000 (2006: nil) as at 31st December, 2007.

33. OBLIGATIONS UNDER FINANCE LEASES

It is the Group's policy to lease certain of its furniture and fixtures under finance leases. The average lease term is 5 years. Interest rates underlying all obligations under finance leases are fixed at respective contract dates of 5.45% (2006: nil). These leases have no terms of renewal or purchase options and escalation clauses.

	Minimum lease payments		Present value of minimum lease payments	
	2007 HK$'000	2006 HK$'000	2007 HK$'000	2006 HK$'000
Amounts payable under finance leases				
Within one year	33	—	26	—
In more than one year but not more than two years	33	—	26	—
In more than two years but not more than five years	33	—	26	—
In more than five years	7	—	5	—
	106	—	83	—
Less: future finance charges	(23)	—		—
Present value of lease obligations	83	—		—
Less: Amount due within one year			(26)	—
Amount due after one year			57	—

The Group's obligations under finance leases are secured by the lessor's charge over the leased assets.

34. SHARE CAPITAL OF THE COMPANY

	Number of shares	Present Value HK$'000
Authorised:		
Ordinary shares of HK$0.10 each at 1st January, 2006	8,000,000,000	800,000
Subdivision of shares	8,000,000,000	—
Ordinary shares of HK$0.05 each	16,000,000,000	800,000
Consolidation of shares	(8,000,000,000)	—
Ordinary shares of HK$0.10 each at 31st December, 2006 and 31st December, 2007	8,000,000,000	800,000
Issued and fully paid:		
Ordinary shares of HK$0.10 each at 1st January, 2006	881,595,087	88,160
Subdivision of shares	881,595,087	—
Ordinary shares of HK$0.05 each	1,763,190,174	88,160
Capital reduction	(881,595,087)	(44,080)
Ordinary shares of HK$0.05 each	881,595,087	44,080
Consolidation of shares	(440,797,544)	—
Ordinary shares of HK$0.10 each at 31st December, 2006	440,797,543	44,080
Issue of shares (note)	88,000,000	8,800
At 31st December, 2007	528,797,543	52,880

Note:

On 23rd August, 2007, a placing agreement was entered with an independent placing agent ("Placing Agent") under which the Company has appointed the Placing Agent to place 88,000,000 ordinary shares of HK$0.10 each ("Placing Shares") in the Company at a price of HK$0.33 per Placing Share. The issued price of HK$0.33 represented a discount of 11.53% to the average of the closing price of about HK$0.373 per share of the last five trading days up to and including 23rd August, 2007. The Placing Shares were issued under the general mandate granted to the Directors of the Company on 6th June, 2007. The net proceeds of HK$28,254,000 will be used for working capital. The transaction was completed on 24th September, 2007.

Details of the above are set out in the announcements to the shareholders of the Company dated 30th August, 2007.

35. SHARE-BASED PAYMENT TRANSACTIONS

On 4th June, 2002, the Company adopted a share option scheme ("2002 Scheme") which is effective for a period of ten years for the primary purpose of providing incentives to directors and eligible employees. Under the 2002 Scheme, the Board of Directors of the Company may grant options to eligible employees, including executive directors of the Company and its subsidiaries, to subscribe for shares in the Company for a consideration of HK$1. Options granted must be taken up within 30 days of the date of grant, upon payment of HK$1 per grant. Options granted are exercisable not later than ten years after the date the options are granted. The exercise price, subject to adjustment, is determined by the board of directors of the Company and will not be less than the highest of (i) the closing price of the Company's share on the date of options granted; (ii) the average closing price of the Company's shares for the five business days immediately preceding the date of grant; and (iii) the nominal value of the Company's share.

The total number of shares in respect of which options may be granted under the 2002 Scheme is not permitted to exceed 46,097,894 shares, representing 10% of the issued share capital of the Company as at the date of adoption of 2002 Scheme. Subject to the issue of a circular and the approval of the shareholders of the Company in general meeting and/or such other requirements prescribed under the Rules Governing the Listing of Securities of the Stock Exchange (the "Listing Rules") from time to time, the Board may refresh the limit at any time to 10% of the total number of shares in issue as at the date of approval by the shareholders of the Company in general meeting. The number of shares in respect of which options may be granted to any individual is not permitted to exceed 1% of the aggregate number of shares of the Company in issue and issuable under 2002 Scheme at any point in time, without prior approval from the Company's shareholders.

35. SHARE-BASED PAYMENT TRANSACTIONS – continued

The following table discloses movements of the Company's share options held by employees and directors during the year:

	Date of grant	Exercisable period	Exercise price HK$	At1.1.2006 and 1.1.2007	Number of Shares Granted during the year	Lapsed during the year	At 31.12.2007
Employees	10.7.2007	10.7.2007 to 9.7.2012	0.724	—	21,600,000	(1,200,000)	20,400,000
Independent non -executive directors:							
Chan Sek Nin, Jackey	10.7.2007	10.7.2007 to 9.7.2012	0.724	—	4,000,000	(4,000,000)	—
Wong King Lam, Joseph	10.7.2007	10.7.2007 to 9.7.2012	0.724	—	4,000,000	(4,000,000)	—
Sin Chi Fai	10.7.2007	10.7.2007 to 9.7.2012	0.724	—	4,000,000	(4,000,000)	—
				—	12,000,000	(12,000,000)	—
Executive directors:							
Chan Ling, Eva	10.7.2007	10.7.2007 to 9.7.2012	0.724	—	4,400,000	—	4,400,000
Kwok Ka Lap, Alva	10.7.2007	10.7.2007 to 9.7.2012	0.724	—	4,000,000	—	4,000,000
				—	8,400,000	—	8,400,000
				—	42,000,000	(13,200,000)	28,800,000
Exercisable at the end of the year							28,800,000
Weighted average exercise price				—	HK$0.724	HK$0.724	HK$0.724

During the year ended 31st December, 2007, no share options granted had been exercised.

The following assumptions were used to calculate the fair values of share options.

	2007
Grant date share price	HK$0.67
Option exercisable period	10.7.2007 to 9.7.2012
Exercise price	HK$0.724
Expected life	2.5 years
Expected volatility	102.86%
Dividend yield	Nil
Risk-free interest rate	4.44%
Fair value of option per share	HK$0.3955

35. SHARE-BASED PAYMENT TRANSACTIONS – continued

The Black-Scholes pricing model has been used to estimate the fair value of the options. The variables and assumptions used in computing the fair value of the share options are based on the director's best estimate. The value of an option varies with different variables of certain objective assumptions.

Expected volatility was determined by using the historical volatility of the Company's share price over the previous two years. The expected life used in the model has been adjusted, based on management's best estimate, for the effects of non transferability, exercise restrictions and behavioral considerations.

The closing price of the Company's shares immediately before 10th July, 2007, the date of grant of options, were HK$0.69.

During the year, share options were granted on 10th July, 2007. The fair values of the options determined at the dates of grant using the Black-Scholes pricing model was approximately HK$11,392,000 and recognised in the consolidated income statement for the year ended 31st December, 2007. The total number of shares available for issue under the option scheme is 4,097,894 which represents approximately 0.8% of the issued share capital of the Company as at 31st December, 2007.

36. RESERVES OF THE COMPANY

	Share premium HK$'000	Special capital reserve HK$'000	Share option reserve HK$'000	Convertible notes reserve HK$'000	Capital redemption reserve HK$'000	Deficit HK$'000	Total HK$'000
At 1st January, 2006	1,900,916	414,881	—	—	233	(1,230,448)	1,085,582
Capital Reorganisation	(1,900,916)	1,944,996	—	—	—	—	44,080
Transfer of accumulated deficit of the Company	—	(1,212,806)	—	—	—	1,212,806	—
Dividend in specie (note 14)	—	(1,145,804)	—	—	—	—	(1,145,804)
Profit for the year and total recognised income for the year	—	—	—	—	—	3,449	3,449
At 1st January, 2007	—	1,267	—	—	233	(14,193)	(12,693)
Issue of shares	19,454	—	—	—	—	—	19,454
Issue of convertible notes	—	—	—	23,839	—	—	23,839
Recognition of equity settled share-based payments	—	—	11,392	—	—	—	11,392
Deferred tax liability on recognition of equity components of convertible notes	—	—	—	(4,172)	—	—	(4,172)
Loss for the year and total recognised expense for the year	—	—	—	—	—	(120,872)	(120,872)
At 31st December, 2007	19,454	1,267	11,392	19,667	233	(135,065)	(83,052)

36. RESERVES OF THE COMPANY – continued

The special capital reserve of the Company at 1st January, 2006 represented the amount arising from the capital reduction carried out by the Company during the year ended 31st December, 2001. The amount were reduced as a result of Group Reorganisation and Capital Reorganisation carried out by the Company during the year ended 31st December, 2006.

37. DEFERRED TAX LIABILITIES

The following are the major deferred tax liabilities provided by the Group and the Company and movements thereon during the current and prior reporting periods:

	The Group			The Company
	Revaluation of property, plant and equipment HK$'000	Convertible notes HK$'000	Total HK$'000	Convertible notes HK$'000
At 1st January, 2006	21,175	—	21,175	—
Eliminated upon dividend in specie (note 14)	(21,175)	—	(21,175)	—
At 31st December, 2006	—	—	—	—
Charge to equity for the year	—	4,172	4,172	4,172
At 31st December, 2007	—	4,172	4,172	4,172

As at 31st December, 2007, the Group has unused tax losses of approximately HK$30,604,000 (2006: HK$20,365,000) available for offset against future profits. No deferred tax asset has been recognised in respect of the unused tax losses due to the unpredictability of future profits streams.

As at 31st December, 2007, the Group has deductible temporary differences in respect of allowances on doubtful debts of approximately HK$250,624,000 (2006: HK$236,446,000). No deferred tax asset has been recognised in relation to such deductible temporary differences as it is not probable that taxable profit will be available against which the deductible temporary differences can be utilised.

38. CAPITAL RISK MANAGEMENT

The Group manages its capital to ensure that entities in the Group will be able to continue as a going concern while maximising the return to stakeholders through the optimisation of the debt and equity balance. The Group's overall strategy remains unchanged from prior year.

The capital structure of the Group consists of net debt, which includes the convertibles notes and borrowings disclosed in notes 31 and 32, net cash and cash equivalents and equity attributable to equity holders of the Company, comprising issued share capital, reserves and retained profits.

The directors of the Company review the capital structure regularly. As part of this review, the directors consider the cost of capital and the risks associated with each class of capital. Based on recommendations of the directors, the Group will balance its overall capital structure through the payment of dividends, new share issues and the raising of new debt or the redemption of existing debt.

39. FINANCIAL INSTRUMENTS

39a. Categories of financial instruments

	THE GROUP		THE COMPANY	
	2007 HK$'000	2006 HK$'000	2007 HK$'000	2006 HK$'000
Financial assets				
Loans and receivables (including cash and cash equivalents)	246,895	53,846	209,236	184,582
Available-for-sale financial assets	36,978	77,897	—	—
Fair value through profit or loss	13,800	8,115	—	—
Financial liabilities				
Amortised cost	263,787	106,651	241,446	157,865

39b. Financial risk management objectives and polices

The major financial instruments of the Group and the Company include loans and interest receivables, trade receivables, other receivables, available-for-sale investments, investments held for trading, convertible notes, bank overdrafts, amounts due from (to) related parties/associates/subsidiaries, trade and other payables, loan payables, pledged bank deposits, bank balances and bank borrowings. Details of the financial instruments are disclosed in respective notes. The risks associated with these financial instruments include market risk (interest rate risk and other price risk), credit risk and liquidity risk. The policies on how to mitigate these risks are set out below. The management manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.

Market risk

(i) Interest rate risk

The Group and the Company are exposed to fair value interest rate risk in relation to fixed-rate bank borrowings and obligations under finance leases. The Group and the Company currently do not have an interest rate hedging policy. However, the management monitors interest rate exposure and will consider hedging significant interest rate exposure should the need arises.

The Group and the Company are also exposed to cash flow interest rate risk in relation to variable-rate loans receivables, pledged bank deposits, bank balances, amount due to a related company, loan payables and bank borrowings. It is the policy of the Group and the Company to keep its borrowings at floating rate of interests so as to minimise the fair value interest rate risk.

39. FINANCIAL INSTRUMENTS – continued

39b. Financial risk management objectives and polices – continued

Market risk – continued

(i) Interest rate risk – continued

The exposures of the Group and the Company to interest rates on financial assets and financial liabilities are detailed in the liquidity risk management section of this note. The cash flow interest rate risk of the Group and the Company is mainly concentrated on the fluctuation of Hong Kong Prime Rate and Hong Kong Interbank Offer Rate arising from the loans and interest receivables, pledged bank deposits, bank balances, amount due to a related company, loan payables, bank balances, bank borrowings and obligations under finance leases.

Sensitivity analysis

The sensitivity analyses below have been determined based on the exposure to interest rates for the non-derivative instruments (including loans receivable, pleged bank deposits, bank balances, loan payables, bank borrowings, obligations under finance lease and bank overdrafts) of the Group and the Company at the balance sheet date. The analysis is prepared assuming the amount of non-derivative instruments outstanding at the balance sheet date was outstanding for the whole year. A 50 basis point increase or decrease is used when reporting interest rate risk internally to key management personnel and represents management's assessment of the reasonably possible change in interest rates.

If interest rates had been 50 basis points higher/lower and all other variables were held constant, the loss for the year ended 31st December, 2007 of the Group and the Company would decrease/increase by approximately HK$524,000 (2006: decrease/increase by approximately HK$174,000) and decrease/increase by approximately HK$126,000 (2006: profit for the year increase/decrease by approximately HK$35,000), respectively.

(ii) Other price risk – Investments in equity securities

The Group is exposed to equity price risk through its investments in listed and unlisted equity securities. The management manages this exposure by maintaining a portfolio of investments with different risks. The Group's listed equity price risk is mainly concentrated on equity instruments quoted in the Hong Kong Stock Exchange.

Sensitivity analysis

The sensitivity analyses below have been determined based on the exposure to equity price risks, excluding unlisted investments which are measured at cost less impairment, at the reporting date.

39. FINANCIAL INSTRUMENTS – continued

39b. Financial risk management objectives and polices – continued

Market risk – continued

(ii) Other price risk - Investments in equity securities – continued

If the prices of the respective equity instruments had been 5% higher/lower:

- Loss for the year ended 31st December, 2007 decrease/increase by approximately HK$569,000 (2006: decrease/increase by approximately HK$335,000) as a result of the changes in fair value of investment held for trading; and

- investment valuation reserve for the year ended 31st December, 2007 would increase/decrease by approximately HK$1,043,000 (2006: increase/decrease by approximately HK$2,666,000) for the Group as a result of the changes in fair value of available-for-sale investments.

In management's opinion, the sensitivity analysis is unrepresentation of the other price risk for the investments in listed equity securities as the year end exposure does not reflect the exposure during the year.

Credit risk

As at 31st December, 2007 and 2006, the maximum exposure of the Group and the Company to credit risk which will cause a financial loss to the Group and the Company due to failure to discharge an obligation by the counterparties and financial guarantees provided by the Group and the Company is arising from:

- the carrying amount of the respective recognised financial assets as stated in the consolidated balance sheet; and

- the amount of contingent liabilities in relation to financial guarantee issued by the Group and the Company as disclosed in note 40.

In order to minimise the credit risk, the management of the Group and the Company has delegated a team responsible for determination of credit limits, credit approvals and other monitoring procedures to ensure that follow-up action is taken to recover overdue debts. In addition, the Group and the Company review the recoverable amount of each individual debt at each balance sheet date to ensure that adequate impairment losses are made for irrecoverable amounts. In this regard, the directors of the Company consider that the Group's credit risk is significantly reduced.

The credit risk on liquid funds is limited because the counterparties are banks with good reputation.

At 31st December, 2007, approximately 42% (2006: 40%) of the Group's trade receivables were due from five largest customers. The management performs periodic evaluations and customer visits to ensure the Group's exposure to bad debts is not significant. The historical experience in the collection of trade receivables from the five largest customers falls within the expectation of the directors. The management currently is seeking new customers base to explore the market in order to reduce the reliance on the several major customers, and also mitigate concentration of credit risk.

The credit risk and the Company on amounts due from subsidiaries is limited because the directors of the Company consider that the recoverable amount exceeds the carrying amount of amounts due from subsidiaries for the respective group entities.The recoverable amount of the amounts due from subsidiaries is determined based on the present value of future cash flows expected to be delivered from the subsidiaries.

39. FINANCIAL INSTRUMENTS – continued

39b. Financial risk management objectives and polices – continued

The credit risk of the Group and the Company on amount due from an associate and corporate guarantee given to an associate at the balance sheet dates was limited because the management regularly reviews the financial performance of the associate and reconsiders the continuance of the given guarantee regularly. The corporate guarantee was released during the year ended 31st December, 2007.

At 31st December, 2007, the Group and the Company has loans and interest receivables of approximately HK$41,724,000 (2006: HK$25,761,000) and HK$20,980,000 (2006: nil), respectively, for four (2006: six) and two (2006: nil) debtors which spread across two different industries, respectively, which expose the Group to the concentration of credit risk. The management performs periodic evaluations and credit assessments to ensure the Group's exposure to bad debts is not significant. The historical experience in the collection of loans and interest receivables from these debtors falls within the expectation of the directors. The management currently is seeking new debtors base to explore the market in order to reduce the reliance on the several debtors, and also mitigate concentration of credit risk.

Liquidity risk

In the management of the liquidity risk, the Group and the Company monitor and maintain a level of cash and cash equivalents deemed adequate by the management to finance the operations of the Group and the Company and mitigate the effects of fluctuations in cash flows. The management monitors the utilisation of bank borrowings and ensures compliance with loan covenants.

The Group and the Company rely on bank borrowings and amounts due to group companies, respectively, as a significant source of liquidity.

The following tables detail the remaining contractual maturity of the Group and the Company for its financial liabilities. For non-derivative financial liabilities, the table has been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Group and the Company can be required to pay. The table includes both interest and principal cash flows.

39. FINANCIAL INSTRUMENTS – continued

39b. Financial risk management objectives and polices – continued

Liquidity risk – continued

THE GROUP

Liquidity and interest risk tables

	Weighted average effective interest rate %	Less than 1 month HK$'000	1-3 months HK$'000	3 months to 1 year HK$'000	Over 1 year HK$'000	Total undiscounted cash flows HK$'000	Carrying amount at 31.12.2007 HK$'000
2007							
Non-derivative financial liabilities							
Trade and other payables	—	31,728	2,720	1,940	—	36,388	36,388
Amount due to an associate	—	6,686	—	—	—	6,686	6,686
Loans payable	8.11	88,757	—	—	—	88,757	82,100
Bank borrowings	6.50	—	—	19,215	—	19,215	18,042
Obligations under finance leases	5.45	2	4	20	61	87	83
Convertible notes	6.16	—	—	—	146,850	146,850	120,488
		127,173	2,724	21,175	146,911	297,983	263,787

	Weighted average effective interest rate %	Less than 1 month HK$'000	1-3 months HK$'000	3 months to 1 year HK$'000	Over 1 year HK$'000	Total undiscounted cash flows HK$'000	Carrying amount at 31.12.2006 HK$'000
2006							
Non-derivative financial liabilities							
Trade and other payables	—	15,239	3,836	1,665	—	20,740	20,740
Amount due to a related company	9.00	4,500	—	—	5,788	10,288	9,439
Amount due to an associate	—	—	—	—	4,993	4,993	4,993
Loans payable	9.00	63,839	—	—	—	63,839	58,567
Bank borrowings	7.50	—	—	13,856	—	13,856	12,889
Bank overdrafts	—	23	—	—	—	23	23
		83,601	3,836	15,521	10,781	113,739	106,651

The cash flow of variable interest rate instruments is based on the rate outstanding at the balance sheet date.

39. FINANCIAL INSTRUMENTS – continued

39b. Financial risk management objectives and polices – continued

Liquidity risk – continued

THE COMPANY

Liquidity and interest risk tables

	Weighted average effective interest rate %	Less than 1 month HK$'000	Over 1 year HK$'000	Total undiscounted cash flows HK$'000	Carrying amount at 31.12.2007 HK$'000
2007					
Non-derivative financial liabilities					
Other payables	—	7,003	—	7,003	7,003
Loan payables	7.38	23,517	—	23,517	21,902
Amounts due to subsidiaries	—	92,053	—	92,053	92,053
Convertible notes	6.16	—	146,850	146,850	120,488
		122,573	146,850	269,423	241,446

	Weighted average effective interest rate %	Less than 1 month HK$'000	Over 1 year HK$'000	Total undiscounted cash flows HK$'000	Carrying amount at 31.12.2006 HK$'000
2006					
Non-derivative financial liabilities					
Other payables	—	950	—	950	950
Amount due to a related company	9.00	4,500	5,788	10,288	9,439
Amounts due to subsidiaries	—	144,310	—	144,310	144,310
Loans payable	9.00	3,451	—	3,451	3,166
		153,211	5,788	158,999	157,865

The cash flow of variable interest rate instruments is based on the rate outstanding at the balance sheet date.

39. FINANCIAL INSTRUMENTS – continued

39c. Fair values

The fair values of financial assets and financial liabilities are determined as follows:

- the fair value of financial assets with standard terms and conditions and traded on active liquid markets are determined with reference to quoted market bid prices; and
- the fair value of financial assets and financial liabilities are determined in accordance with generally accepted pricing models based on discounted cash flow analysis using prices or rates from observable current market transactions.

The directors consider that the carrying amounts of financial assets and financial liabilities recorded at amortised cost in the consolidated financial statements approximate their fair values.

40. CONTINGENT LIABILITIES

	THE GROUP		THE COMPANY	
	2007 HK$'000	2006 HK$'000	2007 HK$'000	2006 HK$'000
Corporate guarantee given by the Company for banking facilities granted to:				
a subsidiary (note a)	—	—	13,500	13,500
an associate (note b)	—	8,000	—	8,000
	—	8,000	13,500	21,500

(a) During the year ended 31st December, 2007, the Company issued "all monies" guarantee and indemnity to a bank for the banking facilities granted to a non-wholly owned subsidiary and the amount of approximately HK$3,573,000 (2006: HK$3,046,000) was utilised by that non-wholly owned subsidiary as at 31st December, 2007.

(b) During the year ended 31st December, 2006, the Company issued "all monies" guarantee and indemnity to a bank for the banking facilities granted to an associate and nil amount was utilised by that associate as at 31st December, 2006. Such guarantee has been released as at 31st December, 2007.

41. OPERATING LEASES

The Group has made approximately HK$224,000 (2006: HK$523,000) minimum lease payments paid under operating leases during the year in respect of office premises.

The Group as lessee

At the balance sheet date, the Group and the Company had commitments for future minimum lease payments under non-cancellable operating leases which fall due as follows:

	THE GROUP		THE COMPANY	
	2007 HK$'000	2006 HK$'000	2007 HK$'000	2006 HK$'000
Within one year	448	150	354	—
In the second to third years inclusive	—	96	—	—
	448	246	354	—

Operating lease payments represented rentals payable by the Group for certain of its office premises. Leases are negotiated for an average term of one to two years and rentals are fixed for an average of one to two year.

42. COMMITMENTS

(a) At the balance sheet date, the Group had the following capital commitments:

	2007 HK$'000	2006 HK$'000
Capital expenditure in respect of acquisition of property, plant and equipment contracted for but not provided in the consolidated financial statements	3,332	14,562
Capital expenditure in respect of the acquisition of property, plant and equipment authorised but not contracted for	—	20,000
	3,332	34,562

(b) On 28th December, 2007, the Group entered into a memorandum of understanding with an independent third party to acquire 100% equity interests in 西烏珠穆沁旗金正礦業有限責任公司 (「西烏珠穆沁旗金正礦業」). 西烏珠穆沁旗金正礦業 is a company incorporated in the PRC and owns the mining right of 西烏珠穆沁旗金正礦業有限責任公司金正煤礦, which is located in the PRC. This transaction is under the negotiation up to the date of this report. Details are set out in the announcement of the Company dated 28th December, 2007.

43. PLEDGE OF ASSETS

(a) At 31st December, 2007, available-for-sale investments and investments held for trading with a carrying value of approximately HK$25,270,000 (2006: HK$64,476,000) and HK$7,735,000 (2006: HK$309,000) respectively were pledged to secure margin account credit facilities and banking facilities granted to the Group. As at 31st December, 2007 and 31st December, 2006, no margin loan facility were utilised by the Group.

(b) At 31st December, 2007, prepaid lease payment with a carrying value of approximately HK$9,160,000 (2006: HK$8,678,000) was pledged to secure short-term bank loan granted to the Group.

(c) As at 31st December, 2006, bank deposits of approximately HK$1,078,000 (2007: nil) was pledged to banks to secure credit facilities granted to the Group.

44. POST BALANCE SHEET EVENTS

The following events were entered into by the Group subsequent to the balance sheet date:

(a) On 7th January, 2008, the Company issued 1,500,000,000 shares of HK$0.1 each, for consideration of HK$0.33 per share to third parties.

(b) On 7th January, 2008, the Company issued convertible notes of an aggregate principal amount of HK$1,173,150,000. The convertible notes will be non-interest bearing and with maturity date on 31st December, 2010. Details are set out in the announcement of the Company dated 8th January, 2008.

(c) On 11th January, 2008, the Group entered into a framework agreement with an independent third party to acquire part or entire equity interests of 蘇尼特左旗小白陽礦業有限公司 and not less than 20% equity interests of 蘇尼特左旗芒來礦業有限公司, which are engaged in mining and railway companies invested by the vendor in Mongolia, the PRC. This transaction is under the negotiation up to the date of this report. Details are set out in the announcement of the Company dated 11th January, 2008.

45. RELATED PARTY DISCLOSURES

(i) Related party transactions

During the year, the Group entered into the following significant transactions with related parties:

Name of related party	Nature of transaction	Notes	2007 HK$'000	2006 HK$'000
Wing On	Loan interest income received and receivable by the Group	(a)	873	1,151
Nation Cheer Investment Limited	Interest expense paid and payable by the Group	(b)	—	6,547
Apex	Loan interest income received and receivable by the Group	(c)	—	1,329
Sing Pao Newspaper Company Limited	Loan interest income received and receivable by the Group	(d)	—	303
Mass Success International Limited	Rental expenses paid and payable by the Group	(e)	—	223
ITC Management Limited	Secondment fee paid an payable by the Group	(f)	—	127
Micro-Tech Ltd.	Rental expense of motor vehicles paid and payable by the Group	(b)	—	83
Hong Kong Wing On Travel Service Limited	Air ticketing and travel service expenses paid and payable by the Group	(g)	—	33
China Enterprises Limited ("CEL")	Management fee income received	(h)	—	27
China Pharmaceutical Industrial Limited ("CPIL")	Management fee income received	(h)	—	28
Hanny Magnetics Limited	Rent expenses paid and payable by the Group	(b)	—	6

45. RELATED PARTY DISCLOSURES – continued

(i) Related party transactions – continued

Notes:

(a) Wing On, ceased to be an associate of a former substantial shareholder of the Company during the year ended 31st December, 2007.

(b) Hanny Magnetics Limited, Nation Cheer Investment Limited and Micro-Tech Ltd. are wholly-owned subsidiaries of a former substantial shareholder of the Company.

(c) Apex ceased to be an associate of the Group upon the completion of Group Reorganisation on 19th May, 2006.

(d) Sing Pao Newspaper Company Limited a wholly-owned subsidiary of a former investee of the Group.

(e) Mass Success International Limited is an associate of a former substantial shareholder of the Company and ceased to be a related company upon the completion of Group Reorganisation on 19th May, 2006.

(f) ITC Management Limited is a subsidiary of a former substantial shareholder of the Company.

(g) Hong Kong Wing On Travel Service Limited is a wholly-owned subsidiary of Wing On.

(h) CEL and CPIL were subsidiaries of a former substantial shareholder of the Company.

(ii) Related party balances

Details of the outstanding balances with related parties are set out in the consolidated balance sheet, the balance sheet and the respective notes.

(iii) Compensation of key management personnel

The remuneration of directors and other members of key management during the year was as follows:

	2007 HK$'000	2006 HK$'000
Short-term employee benefits	2,394	1,695
Post-employment benefits	20	12
Share-based payment	3,323	—
	5,737	1,707

The remuneration of directors and key executives is determined by the remuneration committee having regard to the performance of individuals and market trends.

46. RETIREMENT BENEFITS SCHEMES

The Group operates a Mandatory Provident Fund Scheme ("MPF Scheme") for all qualifying employees in Hong Kong. The assets of the schemes are held separately from those of the Group, in funds under the control of trustees. The Group and employees each contribute 5% of the relevant payroll costs to the Scheme with a maximium amount of HK$1,000.

The retirement benefit scheme contributions relating to the MPF Scheme charged to the income statement represent contributions payable to the scheme by the Group at rates specified in the rules of the schemes.

The employees in the joint venture subsidiaries in the PRC are members of the state-sponsored pension scheme operated by the government in the PRC. The joint venture companies are required to contribute a certain percentage of their payroll to the pension scheme to fund the benefits. The only obligation of the Group with respect to the pension scheme is to make the required contributions under the scheme. The amount of contributions payable to the pension schemes are charged to the income statement.

The total cost charged to income statements of approximately HK$346,000 (2006: HK$369,000) represents contribution payable to these schemes by the Group in respect of the current year.

47. PRINCIPAL SUBSIDIARIES

Particulars of the principal subsidiaries at 31st December, 2007 and 31st December, 2006 are as follows:

Name of subsidiary	Place of incorporation/ registration and operation	Issued and fully paid ordinary share capital/ registered capital	Proportion of nominal value of issued share capital/ registered capital held by the Company Directly %	Indirectly %	Principal activities
Deep Growth Investments Limited	British Virgin Islands	US$1	100	—	Investment holding
Talent Cosmos Limited (note a)	British Virgin Islands	US$13,000	—	80	Investment holding
Super Energy Group Limited (note a)	Hong Kong	HK$13,000,000	—	80	Investment holding and trading of battery products
Super Energy Battery Industries Limited (note a)	Hong Kong	HK$2,500,000	—	80	Investment holding and trading of battery products
台山市超量電池有限公司（「台山市超量」）(note a)	PRC	RMB9,183,763	—	76 (note b)	Manufacturing of battery products
Rich Crown Investments Limited ("Rich Crown") (note c)	Hong Kong	HK$1	—	100%	Investments in securities

Notes:

a. These companies are limited liability company incorporated in the respective jurisdiction.

b. 台山市超量 is a 95% subsidiary of Super Energy Battery Industries Limited and the Group hold effective 76% interest in台山市超量 .

c. Rich Crown was incorporated during the year ended 31st December, 2007.

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 assets and liabilities of the Group. To give details of other subsidiaries would, in the opinion of the directors, result in particulars of excessive length.

None of the subsidiaries had any debt securities subsisting at the end of the year or at any time during the year.

FINANCIAL SUMMARY

(A) RESULTS

	For the year ended 31st December,				
	2003	2004	2005	2006	2007
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Continuing operations					
Revenue	2,884,493	27,141	33,161	32,846	45,717
Loss before tax	(169,184)	(129,267)	(77,304)	(43,651)	(33,775)
Income tax expense	(10,935)	(6,464)	(4,247)	(5,782)	(6,595)
Loss for the year from continuing operations	(180,119)	(135,731)	(81,551)	(49,433)	(40,370)
Discontinued operations					
Profit (loss) for the year from discontinued operations	—	1,511	(5,487)	(9,818)	—
Loss for the year	(180,119)	(134,220)	(87,038)	(59,251)	(40,370)
Attributable to:					
Equity holders of the Company	(189,528)	(179,244)	(81,829)	(38,417)	(40,369)
Minority interests	9,409	45,024	(5,209)	(20,834)	(1)
	(180,119)	(134,220)	(87,038)	(59,251)	(40,370)

(B) ASSETS AND LIABILITIES

	At 31st December,				
	2003	2004	2005	2006	2007
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Total assets	2,189,244	1,899,356	1,958,869	267,605	422,522
Total liabilities	(405,704)	(295,202)	(303,300)	(116,512)	(273,284)
	1,783,540	1,604,154	1,655,569	151,093	149,238
Equity attributable to equity holders of the Company	1,533,380	1,308,545	1,325,314	150,831	148,977
Minority interests	250,160	295,609	330,255	262	261
	1,783,540	1,604,154	1,655,569	151,093	149,238