APAC RESOURCES

APAC RESOURCES LIMITED
亞太資源有限公司*

(Incorporated in Bermuda with limited liability)
(Stock code: 1104)

07 Annual Report

* For identification purpose only

Contents

Corporate Information

BOARD OF DIRECTORS

Executive Directors:

Mr. Cao Zhong *(Chairman)*
Mr. Liu Yongshun *(Chief Executive Officer)*
Mr. Zhou Luyong *(Deputy Chief Executive Officer)*
Ms. Chong Sok Un
Mr. Chen Zhaoqiang
Mr. Yue Jialin

Independent Non-Executive Directors:

Mr. Wong Wing Kuen, Albert
Mr. Chang Chu Fai, Johnson Francis
Mr. Alan Stephen Jones
Mr. Robert Moyse Willcocks

AUDIT COMMITTEE

Mr. Wong Wing Kuen, Albert *(Chairman)*
Mr. Chang Chu Fai, Johnson Francis
Mr. Alan Stephen Jones
Mr. Robert Moyse Willcocks

REMUNERATION COMMITTEE

Mr. Cao Zhong
Ms. Chong Sok Un
Mr. Wong Wing Kuen, Albert
Mr. Chang Chu Fai, Johnson Francis
Mr. Alan Stephen Jones
Mr. Robert Moyse Willcocks

COMPANY SECRETARY

Mr. To Yung Kan

AUDITORS

Graham H.Y. Chan & Co

LEGAL ADVISERS

P.C. Woo & Co
Robertsons
Conyers Dill & Pearman

HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS

32/F China Online Centre
333 Lockhart Road
Wanchai
Hong Kong
Tel: +852 2541 0338 Fax: +852 2541 9133

REGISTERED OFFICE

Clarendon House
2 Church Street
Hamilton HM11
Bermuda

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

Butterfield Fund Services
(Bermuda) Limited
Rosebank Centre
11 Bermudiana Road
Pembroke HM08
Bermuda

HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

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

WEBSITE

www.irasia.com/listco/hk/apac/index.htm

STOCK CODE	WARRANT CODE
1104	324

EXECUTIVE DIRECTORS

Mr. Cao Zhong, aged 48, was appointed as an Executive Director of the Company on 26 April 2007 and has been re-designated as Chairman and Executive Director of the Company since 3 May 2007. Mr. Cao is responsible for the strategic planning and corporate development of the Group. He graduated from Zhejiang University, the People's Republic of China (the "PRC"), and Graduate School, The Chinese Academy of Social Sciences with a Bachelor Degree in Engineering and a Master Degree in Economics. Mr. Cao acts as the assistant general manager of Shougang Corporation and the chairman of China Shougang International Trade and Engineering Corporation. He is also the vice chairman and general manager of Shougang Holding (Hong Kong) Limited and a director of Benefit Rich Limited, both of which are substantial shareholders of the Company. Mr. Cao is also currently the managing director of Shougang Concord International Enterprises Company Ltd, the chairman of each of Shougang Concord Technology Holdings Limited and Shougang Concord Century Holdings Limited and the vice chairman and managing director of Shougang Concord Grand (Group) Ltd ("SCG"). He is also the chairman of Global Digital Creations Holdings Limited, a non-wholly owned subsidiary of SCG. Mr. Cao has extensive experience in corporate management and operation. He is also a director of certain subsidiaries of the Company, the chairman of 亞太資源(青島)有限公司(「亞太青島」) and the chairman of supervisory committee of 瑞域(上海)投資諮詢有限公司(「瑞域上海」), both of which are wholly-owned subsidiaries of the Company in the PRC.

Mr. Liu Yongshun, aged 47, was appointed as a Non-Executive Director of the Company on 29 May 2007 and has been re-designated as Chief Executive Officer and an Executive Director of the Company since 27 July 2007. Mr. Liu is responsible for the execution of the Group's strategies, policies and corporate actions as delegated by the Board. Mr. Liu obtained his Bachelor's Degree in Ironing Making from Maanshan Institute of Iron and Steel (East China University of Metallurgy/Anhui University of Technology) in 1983. He subsequently obtained his Executive Master of Business Administration degree from China Europe International Business School in 2005. Mr. Liu has had a number of major appointments in the raw iron and steel resources industry. He was the president of the Department of Mineral Resources, Shanghai Baosteel Group International Economic and Trading Co., Ltd. from November 2001 to May 2005. He was appointed as both the deputy general manager of Baosteel Corporation and the general manager of its No. 1 Department of the Purchase Centre of Baosteel Corporation from May 2005 to April 2006. He acted as deputy general manager of Baosteel Trading Co., Ltd. from May 2006 to April 2007. He is also the chairman of 瑞域上海, a director of 亞太青島 and certain subsidiaries of the Company.

Mr. Zhou Luyong, aged 44, was appointed as a Non-Executive Director of the Company on 29 May 2007 and has been re-designated as Deputy Chief Executive Officer and an Executive Director of the Company since 27 July 2007. Mr. Zhou completed his undergraduate studies at East China Institute of Chemical Technology (currently known as East China University of Science & Technology) in 1985 majoring in coal process. He was the manager of Baosteel Trading Co., Ltd. from June 1998 to December 2001. He was the general manager of the Coal & Coke Department of Baosteel International Economic and Trading Co., Ltd. from January 2002 to May 2004. He acted as general manager of Shanghai Baoding Energy Co., Ltd. from May 2004 to November 2005. He is also a director of 亞太青島 and 瑞域上海.

Ms. Chong Sok Un, aged 53, was appointed as an Executive Director of the Company on 6 July 2007. Ms. Chong holds a Master Degree in Business Administration. Ms. Chong is currently an executive director and chairman of COL Capital Limited, a substantial shareholder of the Company, and also a non-executive director of Shanghai Allied Cement Limited, both of which are listed on the main board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange"). She has been the chairman of Long Island Golf & Country Club, Dongguan, China since September 1998. She is also the vice-chairman of the 28th Term Board of Directors of Yan Oi Tong. During 1992 to 2000, she was a director and chief executive officer of Shenyin Wanguo (H.K.) Limited. During September 2001 to October 2006, she was an independent director of Fujian Minnan (Zhangzhou) Economy Development Co., Ltd. (福建閩南（漳州）經濟發展股份有限公司), a company with shares listed on the Shenzhen Stock Exchange. During June 2002 to May 2007, she was a non-executive director of RIMCapital Limited, a company with shares listed on the Australian Stock Exchange. Ms. Chong is also a director of certain subsidiaries of the Company and the chairman of supervisory committee of 亞太青島.

Mr. Chen Zhaoqiang, aged 40, was appointed as a Non-Executive Director of the Company on 6 July 2007 and has been re-designated as an Executive Director of the Company since 7 September 2007. Mr. Chen obtained his Bachelor's Degree in Mining Engineering from Jiaozuo Mining Institute in 1989. He subsequently obtained his Master Degree in Management Science from Huazhong University of Science & Technology. Mr. Chen has had a number of major appointments in the coal mining industry. He was the vice chairman of Political Consultation, Xiangcheng County, Henan Province in 2004. He was also elected as one of the Top 10 Young People in Pingdingshan City in 2006. He worked in Pingdingshan Coal Co. Ltd. as a technician, director of operational division, vice general engineer, director of technique division and coalmine head from July 1989 to March 2004. He was appointed as both the vice chairman of Pingbao Coal Co. Ltd. and director of Shoushan No. 1 Coalmine of Pingdingshan Coal Co. Ltd. from April 2004 to January 2007. He was appointed as vice general manager of Henan Company for Coal Seam Gas Development & Application since March 2007. Mr. Chen's extensive experience in coal supply management for coal mining, technology development and management, purchase and logistics management, mineral resources development, project management and coal trading will contribute to the Company's business growth and expansion into the coal mining industry. He is also a director of 瑞域上海.

Mr. Yue Jialin, aged 40, was appointed as Chairman and Executive Director of the Company on 26 April 2004 and has been re-designated as an Executive Director of the Company since 3 May 2007. Mr. Yue has established in-depth knowledge of the PRC economic development and policies through his previous role as a judge in the Economic Court of People's Court in Luowu District, Shenzhen, the PRC during 1989 to 1992. Mr. Yue also sits on the school of business administration of Changhun Industrial University as visiting professor. Mr. Yue has engaged in legal consultation in respect of the acquisition of state owned assets and foreign investments in the PRC.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Wong Wing Kuen, Albert, aged 57, has been appointed as an Independent Non-executive Director of the Company since 6 July 2004. Mr. Wong is fellow member of The Institute of Chartered Secretaries and Administrators, a fellow member of The Hong Kong Institute of Chartered Secretaries, a fellow member of the Taxation Institute of Hong Kong, a member of Hong Kong Securities Institute, a fellow member of Association of International Accountants, a fellow member of Society of Registered Financial Planners, a member of The Chartered Institute of Arbitrators, a member of The Chartered Institute of Bankers in Scotland and a full member of Macau Society of Certified Practising Accountants. Currently, Mr. Wong is the managing director of Charise Financial Planning Limited, a private professional consulting firm in Hong Kong.

Biographical Details of Directors

Mr. Chang Chu Fai, Johnson Francis, aged 53, was appointed as an Independent Non-Executive Director of the Company on 6 July 2007. He is a registered person under the Securities and Futures Ordinance (Cap 571, Laws of Hong Kong) ("SFO"). Since 2000, Mr. Chang has been the managing director of Ceres Capital Limited, a licensed corporation under the SFO engaged in the provision of corporate finance advisory services. Mr. Chang has over 30 years of experience in banking, corporate finance, investment and management. He holds a Bachelor's Degree in Commerce from Concordia University in Montreal, Canada since 1976 and a Master's Degree in Business Administration from York University in Toronto, Canada since 1977. Mr. Chang is currently the deputy chairman and an independent non-executive director of Quality HealthCare Asia Limited; and an independent non-executive director of Tian An China Investments Company Limited and Royale Furniture Holdings Limited (formerly known as Chitaly Holdings Limited), all of which are companies with shares listed on the Stock Exchange. He was the chairman and an executive director of Trasy Gold Ex Limited from January 2006 to November 2007 and an executive director of Golden 21 Investment Holdings Limited (now known as China Financial Leasing Group Limited) from May 2002 to April 2007, both are companies listed on the Stock Exchange.

Mr. Alan Stephen Jones, aged 65, has been appointed as an Independent Non-Executive Director of the Company since 27 July 2007. Mr. Jones is a chartered accountant and has extensive experience in management, administration, accounting, property development, carpark management, finance and trading. Mr. Jones has been involved in successful mergers and acquisitions of a number of public companies in Australia and internationally. He is an independent non-executive director of Allied Group Limited, Allied Properties (H.K.) Limited and Sun Hung Kai & Co. Limited, all of which are companies listed on the Stock Exchange. He is also a non-executive director of Mount Gibson Iron Limited, a company listed on the Australian Securities Exchange and a non-executive director of Mulpha Australia Limited.

Mr. Robert Moyse Willcocks, aged 59, has been appointed as an Independent Non-Executive Director of the Company since 27 July 2007. Mr. Willcocks holds a Bachelor's Degree in Arts and a Bachelor's Degree of Laws from Australian National University in Australia and a Master's Degree in Law from the University of Sydney in Sydney, Australia. He has been an advisor to companies in the mining and resources industry for more than 25 years. He has been a partner of Mallesons Stephen Jaques, an Australian law firm, director of Ban-Pu Australia Pty Ltd, Oakbridge Pty Ltd, Energy World Corporation Limited, eStar Online Trading Limited, Bond University Limited and Member of the Australian International Legal Advisory Committee. Mr. Willcocks held and holds directorships in various resources companies which are listed on the Australia Stock Exchange including being a director of Emperor Mines Limited from February 1999 to June 2006, a former chairman of RIMCapital Limited, currently a non-executive director of CBH Resources Limited, member of its audit committee, remuneration committee, succession and governance committee and safety, health and environment committee.

On behalf of the board of directors (the "Board") of APAC Resources Limited (the "Company"), I am pleased to present to the shareholders the financial results, operation and other aspect of the Company and its subsidiaries (the "Group") for the year ended 31 December 2007.

FINANCIAL RESULTS

For the year ended 31 December 2007, the Group's turnover increased by 187% to HK$65,348,000 (2006: HK$22,773,000) and the net profit attributable to shareholders increased by 1,282% to HK$345,313,000 (2006: HK$24,982,000) while earnings per share of the Company increased 215% to 9.78 HK Cents (2006: 3.1 HK Cents).

As at 31 December 2007, the Group's net asset value per share increased by 900% to HK$1.00 (2006: HK$0.10).

DIVIDEND

The Directors do not recommend the payment of a dividend for the year ended 31 December 2007 (2006: nil).

MANAGEMENT DISCUSSION AND ANALYSIS

Review of Operations

During the year under review, the Group underwent a substantial restructuring in the composition of the management team. The new management team have substantial experience in corporate management, project management and operations in resources industry. While the development of a long term planning for the establishment and expansion of business in resources industry was in process, the Group temporarily suspended trading in base metals and recorded no turnover (2006: HK$5,788,000) and a small loss of HK$8,000 (2006: HK$12,000). On the other hand, the Group's turnover and profit for fabric products and other merchandises trading business segment for year 2007 was HK$24,751,000 (2006: HK$14,132,000) and HK$1,508,000 (2006: HK$69,000) respectively. Due to intense competition and dim outlook within this market, the Group has wound down the operations in these sectors.

For the businesses of securities trading and investment, the Group recorded a turnover of HK$40,597,000 (2006: HK$2,853,000) and a profit of HK$585,437,000 (2006: HK$38,882,000) respectively for the year ended 31 December 2007, attributed mainly to the unrealized gain from its trading portfolio. Capitalizing on the promising outlook of the resources industry and the booming securities markets in the Asia Pacific region during the year, the Group invested in resources related securities in order to strengthen its securities trading portfolio and enhance shareholder return.

During the year under review, the Group completed the following acquisitions:

(i) 126,269,550 shares in Mount Gibson Iron Limited ("MGX"), representing approximately 15.92% of the issued share capital of MGX as at 31 December 2007, for an aggregate consideration of approximately HK$825,486,000;

(ii) 28,000,000 shares and 14,000,000 options (at nil consideration and exercisable over the same number of shares) in Australasian Resources Limited ("ARH") representing approximately 7.29% of the issued share capital of ARH as at 22 March 2007, for an aggregate consideration of approximately HK$174,846,000. Subsequent to the partial realization in its investment in ARH, the Group's shareholding in ARH decreased to 5.60% as at 31 December 2007;

(iii) 862,912,520 shares in China Primary Resources Holdings Limited ("CPR") representing approximately 11.54% of the issued share capital of CPR ("Conditional Acquisitions") as at 31 December 2007. The Conditional Acquisition was completed on 14 November 2007 and was settled by way of issue of 287,637,505 new shares by the Company.

MGX and ARH are companies, in resources-based sector, incorporated in Australia with their shares listed on the Australian Stock Exchange while CPR is a company incorporated in Cayman Islands with its shares listed on the Growth Enterprise Market of The Stock Exchange of Hong Kong Limited. MGX's principal businesses are mining of hematite iron ore at Tallering Peak Project and Koolan Island Project and exploration and development of hematite iron ore deposit in Extension Hill Project in Australia. ARH's principal activity is mineral exploration. Recent development of ARH includes the Balmoral South Iron Ore Project with respect to the right to mine 1 billion tonnes of magnetite ore from part of the Balmoral South Project situated in the Pilbara region of Western Australia, and the Sherlock Bay Nickel Project situated in the West Pilbara region of Western Australia with respect to exploiting the nickel sulphide deposit contained in that project area. CPR's principal activities involved trading of fibre glass reinforced plastic pipes ("FRP Pipes"), raw materials and composite materials and production of FRP Pipes and polyethylene pipes ("PE Pipes") in the PRC. Moreover, CPR is a party of a joint venture company engaging principally in mine prospecting and mining of metal and minerals, processing, sale, export and import of mining by-products.

Termination of the Acquisition of an Iron Ore Mine in Mongolia

On 16th February 2007, the Group entered into a conditional acquisition agreement (the "Conditional Acquisition Agreement"), subject to satisfaction of certain conditions precedent including financial, legal and technical due diligences, to acquire the entire share capital of China Mineral Resource Limited ("CMR") for an aggregate consideration of HK$450,000,000. The Group understands from the vendor that CMR owned the rights of exploration and exploitation of an iron ore mine in Mongolia. On 28 November 2007, the Company received a final draft of the technical report from the technical adviser appointed by the Company. Given that the directors were not satisfied with the results of such technical due diligence, the Company had re-negotiated with the vendor regarding the terms and conditions of the Conditional Acquisition Agreement. As the Company was unable to reach any agreement with the vendor, the Company served a notice of termination of the Conditional Acquisition Agreement to the vendor on 1 February 2008. There is no impact on the business or financial of the Group as a result of the termination of the Conditional Acquisition Agreement.

FINANCIAL RESOURCES, BORROWINGS AND CAPITAL STRUCTURE

As at 31 December 2007, the Group's non-current assets amounted to HK$2,995,624,000 (2006: HK$20,000,000) and net current assets amounted to HK$1,742,672,000 (2006: HK$109,976,000) with a current ratio of 158.7 times (2006: 1.7 times) calculated on the basis of the Group's current assets over current liabilities.

All the Group's borrowings are arranged on a short-term basis in Hong Kong Dollars, repayable within one year and secured by marketable securities. The Group's financial structure was tremendously improved during the year as a result of a series of fund raising exercises. As at 31 December 2007, the Group had borrowings of HK$1,797,000 (2006: HK$141,612,000) and a gearing ratio of 0% (2006: 49.9%) calculated on the basis of the Group's net borrowings (after cash and cash equivalents) over the sum of total equity and net borrowings.

During the year under review, the capital base of the Company was successfully strengthened by way of rights issue of 1,259 million shares at HK$0.3 per share raising gross proceeds of HK$378 million and by way of various placements of 800 million shares at HK$0.3 per share in February 2007, 665 million shares at HK$1.29 per share in July 2007 and 400 million shares at HK$1.48 per share in October 2007 raising gross proceeds of HK$240 million, HK$858 million and HK$592 million respectively financing the Group's investments in resources-based sector.

FOREGIN EXCHANGE EXPOSURE

For the year under review, the Group's assets were mainly denominated in Australian Dollar while the liabilities were mainly denominated in Hong Kong Dollar. As a substantial portion of the assets was held as long-term investments, there would be no material immediate effect on the cash flow of the Group. In light of this, the Group did not actively hedge for the risk arising from the Australian Dollar denominated assets.

PLEDGE OF ASSETS

As at 31 December 2007, the Group's trading securities of HK$3,628,045,000 (2006: HK$225,229,000) were pledged to a stock-broking firm to secure short term credit facility granted to the Group and the Group's bank deposits of HK$10,526,000 (2006: HK$10,098,000) were pledged to a bank to secure banking facilities granted to the Group.

EMPLOYEES AND REMUNERATION POLICY

As at the date of this report, the Group has 23 employees. The Group ensured that its employees are remunerated according to the prevailing manpower market conditions and individual performance with its remuneration policies reviewed on a regular basis.

PROSPECT

Mr. Liu Yongshun was appointed as the Chief Executive Officer of the Company in July 2007. He is experienced in raw material supply management for iron and steel making, technology development and management, purchase and logistics management, mineral resource development, project management and raw material trading and contributes to the Company's business growth and expansion into the resources industry. After the introduction of a new management team by Mr. Liu, the Group added trading in iron ore as a supplementary business strategy by utilizing the expertise of Mr. Liu and the other members of the Company's new management team. The corporate strategies of trading and investment in resources related business which include i) attracting small to mid-sized PRC steel mills to become strategic shareholders in the Company and consolidating their demand for resources, ii) securing long term production iron ore off-take for the small to mid-sized PRC steel mills, iii) creating a direct and efficient platform for small to mid-sized PRC steel mills to trade and invest in overseas resources and iv) identifying quality investments in the resources related sector and investment in resources assets either through corporate investments or direct project interests.

Due to the increasing global demand for resources and commodities together with robust economies of China and India, the Group is optimistic about the outlook on resource-based sector. In line with this, the Group has already strengthened its business in trading of base metals and resources related commodities in the first quarter of the year 2008.

On the other hand, given the recent global financial turmoil and possible recession in the US economy, the Group will be more cautious in its investment activities in 2008. With strong financial position, however, the Group will continue to identify, evaluate and acquire strategic interests in quality natural resources assets in order to maximize returns for shareholders.

APPRECIATION

On behalf of the Board, I would like to take this opportunity to extend my sincere appreciation to our shareholders for their continued support and to my fellow directors, the management and staff for their contributions and endeavor and hard work. I am also grateful to our shareholders and institutional investors for their support of our business strategies, as well as the banking community for their confidence, encouragement and recognition.

Cao Zhong
Chairman

Hong Kong, 16 April 2008

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

PRINCIPAL ACTIVITIES

The Company is an investment holding company. The principal activities of its subsidiaries are set out in Note 35 to the financial statements.

RESULTS

The results of the Group for the year ended 31 December 2007 are set out in the consolidated income statement on page 29.

SEGMENTAL INFORMATION

An analysis of the Group's turnover and contribution to results by business activities for the year ended 31 December 2007 is set out in Note 5 to the financial statements.

SHARE CAPITAL

Details of movements in share capital of the Company during the year are set out in Note 23 to the financial statements.

RESERVES

Details of movements in reserves of the Company and of the Group during the year are set out in Note 26 to the financial statements and in the consolidated statement of changes in equity on page 32, respectively.

PROPERTY, PLANT AND EQUIPMENT

Details of movements in property, plant and equipment during the year are set out in Note 14 to the financial statements.

DIRECTORS

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

Executive Directors:

Mr. Cao Zhong *(Chairman)*	(appointed as Executive Director on 26 April 2007 and re-designated as Chairman and Executive Director on 3 May 2007)
Mr. Liu Yongshun *(Chief Executive Officer)*	(appointed as Non-Executive Director on 29 May 2007 and re-designated as Chief Executive Officer and Executive Director on 27 July 2007)
Mr. Zhou Luyong *(Deputy Chief Executive Officer)*	(appointed as Non-Executive Director on 29 May 2007 and re-designated as Deputy Chief Executive Officer and Executive Director on 27 July 2007)
Ms. Chong Sok Un	(appointed on 6 July 2007)
Mr. Chen Zhaoqiang	(appointed as Non-Executive Director on 6 July 2007 and re-designated as Executive Director on 7 September 2007)
Mr. Yue Jialin	
Mr. Lau Yau Cheung	(resigned on 31 October 2007)
Mr. Michael Joseph Bogue	(resigned on 8 June 2007)

Independent Non-Executive Directors :

Mr. Wong Wing Kuen, Albert	
Mr. Chang Chu Fai, Johnson Francis	(appointed on 6 July 2007)
Mr. Alan Stephen Jones	(appointed on 27 July 2007)
Mr. Robert Moyse Willcocks	(appointed on 27 July 2007)
Mr. Yang Weiming	(resigned on 27 July 2007)
Mr. Tsui Robert Che Kwong	(resigned on 1 November 2007)

In accordance with Bye-laws 86 and 87 of the Company's Bye-laws, Mr. Cao Zhong, Mr. Liu Yongshun, Mr. Zhou Luyong, Ms. Chong Sok Un, Mr. Chen Zhaoqiang, Mr. Wong Wing Kuen, Albert, Mr. Chang Chu Fai, Johnson Francis, Mr. Alan Stephen Jones and Mr. Robert Moyse Willcocks will retire at the forthcoming annual general meeting and, being eligible, offer themselves for re-election.

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

DIRECTORS' INTERESTS IN SHARES, UNDERLYING SHARES AND DEBENTURES

As at 31 December 2007, the interests and short positions held by each director and chief executive of the Company and their associates in the shares, underlying shares or debentures of the Company or any of its associated corporations, if any, (within the meaning of Part XV of the Securities and Futures Ordinance ("SFO")), as recorded in the register required to be kept by the Company under section 352 of the SFO or otherwise notified to the Company and The Stock Exchange of Hong Kong Limited (the "Stock Exchange") pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers ("Model Code") contained in the Rules Governing the Listing of Securities on the Stock Exchange were as follows:

Long positions in shares and underlying shares of the Company

		Number of shares/underlying shares held in the Company			
Name of Directors	**Capacity in which interests are held**	**Interests in shares**	**Interests under equity derivatives**	**Total Interests**	**Total interests as to % to the issued share capital of the Company as at 31 December 2007** *(Note 1)*
Mr. Cao Zhong	Beneficial owner	—	133,000,000 *(Note 2)*	133,000,000	2.81%
Mr. Liu Yongshun	Beneficial owner	—	150,000,000 *(Note 2)*	150,000,000	3.17%
Ms. Chong Sok Un ("Ms. Chong")	Beneficial owner and interest of controlled corporation *(Note 3)*	598,120,000	115,000,000 *(Note 2 & 4)*	713,120,000 *(Note 5)*	15.09%
Mr. Zhou Luyong	Beneficial owner	—	33,000,000 *(Note 2)*	33,000,000	0.70%
Mr. Chen Zhaoqiang	Beneficial owner	—	33,000,000 *(Note 2)*	33,000,000	0.70%
Mr. Yue Jialin ("Mr. Yue")	Interest of controlled corporation *(Note 6)*	368,399,602	119,339,960	487,739,562 *(Note 7)*	10.32%
Mr. Wong Wing Kuen, Albert	Beneficial owner	—	3,000,000 *(Note 2)*	3,000,000	0.06%
Mr. Chang Chu Fai, Johnson Francis	Beneficial owner	—	2,000,000 *(Note 2)*	2,000,000	0.04%

DIRECTORS' INTERESTS IN SHARES, UNDERLYING SHARES AND DEBENTURES *(CONTINUED)*

Notes:

1. The percentage of shareholding was calculated on the basis of the Company's issued share capital of 4,726,291,055 shares as at 31 December 2007.

2. The relevant interests are share options granted pursuant to the Company's share option scheme adopted on 22 September 2004 (the "Scheme"). Upon exercise of the share options in accordance with the Scheme, ordinary shares of HK$0.10 each in the share capital of the Company are issuable. The share options are personal to the respective Directors and the holders thereof are entitled to subscribe for shares of the Company at an exercise price and exercise period as disclosed in the section headed "SHARE OPTION SCHEME" in Note 24 to the financial statements.

3. These shares are held by Sparkling Summer Limited ("Sparkling Summer"), which is an indirectly owned subsidiary of COL Capital Limited ("COL"). COL is 38.56 per cent. owned by Vigor Online Offshore Limited which in turn is a wholly-owned subsidiary of China Spirit Limited in which Ms. Chong maintains 100 per cent. beneficial interest.

4. This represented 110,000,000 share options granted to Ms. Chong and an interest in 5,000,000 units of warrants giving rise to an interest in 5,000,000 underlying shares held by Sparkling Summer.

5. This represented an interest in 598,120,000 shares, 110,000,000 share options granted to Ms. Chong and an interest in 5,000,000 units of warrants giving rise to an interest in 5,000,000 underlying shares held by Sparkling Summer. The warrants entitle the holders to subscribe at any time during the period from 5 February 2007 to 4 February 2010 (both days inclusive) for fully paid shares at an initial subscription price of HK$0.30 per share (subject to adjustment).

6. These shares are registered/will be registered (as the case may be) in the name of and beneficially owned by Profit Harbour Investments Limited ("Profit Harbour").

7. This represented an interest in 368,399,602 shares and an interest in 119,339,960 units of warrants giving rise to an interest in 119,339,960 underlying shares. The warrants entitle the holders to subscribe at any time during the period from 5 February 2007 to 4 February 2010 (both days inclusive) for fully paid Shares at an initial subscription price of HK$0.30 per share (subject to adjustments).

Save as disclosed above, as at 31 December 2007, none of the Company's directors, chief executive or their respective associates had any other personal, family, corporate and other interests or short positions in shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) as recorded in the register required to be kept under section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.

SHARE OPTION SCHEME

The detailed disclosures relating to the Company's share option scheme and valuation of options are set out in Note 24 to the financial statements.

ARRANGEMENTS TO PURCHASE SHARES OR DEBENTURES

Save as disclosed under the section headed "DIRECTORS' INTERESTS IN SHARES, UNDERLYING SHARES AND DEBENTURES" and Note 24 to the financial statements, at no time during the year was the Company or any of its subsidiaries a party to any arrangements to enable the directors of the Company, their respective spouse or children under 18 years of age to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate.

DIRECTORS' INTERESTS IN CONTRACTS OF SIGNIFICANCE

No contracts of significance, to which the Company or any of its 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 31 December 2007, the following persons, other than a director or chief executive of the Company or any of its subsidiaries, were interested or had short positions in more than 5% of the shares and underlying shares of the Company or its subsidiaries according to the register required to be kept under section 336 of the SFO in the respective amounts as follows:

Long positions in shares and the underlying shares of the Company

Name of Shareholders	Capacity in which interests are held	Number of shares/underlying shares held in the Company: Interests in shares	Interests under equity derivatives	Total interests	Total interests as to % to the issued share capital of the Company as at 31 December 2007 *(Note 1)*
Benefit Rich Limited ("Benefit")	Interest of controlled corporation *(Note 3)*	600,000,000	60,000,000	660,000,000 *(Note 2)*	13.96%
Easymade Investments Limited ("Easymade")	Interest of controlled corporation *(Note 3)*	100,000,000	—	100,000,000	2.12%
Shougang Holding (Hong Kong) Limited ("Shougang")	Beneficial owner *(Note 4)*	700,000,000	60,000,000	760,000,000	16.08%
COL	Interest of controlled corporation *(Note 5)*	598,120,000	5,000,000 *(Note 6)*	603,120,000 *(Note 7)*	12.76%
Ms. Chong	Beneficial owner and interest of controlled corporation *(Note 8)*	598,120,000	115,000,000 *(Note 6)*	713,120,000 *(Note 7)*	15.09%

SUBSTANTIAL SHAREHOLDERS *(CONTINUED)*

Name of Shareholders	Capacity in which interests are held	Number of shares/underlying shares held in the Company: Interests in shares	Interests under equity derivatives	Total interests	Total interests as to % to the issued share capital of the Company as at 31 December 2007 *(Note 1)*
Profit Harbour	Interest of controlled corporation *(Note 9)*	368,399,602	119,339,960	487,739,562 *(Note 10)*	10.32%
Mr. Yue	Beneficial owner and interest of controlled corporation	368,399,602	119,339,960	487,739,562 *(Note 10)*	10.32%
Baring Asset Management Limited	Interest of controlled corporation	303,320,000	—	303,320,000	6.42%
Northern Trust Fiduciary Services (Ireland) Limited on behalf of Baring Hong Kong China Fund	Interest of controlled corporation	272,260,000	—	272,260,000	5.76%

Notes:

1. The percentage of shareholding is calculated on the basis of the Company's issued share capital of 4,726,291,055 shares as at 31 December 2007.

2. This represented an interest in 600,000,000 shares and an interest in 60,000,000 units of warrants giving rise to an interest in 60,000,000 underlying shares. The warrants entitle the holders to subscribe at any time during the period from 5 February 2007 to 4 February 2010 (both days inclusive) for fully paid shares at an initial subscription price of HK$0.30 per share (subject to adjustments).

3. Benefit and Easymade were wholly-owned subsidiaries of Shougang as at 31 December 2007.

4. Benefit and Easymade were wholly-owned subsidiaries of Shougang as at 31 December 2007. As a result, Shougang was deemed to have the same long position as Benefit and Easymade under the SFO.

5. These shares are held by Sparkling Summer Limited ("Sparkling Summer"), which is an indirectly owned subsidary of COL. COL is 38.56 per cent. owned by Vigor Online Offshore Limited which in turn is a wholly-owned subsidiary of China Spirit Limited ("China Spirit") in which Ms. Chong maintains 100 per cent. beneficial interest. COL was therefore deemed to have interests in the shares and underlying shares in which Sparkling Summer was interested.

6. This represented 110,000,000 share options granted to Ms. Chong and an interest in 5,000,000 units of warrants giving rise to an interest in 5,000,000 underlying shares held by Sparkling Summer. The warrants entitle the holders to subscribe at any time during the period from 5 February 2007 to 4 February 2010 (both days inclusive) for fully paid shares at an initial subscription price of HK$0.30 per share (subject to adjustment).

SUBSTANTIAL SHAREHOLDERS *(CONTINUED)*

Notes: (Continued)

7. This represented an interest in 598,120,000 shares, 110,000,000 share options granted to Ms. Chong and an interest in 5,000,000 units of warrants giving rise to an interest in 5,000,000 underlying shares held by Sparkling Summer.

8. Ms. Chong was deemed to have interests in the shares and underlying shares of the Company through her 100% interest in China Spirit.

9. The entire issued share capital of Profit Harbour is owned by Mr. Yue.

10. This represented an interest in 368,399,602 shares and an interest in 119,339,960 units of warrants giving rise to an interest in 119,339,960 underlying shares. The warrants entitle the holders to subscribe at any time during the period from 5 February 2007 to 4 February 2010 (both days inclusive) for fully paid Shares at an initial subscription price of HK$0.30 per share (subject to adjustments). Mr. Yue is deemed to have interests in these shares and the underlying shares of the Company through his 100% interests in Profit Harbour.

Save as disclosed above, no other person had interest or short position in the shares underlying shares of the Company or its subsidiaries, which are recorded in the register required to be kept by the Company pursuant to section 336 of the SFO as at 31 December 2007.

DIRECTORS' INTERESTS IN COMPETING BUSINESSES

The Directors are of the opinion that during the year ended 31 December 2007, the Directors of the Company had no interests in any businesses which compete or are likely to compete, either directly or indirectly, with the businesses of the Group.

PURCHASE, SALE AND REDEMPTION OF THE COMPANY'S LISTED SECURITIES

During the year, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities on the Stock Exchange, save for the new shares issued as follows:

Date	Nature of Transaction	Number of Shares Issued	Price per Share	Aggregate Consideration
1 February 2007	Rights issue on the basis of one new share for every existing share	1,259,000,000	HK$0.30	HK$377.7 million
28 February 2007	Placing of shares	800,000,000	HK$0.30	HK$240 million
20 July 2007	Placing of shares	665,000,000	HK$1.29	HK$857.8 million
17 October 2007	Placing of shares	400,000,000	HK$1.48	HK$592 million
15 November 2007	Allotment and issue of shares for acquisition of equity interests in China Primary Resources Holdings Limited ("CPR")	287,637,505	N/A	862,912,520 shares of CPR
From 28 February 2007 to 31 December 2007	Exercise of warrants *(Note)*	55,653,550	HK$0.30	HK$16.7 million
	Total number of shares issued	3,467,291,055		

Note: On 5 February 2007, the Company issued a total of 251,800,000 bonus warrants as a result of the rights issue completed on 1 February 2007.

MAJOR CUSTOMERS AND SUPPLIERS

During the year, the Group's five customers in aggregate accounted for approximately 37.88% of the turnover of the Group and the largest customer accounted for approximately 16.42% of the total turnover of the Group.

The aggregate purchases attributable to the Group's three suppliers during the year accounted for the entire purchases of the Group and the largest supplier accounted for approximately 52.53% of the total purchases of the Group.

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 owns more than 5% of the Company's issued share capital, have an interest in any of the five largest customers and any of the three suppliers of the Group.

EMOLUMENT POLICY

The Group's employees are selected, remunerated and promoted based on their merit, qualifications and competence.

The emoluments of the directors of the Company are decided by the Remuneration Committee, having regard to the directors' duties and responsibilities within the Group and the prevailing market conditions.

The Company has adopted a share option scheme to provide incentives to directors, employees and consultants. The details of the scheme are set out in note 24 to the financial statements.

PRE-EMPTIVE RIGHTS

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

POST BALANCE SHEET EVENTS

Details of the significant post balance sheet events are set out in Note 34 to the financial statements.

PUBLIC FLOAT

As at the date of this report, the Company has maintained a sufficient public float under the Listing Rules, based on the information that is publicly available to the Company and within the knowledge of its Directors.

AUDITORS

Messrs. Deloitte Touche Tohmatsu resigned as auditors of the Company on 22 March 2006. Messrs. Graham H.Y. Chan & Co. was appointed to fill the vacancy on 12 April 2006.

The financial statements for the year ended 31 December 2007 were audited by Graham H. Y. Chan & Co. A resolution to re-appoint Messrs. Graham H. Y. Chan & Co. as auditors of the Company will be proposed at the forthcoming annual general meeting.

On behalf of the Board

Cao Zhong
Chairman

Hong Kong, 16 April 2008

The Company strives to attain and maintain a high standard of corporate governance as it believes that effective corporate governance practices are fundamental to enhancing shareholders' value and safeguarding interests of shareholders and other stakeholders. Accordingly, the Board attributes a high priority to identifying and implementing appropriate corporate governance practices to ensure transparency, accountability and effective internal controls.

CODE OF CORPORATE GOVERNANCE PRACTICES

For the year ended 31 December 2007, the Company has complied with the code provisions of The Code on Corporate Governance Practices ("CG Code") as set out in Appendix 14 of the Rules Governing the Listing of Securities (the "Listing Rules") on The Stock Exchange of Hong Kong Limited (the "Stock Exchange"), except for the deviation in respect of the specific term of non-executive Directors' appointment under the code provision A.4.1 of the CG Code which is detailed below.

THE BOARD

The Board is charged with the responsibility of the leadership and control of the Group. The Board promotes the success of the Group and makes decisions objectively in the best interests of the Group. The Board's role is mainly to direct and supervise the affairs of the Group, establishing its strategic direction and setting objectives and business development plans. In addition, the Board has also delegated various responsibilities to the Board committees.

During the year, 26 Board meetings were held and the attendance of each director is set out as follows:

		Number of Board meetings attended/eligible to attend
Executive Directors:		
Mr. Cao Zhong *(Chairman)*	(appointed as Executive Director on 26 April 2007 and re-designated as Chairman and Executive Director on 3 May 2007)	8/8
Mr. Liu Yongshun *(Chief Executive Officer)*	(appointed as Non-Executive Director on 29 May 2007 and re-designated as Chief Executive Officer and Executive Director on 27 July 2007)	5/6
Mr. Zhou Luyong *(Deputy Chief Executive Officer)*	(appointed as Non-Executive Director on 29 May 2007 and re-designated as Deputy Chief Executive Officer and Executive Director on 27 July 2007)	5/6
Ms. Chong Sok Un	(appointed on 6 July 2007)	2/3
Mr. Chen Zhaoqiang	(appointed as Non-Executive Director on 6 July 2007 and re-designated as Executive Director on 7 September 2007)	2/3
Mr. Yue Jialin		25/26
Mr. Lau Yau Cheung	(resigned on 31 October 2007)	26/26
Mr. Michael Joseph Bogue	(resigned on 8 June 2007)	19/20

		Number of Board meetings attended/eligible to attend
Independent Non-Executive Directors:		
Mr. Wong Wing Kuen, Albert		22/26
Mr. Chang Chu Fai, Johnson Francis	(appointed on 6 July 2007)	3/3
Mr. Alan Stephen Jones	(appointed on 27 July 2007)	1/1
Mr. Robert Moyse Willcocks	(appointed on 27 July 2007)	1/1
Mr. Yang Weiming	(resigned on 27 July 2007)	18/25
Mr. Tsui Robert Che Kwong	(resigned on 1 November 2007)	23/26

Every Director is entitled to have access to Board papers and related materials and has access to the advice and services of the Company Secretary, and has the liberty to seek independent professional advice if so required. Directors will be continuously updated on the major development of the Listing Rules and other applicable regulatory requirements to ensure compliance and upkeep of good corporate governance practices.

CHAIRMAN AND CHIEF EXECUTIVE OFFICER

The Chairman and the Chief Executive Officer of the Company are Mr. Cao Zhong and Mr. Liu Yongshun respectively. The roles of the Chairman and the Chief Executive Officer are segregated and assumed by two separate individuals who have no relationship with each other to strike a balance of power and authority so that the job responsibilities are not concentrated on any one individual. The Chairman of the board is responsible for the leadership and effective running of the board, while the Chief Executive Officer is delegated with the authorities to manage the business of the Group in all respects effectively.

BOARD COMPOSITION

The Board currently comprises ten Directors, with six Executive Directors and four Independent Non-Executive Directors. The composition of the Board is set out as follow:

Executive Directors:

Mr. Cao Zhong	*(Chairman)*
Mr. Liu Yongshun	*(Chief Executive Officer)*
Mr. Zhou Luyong	*(Deputy Chief Executive Officer)*
Ms. Chong Sok Un	
Mr. Chen Zhaoqiang	
Mr. Yue Jialin	

Independent Non-Executive Directors:

Mr. Wong Wing Kuen, Albert
Mr. Chang Chu Fai, Johnson Francis
Mr. Alan Stephen Jones
Mr. Robert Moyse Willcocks

The Board members have no financial, business, family or other material relationships with each other. Such balanced board composition is formed to ensure strong independence exists across the Board and has met the recommended best practice under the CG Code for the Board to have at least one-third in number of its members comprising Independent Non-Executive Directors ("INEDs"). At least one of the INEDs has appropriate professional qualifications or accounting or related financial management expertise under Rule 3.10 of the Listing Rules. The brief biographical details of the Directors are set out in pages 3 to 5, which demonstrates a diversity of skills, expertise, experience and qualifications. The Board has received annual confirmation of independence from the Independent Non-Executive Directors and considers all of them to be independent pursuant to Rule 3.13 the Listing Rules.

APPOINTMENTS AND RE-ELECTION OF DIRECTORS

All the INEDs were not appointed for a specific term since they are subject to retirement by rotation and re-election at least once every three years at the annual general meetings of the Company in accordance with the relevant provisions of the Company's Bye-laws. As such, the Company considers that sufficient measures have been taken to ensure the Company's corporate practices are no less exacting than those in CG Code.

REMUNERATION COMMITTEE

The Remuneration Committee comprises two executive Directors and the four INEDs, namely, Mr. Cao Zhong, Ms. Chong Sok Un, Mr. Wong Wing Kuen, Albert, Mr. Chang Chu Fai, Johnson Francis, Mr. Alan Stephen Jones and Mr. Robert Moyse Willcocks. The Remuneration Committee is provided with sufficient resources to discharge its duties and has access to independent professional advice in accordance with the Company's policy if considered necessary.

The written terms of reference have been formulated to stipulate the authorities and duties of the Remuneration Committee which conform to the code provisions of the CG Code.

The Remuneration Committee shall meet at least once a year. During the year, one meeting was held by the Remuneration Committee and attended by all members.

Details of the Directors' emoluments are set out in Note 10 to the financial statements of this annual report.

The primary duties of the Remuneration Committee are:

1. to make recommendations to the Board on the Company's policy and structure for all remuneration of Directors and senior management and on the establishment of a formal and transparent procedure for developing policy on such remuneration;

2. to have the delegated responsibility to determine the specific remuneration packages of all executive Directors and senior management, including benefits in kind, pension rights and compensation payments, including any compensation payable for loss of office or termination of their office or appointment, and make recommendations to the Board of the remuneration of non-executive Directors.

3. to review and approve performance-based remuneration by reference to corporate goals and objectives resolved by the Board from time to time;

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

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

6. to ensure that no Director or any of his associates is involved in deciding his own remuneration; and

7. to advise shareholders on how to vote with respect to any service contracts of directors that require shareholders' approval under Listing Rules.

AUDIT COMMITTEE

The Audit Committee comprises the four INEDs, namely, Mr. Wong Wing Kuen, Albert as chairman, Mr. Chang Chu Fai, Johnson Francis, Mr. Alan Stephen Jones and Mr. Robert Moyse Willcocks. To retain independence and objectivity, the Audit Committee has been chaired by an INED with appropriate professional qualifications or accounting or related financial management expertise.

The written terms of reference have been formulated to stipulate the authorities and duties of the Audit Committee which conform to the code provisions of the CG Code.

The Audit Committee shall meet at least twice a year. During the year, two meetings were held by the Audit Committee and attended by all members.

The primary duties of the Audit Committee are:

1. to recommend to the Board on the appointment, re-appointment and removal of the external auditors and to approve the remuneration and terms of engagement of the external auditors, and any questions of resignation or dismissal of such auditors;

2. to consider and discuss with the external auditors the nature and scope of each year's audit;

3. to review and monitor the external auditors' independence and objectivity;

4. to review the interim and annual financial statements before submission to the Board and to discuss any problem and reservation arising therefrom;

5. to review the external auditor's management letters and management's response;

6. to review the Group's financial controls, internal control and risk management systems; and

7. to consider any findings of major investigations of internal control matters as delegated by the Board and management's response.

During the year, the Audit Committee reviewed and discussed the financial reporting matters, including the review of the interim and annual financial statements.

DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as set out in Appendix 10 of the Listing Rules as its code for securities transactions by Directors ("Code for Securities Transactions"). All Directors have confirmed, following specific enquiry by the Company, that they had complied with the Code for Securities Transaction for the year ended 31 December 2007.

ACCOUNTABILITY AND AUDIT

The Directors acknowledge their responsibility for preparing, with the support from the finance department, the consolidated financial statements for each financial year which give true and fair view of the state of affairs of the Group in presenting the interim and annual financial statements, and announcements to shareholders. The Directors aim to present a clear and understandable assessment of the Group's position and prospects. The Board is not aware of any material uncertainties relating to events or conditions that may cast significant doubt upon the Group's ability to continue as a going concern, the Board therefore continues to adopt the going concern approach in preparing the accounts. The Board acknowledges its responsibility to present a clear and understandable assessment in the Company's annual and interim reports, other price-sensitive announcement and other financial disclosures required under the Listing Rules, and reports to the regulators.

The responsibility of the external auditors with respect to the financial reporting are set out in the section "Independent Auditors' Report" on page 27.

INTERNAL CONTROLS

The Board is responsible for overseeing the Group's system of internal controls. However, such a system is designed to manage the Group's risks within an acceptable risk profile, rather than to eliminate the risk of failure, to achieve the business objectives of the Group. Accordingly, it can only provide reasonable assurance but not absolute assurance against material misstatement of management and financial information and records or against financial losses or fraud.

The Board, through the Audit Committee, has discussed the effectiveness of the internal controls of the Group. The Board is of the view that the system of internal controls in place for the year under review and up to the date of issuance of the annual report and financial statements is sufficient to safeguard the interests of the shareholders and the Group's assets.

AUDITORS' REMUNERATION

During the year under review, the remuneration paid/payable to the Company's auditors, Messrs Graham H. Y. Chan & Co. is set out as follows:

Services rendered	**Fee paid/payable**
	HK$'000
Audit services	330
Non-audit services	
- review of interim report	111
- services relating to circular	529
	970

COMMUNICATIONS WITH SHAREHOLDERS

The Board recognizes the importance of good communication with shareholders. Information in relation to the Group is disseminated to shareholders in a timely manner through a number of formal channels, which include interim and annual reports, announcements and circulars.

The Company's general meetings are valuable forum for the Board to communicate directly with the shareholders. Shareholders are encouraged to attend the general meetings of the Company.

The Chairman of the Board as well as the Chairman of the Audit Committee and Remuneration Committee were presented to answer any questions from the shareholders at the Company's 2007 Annual General Meeting ("AGM").

Circulars had been distributed to all shareholders at least 21 days prior to the Company's 2007 AGM and at least 14 days prior to the special general meetings of the Company convened during 2007 ("SGM"), setting out details of each proposed resolution, voting procedures (including procedures for demanding and conducting a poll) and other relevant information. The Chairman had explained the procedures for demanding and conducting a poll again at the beginning of the Company's 2007 AGM and revealed how many proxies for and against have been received in respect of each resolution. All substantive resolutions at the SGMs were decided on a poll which were conducted by the Chairman and scrutinized by the Company's Hong Kong Branch Share Registrars. All the resolutions put to shareholders at the SGM, were passed. The results of the poll were published on the website of Stock Exchange and/or in local newspapers.

The forthcoming AGM of the Company will be held on 6 June 2008 and the notice of such AGM will be published on the websites of the Stock Exchange at www.hkexnews.hk and the Company at www.irasia.com/listco/hk/apac/index.htm, and, dispatched to shareholders of the Company on or arourd 30 April 2008.

事務所 會計師 陳浩賢

GRAHAM H.Y. CHAN & CO.
CERTIFIED PUBLIC ACCOUNTANTS
HONG KONG

TO THE SHAREHOLDERS OF APAC RESOURCES LIMITED

(incorporated in Bermuda with limited liability)

We have audited the consolidated financial statements of APAC Resources Limited (the "Company") set out on pages 29 to 83, which comprise the consolidated and Company balance sheets as at 31 December 2007, and the consolidated income statement, the consolidated statement of changes in equity and the consolidated cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory notes.

DIRECTORS' RESPONSIBILITIES FOR THE FINANCIAL STATEMENTS

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

AUDITOR'S RESPONSIBILITY

Our responsibility is to express an opinion on these financial statements based on our audit. Our report is made solely to you, as a body, in accordance with Section 90 of the Bermuda Companies Act 1981, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

We conducted our audit in accordance with Hong Kong Standards on Auditing issued by the Hong Kong Institute of Certified Public Accountants. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance as to whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risk of material misstatement of the 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 financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial statements.

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

OPINION

In our opinion, the consolidated financial statements give a true and fair view of the state of affairs of the Company and of the Group as at 31 December 2007 and of the Group's profit and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards and have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

Graham H. Y. Chan & Co.
Certified Public Accountants (Practising)
Unit 1, 15/F., The Center,
99 Queen's Road Central,
Hong Kong

16 April 2008

Consolidated Income Statement

For the Year Ended 31 December 2007

	Note	2007 HK$'000	2006 HK$'000
Turnover	4	**65,348**	22,773
Gain on disposal of available-for-sale investment		**19,646**	—
Net gain from sale of trading securities		**—**	910
Revenue from sales of goods		**24,751**	19,920
Unrealised gain on trading securities		**566,796**	38,743
Interest income		**14,360**	1,181
Other operating income		**80**	419
Purchases		**(24,055)**	(19,568)
Equity-settled share option expenses		**(214,889)**	—
Salaries and allowances		**(8,041)**	(3,354)
Operating lease rental on buildings		**(1,584)**	(366)
Gain on disposal of a subsidiary	6	**1,536**	—
Impairment of goodwill		**—**	(3,116)
Other operating expenses		**(21,678)**	(7,396)
Finance costs	7	**(11,609)**	(2,153)
Profit before taxation	8	**345,313**	25,220
Income tax expense	9	**—**	(238)
Profit for the year		**345,313**	24,982
Attributable to:			
Equity shareholders of the company		**345,313**	24,982
Minority interests		**—**	—
Profit for the year		**345,313**	24,982
Dividends	12	**—**	—
Earnings per share attributable to equity shareholders of the Company			
– basic (HK Cents per share)	13	**9.78**	3.10
– diluted (HK Cents per share)		**9.39**	N/A

Consolidated Balance Sheet

As at 31 December 2007

	Note	2007	2006
		HK$'000	HK$'000
Non-current assets			
Property, plant and equipment	14	**2,198**	—
Deposit for acquisition of available-for-sale investment		**—**	20,000
Available-for-sale investment	16	**2,993,426**	—
		2,995,624	20,000
Current assets			
Inventories	17	**—**	1,494
Trade and other receivables	18	**233,296**	8,460
Trading securities	19	**814,957**	227,039
Pledged bank deposits		**10,526**	10,098
Cash and cash equivalents	20	**694,945**	12,282
		1,753,724	259,373
Current liabilities			
Trade and other payables	21	**9,018**	7,585
Margin financing	22	**1,797**	141,612
Income tax payable		**237**	200
		11,052	149,397
Net current assets		**1,742,672**	109,976
Total assets less current liabilities		**4,738,296**	129,976
Capital and reserves			
Share capital	23	**472,629**	125,900
Reserves		**4,265,667**	4,076
Total equity attributable to equity shareholders of the Company		**4,738,296**	129,976

The financial statements on pages 29 to 83 were approved and authorised for issue by the Board of Directors on 16 April 2008 and are signed on its behalf by:

Cao Zhong
Director

Liu Yongshun
Director

Balance Sheet

As At 31 December 2007

	Note	2007 HK$'000	2006 HK$'000
Non-current assets			
Property, plant and equipment	14	**2**	—
Investments in subsidiaries	15	**1,726,686**	90,065
		1,726,688	90,065
Current assets			
Other receivables		**447**	478
Bank balances and cash		**592,708**	7,093
		593,155	7,571
Current liabilities			
Other payables		**8,324**	4,602
Net current assets		**584,831**	2,969
Total assets less current liabilities		**2,311,519**	93,034
Capital and reserves			
Share capital	23	**472,629**	125,900
Reserves	26	**1,838,890**	(32,866)
Total equity		**2,311,519**	93,034

Cao Zhong
Director

Liu Yongshun
Director

Consolidated Statement of Changes in Equity

For the Year Ended 31 December 2007

	Attributable to equity shareholders of the Company							
	Share Capital HK$'000	Share Premium HK$'000	Special Reserve HK$'000	Investment Revaluation Reserve HK$'000	Exchange Reserve HK$'000	Share Option Reserve HK$'000	Retained Earnings/ (Accumulated Losses) HK$'000	Total HK$'000
At 1 January 2007	125,900	105,470	(14,980)	—	—	—	(86,414)	129,976
Changes in equity for 2007								
Fair value change in available-for-sale investments and total income recognised directly in equity	—	—	—	1,817,762	—	—	—	1,817,762
Currency translation differences	—	—	—	—	1,350	—	—	1,350
Profit for the year	—	—	—	—	—	—	345,313	345,313
Total recognised income and expenses for the year	—	—	—	1,817,762	1,350	—	345,313	2,164,425
Issue of right shares, net of expenses	125,900	248,778	—	—		—	—	374,678
Issue of placing shares for cash, net of expenses	186,500	1,456,976	—	—		—	—	1,643,476
Issue of shares upon exercise of warrants	5,565	11,131	—	—		—	—	16,696
Issue of shares for acquisition of available-for-sale investments	28,764	165,392	—	—		—	—	194,156
Equity-settled share option expenses	—	—	—			214,889	—	214,889
At 31 December 2007	472,629	1,987,747	(14,980)	1,817,762	1,350	214,889	258,899	4,738,296

Consolidated Statement of Changes in Equity

For the Year Ended 31 December 2007

	Attributable to equity shareholders of the Company							
	Share Capital HK$'000	Share Premium HK$'000	Special Reserve HK$'000	Investment Revaluation Reserve HK$'000	Exchange Reserve HK$'000	Share Option Reserve HK$'000	Retained Earnings/ (Accumulated Losses) HK$'000	Total HK$'000
At 1 January 2006	41,300	106,957	(14,980)	—	—	—	(111,396)	21,881
Changes in equity for 2006								
Profit for the year and total recognised income and expenses	—	—	—	—	—	—	24,982	24,982
Issue of shares upon the conversion of convertible debt	2,000	—	—	—	—	—	—	2,000
Issue of rights shares	82,600	(1,487)	—	—	—	—	—	81,113
	84,600	(1,487)	—	—	—	—	—	83,113
At 31 December 2006	125,900	105,470	(14,980)	—	—	—	(86,414)	129,976

Consolidated Cash Flow Statement

For the Year Ended 31 December 2007

	Note	2007 HK$'000	2006 HK$'000
Operating activities			
Profit before taxation		**345,313**	25,220
Adjustments for:			
Interest on other loans		**6,118**	958
Interest on margin financing account		**5,491**	1,195
Depreciation		**179**	—
Equity-settled share option expenses		**214,889**	—
Unrealised gain on trading securities		**(566,796)**	(38,743)
Gain on disposal of a subsidiary		**(1,536)**	—
Impairment of goodwill		**—**	3,116
Interest income		**(14,360)**	(1,181)
Operating cash flows before changes in working capital		**(10,702)**	(9,435)
Decrease in inventories		**—**	416
(Increase)/decrease in trade and other receivables		**(224,836)**	29,074
Increase/(decrease) in trade and other payables		**3,686**	(626)
Cash (used in)/from operations		**(231,852)**	19,429
Hong Kong profits tax paid		**(13)**	(107)
Hong Kong profits tax refund		**50**	—
Net cash (used in)/from operating activities		**(231,815)**	19,322
Investing activities			
Purchase of property, plant and equipment		**(2,377)**	—
Payment for the purchase of trading securities		**(21,122)**	(188,296)
Payment for the acquisition of available-for-sale investment		**(961,508)**	—
Deposit paid for acquisition of available-for-sale investment		**—**	(20,000)
Acquisition of a subsidiary		**—**	(876)
Disposal of a subsidiary	6	**777**	—
Increase in pledged bank deposits		**(428)**	(6,086)
Interest received		**14,360**	1,181
Net cash used in investing activities		**(970,298)**	(214,077)

Consolidated Cash Flow Statement

For the Year Ended 31 December 2007

	Note	2007	2006
		HK$'000	HK$'000
Financing activities			
Issue of rights shares, net of expenses		**374,678**	81,113
Issue of placing shares, net of expenses		**1,643,476**	—
Issue of share upon exercise of warrants		**16,696**	—
Interest paid		**(11,609)**	(2,153)
Increase in margin financing loan		**—**	141,612
Repayment of margin financing loan		**(139,815)**	—
Repayment of other loans		**—**	(15,000)
Net cash from financing activities		**1,883,426**	205,572
Net increase in cash and cash equivalents		**681,313**	10,817
Effect of foreign exchange rate change		**1,350**	—
Cash and cash equivalents at 1 January		**12,282**	1,465
Cash and cash equivalents at 31 December	20	**694,945**	12,282

1 CORPORATE INFORMATION

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

The Company is an investment holding company. The principal activities of its subsidiaries are set out in note 35.

The financial statements are presented in Hong Kong dollars ("HK$") and all values are rounded to the nearest thousand except when otherwise indicated.

2 SIGNIFICANT ACCOUNTING POLICIES

(a) Statement of compliance

These financial statements have been prepared in accordance with all applicable Hong Kong Financial Reporting Standards (HKFRSs), (which also includes all applicable individual Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards (HKASs) and Interpretations) issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"), accounting principles generally accepted in Hong Kong and the disclosure requirements of the Hong Kong Companies Ordinance. These financial statements also comply with the applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited. A summary of the significant accounting policies adopted by the Company and its subsidiaries (together referred to as the "Group") is set out below.

The HKICPA has issued certain new and revised HKFRSs that are first effective or available for early adoption for the current accounting period of the Group and the Company. Note 3 provides information on any changes in accounting policies resulting from initial application of these developments to the extent that they are relevant to the Group for the current and prior accounting periods reflected in these financial statements.

2 SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(b) Basis of preparation of the financial statements

The consolidated financial statements for the year ended 31 December 2007 comprise the Company and its subsidiaries.

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

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

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

Judgments made by management in the application of HKFRSs that have significant effect on the financial statements and estimates with a significant risk of material adjustment in the next year are discussed in note 33.

(c) Subsidiaries and minority interests

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

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

2 SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

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

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

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

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

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

(d) Property, plant and equipment

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

2 SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(d) Property, plant and equipment *(Continued)*

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

—	Leasehold improvement	over the lease term
—	Office equipment	5 years
—	Computer	5 years
—	Motor vehicles	5 years

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

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. The gain or loss arising on derecognition of the asset is the difference between the net disposal proceeds and the carrying amount of the relevant asset, and is recognised in the income statement in the year in which the asset is derecognised.

(e) Inventories

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

(f) Financial instruments

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

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

2 SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(f) Financial instruments *(Continued)*

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

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

(ii) Available-for-sale investments

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

(iii) Trade and other receivables

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

A provision for impairment of trade receivables is established when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of the receivables. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation, and default or delinquency in payments are considered indicators that the trade receivable is impaired. The amount of the provision is the difference between the asset's carrying amount and the present value of estimate future cash flows, discounted at the effective interest rate. The amount of provision is recognised in the income statement.

(iv) Cash and cash equivalents

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

2 SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(f) Financial instruments *(Continued)*

(iv) Cash and cash equivalents (Continued)

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

(v) Trade and other payables

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

(vi) Interest-bearing borrowings

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

(vii) Share capital

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

(viii) Derecognition of financial assets and liabilities

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 the cumulative gain or loss that had been recognised directly in equity is recognised in the income statement.

For financial liabilities, they are removed from the company's balance sheet when, and only when they are extinguished (i.e. when the obligation specified in the relevant contract is discharged, cancelled or expired). The difference between the carrying amount of the financial liability derecognised and the consideration paid or payable is recognised in the income statement.

2 SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(g) Impairment of assets

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

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

— For trade and other current receivables and other financial assets carried at amortised cost, the impairment loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the financial asset's original effective interest rate (i.e. the effective interest rate computed at initial recognition of these assets), where the effect of discounting is material. Future cash flows for financial assets which are assessed for impairment collectively are based on historical loss experience for assets with credit risk characteristics similar to the collective group.

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

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

Impairment losses recognised in profit or loss in respect of available-for-sale equity securities are not reversed through profit or loss. Any subsequent increase in the fair value of such assets is recognised directly in equity.

(ii) Impairment of non-financial assets

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. 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. Impairment loss is recognised as an expenses immediately.

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.

2 SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(h) Employee benefits

(i) Short term employee benefits in the form of leave

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

Employee entitlement to sick leave and maternity leave are not recognised until the time of leave.

(ii) Retirement benefit costs

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

(iii) Share-based payments

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

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

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

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

2 SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(h) Employee benefits *(Continued)*

(iii) Share-based payments (Continued)

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

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

(i) Income tax

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

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

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

Deferred tax liabilities are recognised for taxable temporary differences associated with investments in subsidiaries, 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. Deferred tax assets arising from deductible temporary differences associated with such investments and interests are only recognised to the extent that it is probable that there will be sufficient taxable profits against which to utilise the benefits of the temporary differences and they are expected to 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 profit will be available to allow all or part of the asset to be recovered.

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

2 SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(i) Income tax *(Continued)*

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Group intends to settle its current tax assets and liabilities on a net basis.

(j) Provisions and contingent liabilities

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

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

(k) Revenue recognition

Revenue is measured at the fair value of the consideration received and receivable.

Sales of investments held for trading are recognised on a trade-date basis when contracts are executed.

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

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

(l) Foreign currencies

These financial statements are presented in Hong Kong dollars, which is the Company's functional and presentation currency.

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

2 SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(l) Foreign currencies *(Continued)*

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

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

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

(m) Borrowing costs

Borrowing costs are expensed in profit or loss in the period in which they are incurred, except to the extent that they are capitalised as being directly attributable to the acquisition, construction or production of qualifying assets, namely assets that necessarily take a substantial period of time to get ready for their intended use or sale.

(n) Leases

Leases are classified as finance leases when the terms of the lease transfer substantially all the risk and rewards of ownership of the assets concerned to the lessee. All other leases are classified as operating leases and annual rentals are charged to the income statement on a straight-line basis over the relevant lease term. Benefits received and receivable as an incentive to enter into an operating lease are recgonised as a reduction of rental expense over the lease term on a straight-line basis.

(o) Segment reporting

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

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

2 SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(o) Segment reporting *(Continued)*

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

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

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

3 ADOPTION OF NEW AND REVISED STANDARDS

The HKICPA has issued a number of new and revised HKFRSs and Interpretations that are first effective or available for early adoption for the current accounting period of the Group and the Company.

There have been no significant changes to the accounting policies applied in these financial statements for the years presented as a result of these developments. However, as a result of the adoption of HKFRS 7, *Financial instruments: Disclosures* and the amendment to HKAS 1, *Presentation of financial statements: Capital disclosures,* there have been some additional disclosures provided as follows:

As a result of the adoption of HKFRS 7, the financial statements included expanded disclosure about the significance of the company's financial instruments and the nature and extent of risks arising from those instruments, compared with the information previously required to be disclosed by HKAS 32, *Financial instruments: Disclosure and presentation.* These disclosures are set out in note 28.

The amendment to HKAS 1 introduces additional disclosure requirements to provide information about the level of capital and the company's objectives, policies and processes for managing capital. These new disclosures are set out in note 23.

Both HKFRS 7 and the amendment to HKAS 1 do not have any material impact on the classification, recognition and measurement of the amounts recognised in the financial statements.

3 ADOPTION OF NEW AND REVISED STANDARDS *(Continued)*

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

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

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

The Group is in the process of making an assessment of the impact of these new and revised HKFRSs upon initial application. So far, it has concluded that while the adoption of HKFRS 8 may result in new or amended disclosures, these new and revised HKFRSs are unlikely to have a significant impact on the Group's results of operations and financial position.

4 TURNOVER

Turnover represents revenue generated from sales of goods as well as revenue from investments, and is analysed as follows:

	2007	2006
	HK$'000	HK$'000
Revenue from sales of base metals	—	5,788
Proceeds from sale of trading securities	—	2,853
Revenue from sales of fabric products and other merchandises	24,751	14,132
Proceeds from sale of available-for-sale investment	40,597	—
	65,348	22,773

5 SEGMENTAL INFORMATION

Primary reporting format – business segments

As at 31 December 2007, the Group comprises the following main business segments:

(i) trading in base metals;

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

(iii) trading and investment of listed securities

5 SEGMENTAL INFORMATION *(Continued)*

Primary reporting format – business segments *(Continued)*

The following tables represent revenue and profit/(loss) information on each of the above business segments for the years ended 31 December 2006 and 2007, and certain assets and liabilities information regarding business segments as at 31 December 2006 and 2007. The comparative figures for the year ended 31 December 2006 were restated to conform to current year presentation.

	Trading in base metals		Trading and investment of listed securities		Trading in fabric products and other merchandises		Consolidated	
	2007	2006	**2007**	2006	**2007**	2006	**2007**	2006
	HK$'000	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000
Revenue from external customers	**—**	5,788	**40,597**	2,853	**24,751**	14,132	**65,348**	22,773
Segment result	**(8)**	(12)	**585,437**	38,882	**1,508**	69	**586,937**	38,939
Unallocated corporate expenses							**(231,551)**	(11,566)
Gain on disposal of a subsidiary							**1,536**	—
Finance costs							**(11,609)**	(2,153)
Profit before taxation							**345,313**	25,220
Income tax expense							**—**	(238)
Profit for the year							**345,313**	24,982

	Trading in base metals		Trading and investment of listed securities		Trading in fabric products and other merchandises		Consolidated	
	2007	2006	**2007**	2006	**2007**	2006	**2007**	2006
	HK$'000	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000
Segment assets	**226,368**	551	**3,812,668**	247,039	**5,448**	7,281	**4,044,484**	254,871
Unallocated corporate assets							**704,864**	24,502
Consolidated total assets							**4,749,348**	279,373
Segment liabilities	**5**	—	**2,195**	570	**5**	—	**2,205**	570
Unallocated corporate liabilities							**8,847**	148,827
Consolidated total liabilities							**11,052**	149,397

5 SEGMENTAL INFORMATION *(Continued)*

Secondary reporting format – geographical segments

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

	Trading in base metals		Trading and investment of listed securities		Trading in fabric products and other merchandises		Consolidated	
	2007 HK$'000	2006 HK$'000	**2007 HK$'000**	2006 HK$'000	**2007 HK$'000**	2006 HK$'000	**2007 HK$'000**	2006 HK$'000
Hong Kong and PRC	**—**	5,788	**—**	2,853	**7,240**	1,614	**7,240**	10,255
Australia	**—**	—	**40,597**	—	**—**	—	**40,597**	—
South East Asia	**—**	—	**—**	—	**988**	—	**988**	—
United States of America	**—**	—	**—**	—	**5,789**	—	**5,789**	—
Africa	**—**	—	**—**	—	**10,734**	12,518	**10,734**	12,518
							65,348	22,773

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

	Trading in base metals		Trading and investment of listed securities		Trading in fabric products and other merchandises		Consolidated	
	2007 HK$'000	2006 HK$'000	**2007 HK$'000**	2006 HK$'000	**2007 HK$'000**	2006 HK$'000	**2007 HK$'000**	2006 HK$'000
Hong Kong and PRC	**226,368**	551	**184,623**	21,810	**12**	919	**411,003**	23,280
Australia	**—**	—	**3,628,045**	225,229	**—**	—	**3,628,045**	225,229
United States of America	**—**	—	**—**	—	**3,033**	—	**3,033**	—
Africa	**—**	—	**—**	—	**2,403**	6,362	**2,403**	6,362
Unallocated assets					**—**	—	**704,864**	24,502
							4,749,348	279,373

Additions of property, plant and equipment to the amount of HK$2,377,000 for the year ended 31 December 2007 are all located in Hong Kong and PRC. There was no addition of property, plant and equipment for the year ended 31 December 2006.

6 GAIN ON DISPOSAL OF A SUBSIDIARY

Pursuant to an option agreement dated 14 June 2006, Rise Cheer Limited ("Rise Cheer"), a wholly owned subsidiary of the Company, would have an option to put to Professional Trading Limited ("Professional Trading") for the 60% interest in Chinaright Electronics Limited ("Chinaright"). During the year, Rise Cheer exercised the put option against Professional Trading for the 60% interest in Chinaright.

	HK$'000
Net liabilities disposed of :	
Inventories	1,494
Bank balances and cash	23
Trade and other payables	(2,253)
Net liabilities	(736)
Gain on disposal	1,536
Consideration received – cash	800

An analysis of the net inflow of cash and cash equivalents in respect of the disposal of a subsidiary is as follows:

	HK$'000
Cash consideration	800
Cash and cash equivalents disposed of	(23)
Net inflow of cash and cash equivalents	777

7 FINANCE COSTS

	2007	2006
	HK$'000	HK$'000
Interest on other loans	**6,118**	958
Interest on margin financing account	**5,491**	1,195
	11,609	2,153

8 PROFIT BEFORE TAXATION

Profit before taxation has been arrived at after charging the following:

	2007	2006
	HK$'000	HK$'000
Auditors' remuneration	**330**	250
Depreciation	**179**	—
Exchange loss (net)	**2,054**	2
Legal and professional fees	**5,454**	2,290
Consultancy fee		
– settled by cash	**6,886**	—
– equity-settled share option expenses	**21,165**	—
Total consultancy fee	**28,051**	—
Staff costs, including directors' emoluments		
– salaries and allowance	**8,041**	3,354
– equity-settled share option expenses	**193,724**	—
– staff quarter	**111**	—
– Retirement benefits scheme contributions, net of nil forfeited contributions	**96**	70
Total staff costs	**201,972**	3,424

9 INCOME TAX EXPENSE

	2007 HK$'000	2006 HK$'000
Hong Kong profits tax provided for the year	—	238

No provision for Hong Kong profits tax has been made for the year as the Group had no assessable profit. Hong Kong profits tax was calculated at 17.5% on the estimated assessable profit arising in Hong Kong during the year ended 31 December 2006.

No provision for overseas taxation has been made for the year as the subsidiaries operating in the PRC had no assessable income for PRC taxation purpose.

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

	2007 HK$'000	2006 HK$'000
Profit before taxation	345,313	25,220
Tax at Hong Kong Profits Tax rate of 17.5%	60,430	4,413
Tax effect of non-deductible expenses	38,683	2,069
Tax effect of non-taxable income	(105,198)	(6,943)
Tax effect of tax loss not recognised	6,085	699
Income tax expense	—	238

At 31 December 2007, the Group had unused tax losses of approximately HK$44,755,000 (2006: HK$8,161,000) available for offset against future profits. No deferred tax asset has been recognised in respect of such losses due to the unpredictability of future profit streams. The tax losses may be carried forward indefinitely.

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

10 DIRECTORS' AND EMPLOYEES' EMOLUMENTS

An analysis of remuneration paid and payable to directors of the Company for the year ended 31 December 2007 and 2006 is set as follows:

	Fee HK$'000	Salaries, Allowances and Benefits in Kind HK$'000	Employee Share Option Benefits HK$'000	Retirement Scheme Contribution HK$'000	2007 Total HK$'000
Executive directors					
Mr. Cao Zhong (note a)	—	1,000	56,380	—	57,380
Mr. Liu Yongshun (note b)	—	1,230	58,470	—	59,700
Ms. Chong Sok Un (note c)	—	1,000	43,538	—	44,538
Mr. Zhou Luyong (note b)	—	839	9,908	—	10,747
Mr. Chen Zhaoqiang (note d)	—	650	14,996	—	15,646
Mr. Yue Jialin	—	—	—	—	—
Mr. Lau Yau Cheung (note e)	—	1,113	—	37	1,150
Mr. Michael Joseph Bogue (note f)	—	381	—	—	381
Independent non-executive directors					
Mr. Wong Wing Kuen, Albert	80	—	2,236	—	2,316
Mr. Tsui Robert Che Kwong (note g)	33	—	—	—	33
Mr. Yang Weiming (note h)	20	—	—	—	20
Mr. Chang Chu Fai, Johnson Francis (note i)	59	—	1,490	—	1,549
Mr. Alan Stephen Jones (note j)	52	—	—	—	52
Mr. Robert Moyse Willcocks (note j)	52	—	—	—	52
	296	6,213	187,018	37	193,564

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

	Fee	Salaries, Allowances and Benefits in Kind	Employee Share Option Benefits	Retirement Scheme Contribution	2006 Total
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Executive directors					
Mr. Yue Jialin	—	—		—	—
Mr. Lau Yau Cheung	—	2,050	—	30	2,080
Mr. Michael Joseph Bogue (note f)	11	—	—	—	11
Independent non-executive directors					
Mr. Wong Wing Kuen, Albert	40	—	—	—	40
Mr. Tsui Robert Che Kwong (note g)	40	—	—	—	40
Mr. Wu Guo Jian (note k)	20	—	—	—	20
Mr. Yang Weiming (note h)	16	—	—	—	16
	127	2,050	—	30	2,207

Notes:

a) Mr. Cao Zhong was appointed as executive director on 26 April 2007

b) Mr. Liu Yongshun and Mr. Zhou Luyong were appointed as non-executive directors on 29 May 2007 and re-designated as executive directors on 27 July 2007

c) Ms. Chong Sok Un was appointed as an executive director on 6 July 2007

d) Mr. Chen Zhaoqiang was appointed as a non-executive director on 6 July 2007 and re-designated as an executive director on 7 September 2007

e) Mr. Lau Yau Cheung resigned as an executive director on 31 October 2007

f) Mr. Michael Joseph Bogue resigned as an executive director on 8 June 2007

g) Mr. Tsui Robert Che Kwong resigned as an independent non-executive director on 1 November 2007

h) Mr. Yang Weiming resigned as an independent non-executive director on 27 July 2007

i) Mr. Chang Chu Fai, Johnson Francis was appointed as independent non-executive director on 6 July 2007

j) Mr. Alan Stephen Jones and Mr. Robert Moyse Willcocks were appointed as independent non-executive directors on 27 July 2007

k) Mr. Wu Guo Jian resigned as an independent non-executive director on 8 August 2006

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

During the year ended 31 December 2007, Mr. Yue Jialin waived his emoluments to the amount of HK$120,000 (2006: HK$20,000). The waived emoluments were excluded in the above disclosure.

Apart from the above, there was no arrangement under which a director waived or agreed to waive any remuneration during the years ended 31 December 2007 and 2006.

During the year, certain directors were granted share options, in respect of their services to the Group, under the share option scheme of the Company, further details of which are set out in note 24 to the financial statements. The fair value of such options, which has been amortised to the income statement, was determined as at the date of the grant and included in the above directors' remuneration disclosures. No share options were granted to the directors in 2006.

Of the five individuals with the highest emoluments in the Group, all (2006: one individual) are directors of the Company whose emoluments are included in the disclosure set out above. The aggregate of the emoluments in respect of the remaining four individuals of the year ended 31 December 2006 whose emolument fell within the band of nil to HK$1,000,000 are as follows:

	2007	2006
	HK$'000	HK$'000
Salaries and allowances	**—**	1,136
Retirement benefits scheme contributions	**—**	40
	—	1,176

Other than the granting of share options to certain directors during the year ended 31 December 2007, no emoluments were paid by the Group to any of the directors or the five highest paid individuals, as an inducement to join or upon joining the Group or as compensation for loss of office during the years ended 31 December 2007 and 2006.

11 PROFIT/(LOSS) ATTRIBUTABLE TO EQUITY SHAREHOLDERS OF THE COMPANY

The consolidated profit attributable to equity shareholders of the Company includes a loss of approximately HK$225,410,000 (2006: profit of HK$22,313,000) which has been dealt with in the financial statements of the Company.

12 DIVIDENDS

No dividends had been paid or declared by the Company during the year (2006: nil).

13 EARNINGS PER SHARE

(a) Basic earnings per share

The calculation of basic earnings per share is based on the profit for the year of HK$345,313,000 (2006: HK$24,982,000) and the weighted average number of 3,532,282,202 (2006: 807,098,630) ordinary shares in issue during the year.

(b) Diluted earnings per share

The earnings used in the calculation of diluted earnings per share are the same as those for the basic earnings per share, as set out above.

The weighted average number of ordinary shares for the purposes of diluted earnings per share reconciles to the weighted average number of ordinary shares used in the calculation of basic earnings per share as follows:

	2007	2006
Weighted average number of ordinary shares used in the calculation of basic earnings per share	**3,532,282,202**	N/A
Shares deemed to be issued for no consideration in respect of:		
– warrants	**145,452,627**	N/A
– share options	**—**	N/A
	3,677,734,829	N/A

The calculation of the diluted earnings per share did not assume the exercise of the Company's outstanding share options as their exercise prices were higher than the average market price of the Company's shares for the year.

Diluted earnings per share for the year ended 31 December 2006 has not been presented as there were no potential dilutive shares outstanding during that year.

14 PROPERTY, PLANT AND EQUIPMENT

Group	**Leasehold Improvement HK$'000**	**Office Equipment HK$'000**	**Computer HK$'000**	**Motor Vehicle HK$'000**	**Total HK$'000**
Cost					
Additions and at 31 December 2007	**1,289**	**79**	**456**	**553**	**2,377**
Accumulated depreciation					
Charge for the year and at 31 December 2007	**151**	**2**	**26**	**—**	**179**
Net book value					
At 31 December 2007	**1,138**	**77**	**430**	**553**	**2,198**

Company	**Leasehold Improvement HK$'000**
Cost	
Additions and at 31 December 2007	**2**
Accumulated depreciation	
Charge for the year and at 31 December 2007	**—**
Net book value	
At 31 December 2007	**2**

15 INVESTMENTS IN SUBSIDIARIES

	The Company	
	2007	2006
	HK$'000	HK$'000
Unlisted investments	**28,080**	—
Amounts due from subsidiaries	**1,761,216**	152,675
Less: impairment	**(62,610)**	(62,610)
	1,698,606	90,065
	1,726,686	90,065

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

Particulars of the Company's principal subsidiaries at 31 December 2007 are set out in note 35.

16 AVAILABLE-FOR-SALE INVESTMENTS

	The Group	
	2007	2006
	HK$'000	HK$'000
Listed equity securities, in Hong Kong, at fair value	**177,760**	—
Listed equity securities, in overseas, at fair value	**2,815,666**	—
	2,993,426	—

17 INVENTORIES

	The Group	
	2007	2006
	HK$'000	HK$'000
Goods purchased for resale	**—**	1,494

18 TRADE AND OTHER RECEIVABLES

The Group allows an average credit period of 60 – 90 days to its trade customers. The Group seeks to maintain strict control over its outstanding receivables. Overdue balances are reviewed regularly by senior management.

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

	The Group	
	2007	2006
	HK$'000	HK$'000
Trade receivables		
0 to 30 days	**—**	3,076
31 to 60 days	**—**	2,048
61 to 90 days	**4,559**	2,124
91 to 365 days	**611**	418
Over 365 days	**—**	130
	5,170	7,796
Other receivables	**646**	664
Purchase deposits	**226,368**	—
Other deposits and prepayment	**1,112**	—
	233,296	8,460

18 TRADE AND OTHER RECEIVABLES *(Continued)*

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

	The Group	
	2007	2006
	HK$'000	HK$'000
Neither past due nor impaired:		
Current	**—**	—
Past due but not impaired:		
0 to 30 days	**—**	3,076
31 to 60 days	**4,559**	2,048
61 to 90 days	**611**	2,124
91 to 365 days	**—**	418
Over 365 days	**—**	130
	5,170	7,796

Receivables that were past due but not impaired relate to customers that have a good track record with the Group which were fully recovered after the balance sheet date. The Group does not hold any collateral over these balances.

19 TRADING SECURITIES

	The Group	
	2007	2006
	HK$'000	HK$'000
Trading securities, at fair value		
Listed equity securities, in Hong Kong	**2,578**	1,810
Listed equity securities, in overseas	**812,379**	225,229
	814,957	227,039

20 CASH AND CASH EQUIVALENTS

	The Group	
	2007	2006
	HK$'000	HK$'000
Pledged bank deposits	**10,526**	10,098
Cash at bank and in hand	**690,644**	9,421
Cash held in a securities account maintained in a securities company	**4,301**	2,861
	705,471	22,380
Less: Pledged bank deposits	**(10,526)**	(10,098)
Cash and cash equivalents	**694,945**	12,282

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

Cash and cash equivalents of HK$1,718,700 (2006: Nil) are denominated in RMB. RMB is not a freely convertible currency and the remittance of funds out of the PRC is subject to the exchange restriction imposed by the PRC government.

21 TRADE AND OTHER PAYABLES

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

	The Group	
	2007	2006
	HK$'000	HK$'000
Trade payables		
0 to 30 days	**—**	—
90 days to 365 days	**—**	192
over 365 days	**—**	1,754
	—	1,946
Other payables	**9,018**	5,639
	9,018	7,585

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

22 MARGIN FINANCING LOAN

The margin loan facility was secured by part of available-for-sale investments and trading securities with carrying amount of approximately HK$3,628,045,000 as at 31 December 2007 (2006: HK$225,229,000).

23 SHARE CAPITAL

(a) Authorised and issued share capital

	2007		2006	
	Number of Shares	**Amount HK$'000**	Number of Shares	Amount HK$'000
Ordinary shares of HK$0.10 each				
Authorised:				
At 1 January	**2,000,000,000**	**200,000**	1,000,000,000	100,000
Increase during the year	**6,000,000,000**	**600,000**	1,000,000,000	100,000
At 31 December	**8,000,000,000**	**800,000**	2,000,000,000	200,000
Issued and fully paid:				
At 1 January	**1,259,000,000**	**125,900**	413,000,000	41,300
Issue of rights shares	**1,259,000,000**	**125,900**	826,000,000	82,600
Issue of shares under placement	**1,865,000,000**	**186,500**	—	—
Issue of shares upon exercise of warrants	**55,653,550**	**5,565**	—	—
Issue of shares as consideration for acquisition of available-for-sale investment	**287,637,505**	**28,764**	—	—
Issue of share upon conversion of convertible bond	**—**	**—**	20,000,000	2,000
At 31 December	**4,726,291,055**	**472,629**	1,259,000,000	125,900

23 SHARE CAPITAL *(Continued)*

(a) Authorised and issued share capital *(Continued)*

Details of the movements in the Company's share capital during the year ended 31 December 2007 are as follows:

(i) Pursuant to an ordinary resolution passed on 4 January 2007, the authorised share capital of the Company was increased to HK$800 million by the creation of 6,000 million shares of HK$0.1 each.

(ii) The Company completed a rights issue on 1 February 2007, which raised gross proceeds of HK$377.7 million by issuing 1,259 million rights shares at HK$0.3 each. As a result of the rights issue, a total of 251,800,000 bonus warrants were allotted and issued. The bonus warrants will be exercisable for a period of three years commencing on 5 February 2007 to 4 February 2010. During the year, part of the bonus warrants issued were exercised for 55,653,550 shares of HK$0.10 each with an exercise price of HK$0.30 per warrant, which raised gross proceeds of HK$16.7 million.

(iii) On 28 February 2007, the Company completed a placing of 800 million new shares at the price of HK$0.3 per share, which raised gross proceeds of HK$240 million.

(iv) On 20 July 2007, the Company completed a placing of 665 million new shares at price of HK$1.29 per shares, which raised gross proceeds of HK$857.8 million.

(v) On 17 October 2007, the Company completed a placing of 400 million new shares at price of HK$1.48 per shares, which raised gross proceeds of HK$592 million.

(vi) Pursuant to a resolution passed in a special general meeting of the Company held on 27 July 2007, 101,430,066 shares, 95,374,546 shares and 90,832,893 shares with par value of HK$0.10 each were allotted and issued to Siberian Worldwide Limited, Asia Bright International Limited and First South International Limited respectively for acquisition of totally 862,912,520 shares of China Primary Resources Holdings Limited, which securities are listed on the Growth Enterprise Market of The Stock Exchange of Hong Kong Limited.

23 SHARE CAPITAL *(Continued)*

(b) Capital management

The Group's objectives of capital management are to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, adjust its debt level, return capital to shareholders or issue new shares. No changes were made in the objectives, policies or processes during the years ended 31 December 2007 and 2006.

The Group monitors capital on the basis of the gearing ratio. This ratio is calculated as net debt divided by the sum of total equity and net debt. Net debt is calculated as total borrowings (including current and non-current borrowings) less cash and cash equivalents. Capital includes equity attributable to the equity shareholders.

During 2007, the Group's strategy was to maintain a stable gearing ratio. The gearing ratios at 31 December 2007 and 2006 were as follows:

	2007	2006
	HK$'000	HK$'000
Total borrowings	**1,797**	141,612
Less: cash and cash equivalents (note 20)	**694,945**	12,282
Net (cash)/debt	**(693,148)**	129,330
Total equity and net debt	**4,738,296**	259,306
Gearing ratio	**N/A**	49.9%

The improvement in the gearing ratio results primarily from the proceeds on issue of the Company's new shares by rights issue and share placements.

24 SHARE OPTIONS SCHEME

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

Options granted must be taken up within 28 days of the date of grant, upon payment of HK$1 per grant. Options may be exercised in accordance with the terms of the Scheme at any time during the option period and not more than ten years after the Adoption Date. The option period will be determined by the board of directors and communicated to each grantee. The exercise price is determined by the board of directors, and will not be less than the highest of the closing price of the Company's shares on the date of grant, the nominal value of the Company's shares and the average closing price of the shares for the five business days immediately preceding the date of grant.

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

24 SHARE OPTIONS SCHEME *(Continued)*

Details of the share options offered and accepted under the Scheme during the year ended 31 December 2007 and their movement during the year are as follows:

Grantees	Date of Grant	Exercise Period	Exercise Price per Share	No. of Options Granted During the Year	Outstanding as at 31 December 2007	Closing Price Immediate Before Date of Grant
			HK$			HK$
Directors						
Mr. Cao Zhong	29 May 2007	29 May 2007 to 28 May 2010 (note 1)	1.20	33,000,000	33,000,000	1.09
	15 August 2007 (note 2)	15 August 2007 to 5 July 2010	1.50	100,000,000	100,000,000	1.02
Mr. Liu Yongshun	27 July 2007 (note 3)	27 July 2007 to 28 May 2010 (note 1)	1.20	150,000,000	150,000,000	1.45
Mr. Zhou Luyong	29 May 2007	29 May 2007 to 28 May 2010 (note 1)	1.20	33,000,000	33,000,000	1.09
Ms. Chong Sok Un	15 August 2007 (note 4)	15 August 2007 to 5 July 2010	1.50	110,000,000	110,000,000	1.02
Mr. Chen Zhaoqiang	6 July 2007	6 July 2007 to 5 July 2010 (note 1)	1.50	33,000,000	33,000,000	1.47
Mr. Wong Wing Kuen, Albert	6 July 2007	6 July 2007 to 5 July 2010	1.50	3,000,000	3,000,000	1.47
Mr. Tsui Robert Che Kwong (note 5)	6 July 2007	6 July 2007 to 5 July 2010	1.50	3,000,000	3,000,000	1.47
Mr. Chang Chu Fai, Johnson Francis	6 July 2007	6 July 2007 to 5 July 2010	1.50	2,000,000	2,000,000	1.47
Others						
Employees (note 6)	6 July 2007	6 July 2007 to 5 July 2010	1.50	9,000,000	9,000,000	1.47
Consultant	6 July 2007	6 July 2007 to 5 July 2010	1.50	10,000,000	10,000,000	1.47
Consultant	3 October 2007	3 October 2007 to 2 October 2010	1.40	25,000,000	25,000,000	1.22
				511,000,000	511,000,000	

During the year, no options were exercised, cancelled or lapsed.

24 SHARE OPTIONS SCHEME *(Continued)*

Note:

1. The relevant options are exercisable subject to the following vesting conditions:

   a) The options granted to Mr. Cao Zhong are exercisable when the share price of the Company is HK$1.50 or above.

   b) The options granted to Mr. Liu Yongshun are exercisable as follows:

      – 1/3 of the options granted are exercisable at any time on or after the date of grant up to and including the date of maturity. No part of the options will be exercisable if the closing price of the Company's shares is lower than HK$1.50;

      – 1/3 of the options granted are exercisable from 29 May 2008 up to and including the date of maturity. No part of the options will be exercisable if the closing price of the Company's shares is lower than HK$2; and

      – 1/3 of the options granted are exercisable from 29 May 2009 up to and including the date of maturity. No part of the options will be exercisable if the closing price of the Company's shares is lower than HK$2.50.

   c) The options granted to Mr. Zhou Luyong and Mr. Chen Zhaoqiang are exercisable as follows:

      – 1/3 of the options granted are exercisable at any time on or after the respective date of grant up to and including the respective date of maturity. No part of the options will be exercisable if the closing price of the Company's shares is lower than HK$1.50;

      – 1/3 of the options granted are exercisable after one year from the respective grant date up to and including the respective date of maturity. No part of the options will be exercisable if the closing price of the Company's shares is lower than HK$2; and

      – 1/3 of the options granted are exercisable after two years from the respective grant date up to and including the respective date of maturity. No part of the options will be exercisable if the closing price of the Company's shares is lower than HK$2.50.

2. 100,000,000 options were granted on 6 July 2007 conditional upon approval at special general meeting which was eventually obtained on 15 August 2007. The closing price of the Company on the last trading day before 6 July 2007 was HK$1.46.

3. 150,000,000 options were granted on 29 May 2007 conditional upon approval at special general meeting which was eventually obtained on 27 July 2007. The closing price of the Company on the last trading day before 29 May 2007 was HK$1.09.

4. 110,000,000 options were granted on 6 July 2007 conditional upon approval at special general meeting which was eventually obtained on 15 August 2007. The closing price of the Company on the last trading day before 6 July 2007 was HK$1.46.

5. With the cessation of the directorship on 31 October 2007, the share options granted to Mr. Tsui Robert Che Kwong was lapsed on 31 January 2008.

6. Included in the share options granted to employees is a total number of 3,000,000 options granted to the spouse of Mr. Lau Yau Cheung, as an employee of the Group.

24 SHARE OPTIONS SCHEME *(Continued)*

Note: *(Continued)*

7. The options are measured using the Binomial Pricing Model. The inputs into the Model are summarised as follows:

Date of grant	29 May 2007	6 July 2007	27 July 2007	15 August 2007	3 October 2007
Expected volatility	66%	74%	75%	73%	67%
Expected life (year)	3	3	3	3	3
Risk-free interest rate	4.24%	4.45%	4.17%	4.13%	3.89%
Expected annual dividend yield	Nil	Nil	Nil	Nil	Nil
Fair value per option (HK$)	0.509	0.822	0.720	0.396	0.549

8. The volatility measured at the standard deviation of expected share price is based on statistical analysis of daily shares over the period from the date of resumption of trading of the Company's shares on The Stock Exchange of Hong Kong Limited (i.e. 14 July 2006) to the date immediately preceding the grant date. The above calculation is based on the assumption that there is no material difference between the expected volatility over the whole life of the share options and the historical volatility of the Company shares set out above.

9. The risk free rate is being yield of 3-year Exchange Fund Note at the date of grant.

10. The Group recognised total expenses of approximately HK$214,889,000 for the year ended 31 December 2007 in relation to share options granted by the Company.

25 WARRANTS

On 5 February 2007, the Company issued a total of 251,800,000 bonus warrants (the "Warrants"), as a result of the rights issue completed on 1 February 2007, with an aggregate subscription amount of HK$75,540,000. Each of the Warrants entitled the warrant-holder to subscribe for one ordinary share of the Company of HK$0.10 each at the initial subscription price of HK$0.30 (subject to adjustment (if any) during the period from 5 February 2007 until 4 February 2010 (both dates inclusive). During the year, 55,653,550 Warrants were exercised, which raised gross proceeds of HK$16.7 million. As at 31 December 2007, there were 196,146,450 Warrants outstanding.

26 RESERVES

The amounts of the Group's reserves and the movements therein for the current and prior year are presented in the consolidated statement of changes in equity on page 33 of the financial statements.

Company	Share Premium HK'000	Contributed Surplus HK'000	Share Option Reserve HK'000	Accumulated Losses HK'000	Total HK'000
At 1 January 2006	106,957	60,274	—	(220,923)	(53,692)
Rights shares issuing expenses	(1,487)	—	—	—	(1,487)
Profit for the year	—	—	—	22,313	22,313
At 31 December 2006	105,470	60,274	—	(198,610)	(32,866)
At 1 January 2007	105,470	60,274	—	(198,610)	(32,866)
Issue of rights shares	251,800	—	—	—	251,800
Rights shares issuing expenses	(3,022)	—	—	—	(3,022)
Issue of placing shares	1,503,350	—	—	—	1,503,350
Placing shares issuing expenses	(46,374)	—	—	—	(46,374)
Shares issuing upon exercise of warrants expenses	11,131	—	—	—	11,131
Equity-settled share option expenses	—	—	214,889	—	214,889
Issue of shares for acquisition of available-for-sale investments	165,392	—	—	—	165,392
Loss for the year	—	—	—	(225,410)	(225,410)
At 31 December 2007	**1,987,747**	**60,274**	**214,889**	**(424,020)**	**1,838,890**

26 RESERVES *(Continued)*

Nature and purpose of reserves

(i) Special reserve

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

(ii) Contributed surplus

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

(iii) Investment revaluation reserve

The investment revaluation reserve arises on the revaluation of available-for-sale financial assets. Where a revalued financial asset is sold, the portion of the reserve that relates to that financial asset, and is effectively realised, is recognised in profit or loss. Where a revalued financial asset is impaired, the portion of the reserve that relates to that financial asset is recognised in profit or loss.

(iv) Share option reserve

The share option reserve comprises the fair value of unexercised share options granted to directors, employees and consultants of the Group recognised in accordance with HKFRS 2. Further information about share-based payments is set out in note 24.

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

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

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

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

27 MAJOR NON-CASH TRANSACTIONS

During the year, 287,637,505 new shares of the Company were issued in exchange for 862,912,520 shares of China Primary Resources Holdings Limited, a company listed on the Growth Enterprise Market of The Stock Exchange of Hong Kong Limited, with nominal value of HK$0.00125 each. Total consideration, based on the market price of the Company's shares at the date of exchange which was HK$0.225 together with the stamp duty paid, was HK$194,653,000.

28 FINANCIAL RISK MANAGEMENT

(a) Financial risk factors

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

(i) Market risk

Currency risk

The Group exposes to currency risk as certain trading securities are denominated in foreign currencies, primarily with respect to Australian dollar ("AUD"). Currency risk arises from future commercial transactions and recognised assets.

The following table demonstrates the sensitivity at the balance sheet date to a reasonably possible change in the AUD exchange rate, with all other variables held constant, of the Group's net profit (due to change in the fair value of monetary assets and liabilities).

	Increase/ (Decrease) in AUD Rate	**Increase/ (Decrease) in Profit After Tax**
	%	**HK$'000**
2007		
If Australian dollar weakens against Hong Kong dollar	**7%**	**57,158**
If Australian dollar strengthens against Hong Kong dollar	**(7%)**	**(57,158)**
2006		
If Australian dollar weakens against Hong Kong dollar	7%	15,732
If Australian dollar strengthens against Hong Kong dollar	(7%)	(15,732)

28 FINANCIAL RISK MANAGEMENT *(Continued)*

(a) Financial risk factors *(Continued)*

(i) Market risk *(Continued)*

Interest rate risk

The Group's exposure to interest rate risk arises primarily from its borrowings and bank deposits. Borrowings and bank deposits at variable rates expose the company to cash flow interest rate risk.

The Group currently does not have any interest rate hedging policy. The directors monitor the Group's exposure on ongoing basis and will consider hedging interest rate risk should the need arise.

At 31 December 2007, it is estimated that a general increase/decrease of 50 basis points in interest rates, with all other variables held constant, would increase/decrease the company's profit after tax and retained profits by approximately HK$3 million (2006: HK$0.6 million).

The sensitivity analysis above has been determined assuming that the change in interest rates had occurred at the balance sheet date and had been applied to the Group's exposure to interest rate risk for financial instruments in existence at that date. The 50 basis point increase or decrease represents management's assessment of a reasonably possible change in interest rates over the period until the next annual balance sheet date. The analysis is performed on the same basis for 2006.

Price risk

The Group is exposed to equity price changes arising from equity investments classified as trading securities (see note 19) and available-for-sale investments (see note 16).

The sensitivity analyses below have been determined based on the exposure to equity price risks at the reporting date.

If equity prices had been 5% higher/lower:

— net profit for the year ended 31 December 2007 would increase/decrease by HK$40,748,000 (2006: increase/decrease by HK$11,352,000); and

— other equity reserves would increase/decrease by HK$149,671,000 (2006: no effect) for the Group as a result of the changes in fair value of available-for-sale investments.

28 FINANCIAL RISK MANAGEMENT *(Continued)*

(a) Financial risk factors *(Continued)*

(ii) Credit risk

The Group is exposed to credit risk, which is the risk that a counterparty will be unable to pay amounts in full when due. Key areas where the Group is exposed to credit risk are trade and other receivables and bank balances. In order to minimise the credit risk, the Group reviews that recoverable amount of each individual debtor at each balance sheet date to ensure that adequate impairment losses are made for irrecoverable amounts. The creditworthiness of these debtors is considered by reviewing their financial strength prior to finalisation of any contract and transaction. In this regard, the directors of the Group consider that the Group's credit risk is significantly reduced.

The Group's exposure to credit risk is influenced mainly by the individual characteristics of each customer. At the balance sheet date, the Group has a certain level of concentrations of credit risk as 44% (2006: 81%) and 100% (2006: 100%) of the total trade receivables was due from the Group's largest customer and the five largest customers respectively.

The maximum exposure to credit risk without taking account of any collateral held is represented by the carrying amount of each financial asset in the balance sheet after deducting any impairment allowance. The Group does not provide any guarantees which would expose the Group to credit risk.

Further quantitative disclosures in respect of the Group's exposure to credit risk arising from trade and other receivables are set out in note 18.

28 FINANCIAL RISK MANAGEMENT *(Continued)*

(a) Financial risk factors *(Continued)*

(iii) Liquidity risk

The Group enjoyed a strong financial position at the end of 2007, with cash and cash equivalents amounting to HK$695 million as at 31 December 2007, a significant increase from HK$12 million in 2006.

The Group financed its operations and investment activities with internally generated cash flow, balanced with proceeds from the prior issue of rights shares and placing shares.

The table below summaries the maturity profile of the Company's financial liabilities at 31 December 2007 and 2006 based on contractual undiscounted payments. Balances due within 12 months equal their carrying balances as the impact of discounting is not significant.

As at 31 December 2007

	Carrying Amount HK$'000	Total Contractual Undiscounted Cash Flow HK$'000	Within One Year or On Demand HK$'000
Trade and other payables	**9,018**	**9,018**	**9,018**
Margin financing	**1,797**	**1,797**	**1,797**
Income tax payable	**237**	**237**	**237**
	11,052	**11,052**	**11,052**

As at 31 December 2006

	Carrying Amount HK$'000	Total Contractual Undiscounted Cash Flow HK$'000	Within One Year or On Demand HK$'000
Trade and other payables	7,585	7,585	7,585
Margin financing	141,612	141,612	141,612
Income tax payable	200	200	200
	149,397	149,397	149,397

28 FINANCIAL RISK MANAGEMENT *(Continued)*

(b) Fair value estimation

The fair value of financial instruments traded in active markets (such as trading securities and available-for-sale investments) are based on quoted market prices at the balance sheet date. The quoted market price used for financial assets held by the Group is the current bid price.

The carrying amounts of the Group's other financial asset except amount due from subsidiaries, and financial liabilities approximate their fair values due to their short maturities. For amounts due from subsidiaries which are unsecured, interest-free and have no fixed terms of repayment, it is not meaningful to disclose their fair values.

29 COMMITMENT

(a) Operating lease – the Group as lessee

	2007	2006
	HK$'000	HK$'000
Minimum lease payments under operating leases in respect of rented premises during the year	**1,584**	366

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

	2007	2006
	HK$'000	HK$'000
Within one year	**2,004**	153
After one year but within five years	**2,651**	—
	4,655	153

Operating lease payments represent rental payable by the Group for its office premises, a director's quarter and a photocopying machine. Leases are negotiated for the term of between two to five years.

29 COMMITMENT *(Continued)*

(b) Capital commitment

On 20 December 2007, the Company entered into an investment agreement with 平頂山煤業（集團）有限責任公司（「平頂山煤業」）and 平頂山煤業集團天藍能源發展有限公司（「天藍能源」), to form a limited company which will be incorporated in the PRC with the registered capital of RMB50 million. The interest in the investment from 平頂山煤業，天藍能源 and the Company are 40%, 20% and 40% respectively. Capital payable by the Company is RMB20 million, which equivalent to approximately HK$22 million. Up to the date of this report, the incorporation process has not been completed.

30 MATERIAL RELATED PARTY TRANSACTIONS

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

Compensation of key management personnel

Remuneration for key management personnel, including amounts paid to the Company's directors and the highest paid employee as disclosed in note 10 is as follows:

	2007	2006
	HK$'000	HK$'000
Short-term employee benefits	**6,213**	2,050
Post-employment benefits	**37**	30
Share-based payment	**183,292**	—
	189,542	2,080

31 PLEDGE OF ASSETS

	The Group		The Company	
	2007	2006	**2007**	2006
	HK$'000	HK$'000	**HK$'000**	HK$'000
(a) Margin loan facilities secured by available-for-sale investments	**3,628,045**	225,229	**—**	—
(b) Banking facilities of HK$10 million (2006: HK$10 million) granted by a bank and secured by bank deposits of the Group	**10,526**	10,098	**—**	—
	3,638,571	235,327	**—**	—

32 RETIREMENT BENEFITS SCHEME

The Group operates a Mandatory Provident Fund scheme for all qualifying employees of its Hong Kong subsidiaries. The assets of the scheme are held separately from those of the Group in funds under the control of trustees. The Group contributed 5% of the relevant payroll costs to the scheme. Except for one director and one management staff, the Group's contributions are subject to a cap of monthly relevant payroll cost of HK$20,000.

The total cost charged to the consolidated income statement of HK$96,100 (2006: HK$70,200) represents contributions payable to the scheme by the Group at rates specified in the rules of the scheme.

At the balance sheet date, there was approximately HK$50,000 forfeited contribution, which arose upon employees leaving the retirement benefits scheme and which was available to reduce the contribution payables in the future years.

33 CRITICAL ACCOUNTING JUDGMENT AND ESTIMATES

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

Equity-settled share option expenses

The equity-settled share option expenses are subject to the limitations of the Binomial Pricing Model and the uncertainty in estimates used by management in the assumptions. The estimates include limited early exercise behaviour, expected interval and frequency of open exercise periods in the share option life, and other relevant parameters of the share option model.

Classification of financial assets

Directors shall make significant judgments on classification of financial assets. Different classifications would affect the accounting treatment and the Group's financial position and operating results.

34 POST BALANCE SHEET EVENTS

On 23 January 2008, the Company, through its direct wholly-owned subsidiary, APAC Resources Strategic Holdings Limited, acquired, by way of placement, 139,000,000 ordinary shares of Metals X Limited, a company listed on Australian Stock Exchange, at the price of AUD0.30 per share. The gross consideration is approximately AUD41,700,000, which equivalent to approximately HK$281,000,000.

35 PARTICULARS OF SUBSIDIARIES

Name of company	Place of incorporation/ establishment and operation	Particulars of issued and paid up capital	Proportion of ownership interest: Group's effective interest	Held by the company	Held by a subsidiary	Principal activities
Asia Cheer Trading Limited	Hong Kong	HK$1 ordinary share	100%	100%		Trading in fabric products and other merchandises and investment holding
First Landmark Limited	British Virgin Islands	US$1 ordinary share	100%	100%		Investment holding
Sino Chance Trading Limited	Hong Kong	HK$1 ordinary share	100%	100%		Trading in base metals
Sky Joy Management Limited	Hong Kong	HK$1 ordinary share	100%	100%		Provision of management services
Net Success Investments Limited	British Virgin Islands	US$1 ordinary share	100%	100%		Investment holding
Fortune Desire Investments Limited	British Virgin Islands	US$1 ordinary share	100%	100%		Investment holding
Mount Sun Investments Limited	British Virgin Islands	US$1 ordinary shares	100%	100%		Investment holding
Super Grand Investments Limited	British Virgin Islands	US$1 ordinary shares	100%	100%		Investment holding
亞太資源（青島）有限公司	People's Republic of China	US$29,800,000	100%		100%	Trading of mineral resources

35 PARTICULARS OF SUBSIDIARIES *(Continued)*

Name of company	Place of incorporation/ establishment and operation	Particulars of issued and paid up capital	Proportion of ownership interest: Group's effective interest	Held by the company	Held by a subsidiary	Principal activities
瑞域（上海）投資諮詢有限公司	People's Republic of China	US$3,600,000	100%	100%		Provision of consultancy service in corporate management, metallurgy technology, investment and development in mineral resources

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

Financial Summary

RESULT

	Year ended 31 December				
	2007	2006	2005	2004	2003
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Turnover	**65,348**	22,773	68,393	22,305	62,198
Profit/(loss) before taxation	**345,313**	25,220	6,539	(36,268)	(54,935)
Income tax expense	**—**	(238)	(38)	(31)	—
Profit/(loss) after taxation	**345,313**	24,982	6,501	(36,299)	(54,935)
Minority interests	**—**	—	—	—	—
Profit/(loss) for the year	**345,313**	24,982	6,501	(36,299)	(54,935)

ASSETS AND LIABILITIES

	As at 31 December				
	2007	2006	2005	2004	2003
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Total assets	**4,749,348**	279,373	43,003	57,528	76,772
Total liabilities	**(11,052)**	(149,397)	(21,122)	(42,148)	(25,093)
Minority interests	**—**	—	—	—	—
Shareholders' funds	**4,738,296**	129,976	21,881	15,380	51,679