New Times Group Holdings Limited
新時代集團控股有限公司
(Incorporated in Bermuda with limited liability)
Stock Code: 166

NEW TIMES GROUP

Annual Report 2007

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Corporate Information

BOARD OF DIRECTORS

Executive Directors

Mr. Tse on Kin *(Chairman)*
Mr. Cheng Kam Chiu, Stewart
Mr. Cheng Chi Him
Mr. Li Guoping

Non-executive Directors

Mr. Wong Man Kong, Peter
Mr. Pei Cheng Ming, Michael
M. Tsang Kwong Fook, Andrew
Mr. Chan Chi Yuen

Independent non-executive Directors

Mr. Fung Chi Kin
Mr. Qian Zhi Hui
Mr. Chiu Wai On

AUDIT COMMITTEE

Mr. Chiu Wai On *(Chairman)*
Mr. Fung Chi Kin
Mr. Qian Zhi Hui

REMUNERATION COMMITTEE

Mr. Fung Chi Kin *(Chairman)*
Mr. Qian Zhi Hui
Mr. Chiu Wai On

COMPANY SECRETARY AND QUALIFIED ACCOUNTANT

Mr. Yu Wing Cheung

AUDITOR

CCIF CPA Limited

LEGAL ADVISER

On Hong Kong law

Cheng, Tong & Rosa

On Bermuda law

Conyers Dill & Perman

PRINCIPAL BANKERS

Bank of China (Hong Kong) Limited

HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS

Unit 2003-06 Shui On Centre
6-8 Harbour Road
Wanchai
Hong Kong

REGISTERED OFFICE

Clarendon House
2 Church Street
Hamilton HM 11
Bermuda

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

The Bank of Bermuda Limited
Bank of Bermuda Building
6 Front Street
Hamilton HM 11
Bermuda

HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

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

STOCK CODE

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Chairman's Statement

On behalf of the Board of Directors (the "Board") of New Times Group Holdings Limited (the "Company"), I present herein the audited consolidated results of the Company and its subsidiaries (the "Group") for the year ended 31 December 2007.

The Group commenced zinc ore concentrate and ingots trading business in October 2006. In the year of 2007, the Group sought suitable opportunity to diversify its business in exploitation of natural resources and refinery industry. In June 2007, the Company entered into four memoranda of understanding ("MOUs") granting the Company an exclusive period to negotiate and discuss relevant parties in acquiring certain assets of mining rights over zinc mines; business of a zinc refinery plant; formation of a joint venture relating to certain exploration right over a zinc mine and the establishment of a zinc electrolysis refinery factory in the PRC. However, no definite agreement was entered within the intervening period and the exclusive expired. All parties to the four MOUs are not able to agree to further extend the exclusive period the MOUs lapsed after 24 December 2007.

In October 2007 and November 2007, the Company entered into an intended contact and a supplemental agreement respectively to acquire 60% interest of the exploration and potential exploitation concessions of oil and natural gas granted by the Government of Argentina located in Tartagal and Morillo area (approximately 7,065 and 3,518 square kilometers respectively) in the province of Salta in northern Argentina. Further to the second supplemental agreement signed on 26 March 2008, the deadline for the fulfillment of the conditions on the acquisition was extended to 31 August 2008 for the preparation of information for inclusion in the Circular. Based on the information provided by the vendors and the preliminary due diligence, the oilfields located at Tartagal block abundant reserve of petroleum and natural gas. The Board of Directors expects that the acquisition will bring desirable return to the Group.

In the coming year the Group will continue to seek opportunity in oil and natural gas exploitation and related business.

Management Discussion and Analysis

GENERAL REVIEW

Turnover of the Group for the year ended 31 December 2007 was about HK$155.45 million (nine-month ended 31 December 2006: 90.18 million). The Group recorded a loss attributable to equity holders of the Company of approximately HK$59.74 million. (nine-month ended 31 December 2006: HK$26.12 million) that is increased by HK$33.62 million. Increase in loss was mainly resulted from written down of inventory amount to HK$15.91 million (nine-month ended 31 December 2006: Nil). Fair value of options granted by the Company during the year under review for HK$12.84 million (nine-month ended 31 December 2006: Nil) and impairment of goodwill during the period under review amounted to HK$10.20 million (nine-month ended 31 December 2006: HK$6.52 million).

During the period under review, fair value of investment properties for the period under review decreased by 7.9 million (nine-month ended 31 December 2006: HK$1.2 million).

Administrative expenses for the year amounted to approximately HK$17.47 million (nine-month ended 31 December 2006: HK$4.11 million) representing an increase of approximately HK$13.36 million. The increase is mainly resulted from professionals, consultancy, due diligence and other relevant expenses for the Company's feasibility study conducted to investment in mining, refinery plants in the PRC and oil field in Argentina during the period under review.

Loss per share for the year was HK9.32 cents (31 December 2006: HK5.66 cents) and the Board does not recommend any final dividends for this financial year (31 December 2006: Nil).

REVIEW OF BUSINESS OPERATIONS

Non-ferrous metal trading business

Turnover of zinc ore concentrate and ingots trading business for the year 2007 amounted to approximately HK$154.26 million (nine-month ended 31 December 2006: HK$85.94 million) with a gross loss for approximately HK$2.07 million which was resulted from decrease in zinc's price from May 2007. Management of the Group will seek to widen income of the Company by diversifying its business to other non-ferrous metal such as copper.

Property Investments and Development

Gross rental income in certain commercial properties in Beijing, PRC for period under review was approximately HK$1.19 million (nine-month ended 31 December 2006: HK$3.49 million). Decrease in rental income was due to the properties were vacant for sale and the management of the Company is seeking for buyer to dispose the properties so as to release capital for further investments to strengthen the earning stream.

The wholly owned subsidiary in Shenzhen suffered a loss in last year. Development site in Guan Lan Jiedao was completed in 2007. Properties were sold at a low price because restriction on industrial property, which is effective from December 2006, that Certificate of Real Estate Ownership relating to the property can only be sold or transferred as one undivided lot. As a result, the Company recorded a loss from the project. Provision on the value of properties had been made in the year.

PROSPECTS

The Group diversified its business into natural resources in 2006 and have been seeking investment opportunities from time to time to broaden the Group's sources of income. The Company entered into four memorandum of understanding in June 2007 in relating to the purchase of certain assets of mining rights over zinc mines; zinc refinery plant; exploration right over a zinc mine and to establish a zinc electrolysis factory but no definitive agreement had been entered and the MOUs lapsed after 24 December 2007.

On 31 October 2007 and 12 November 2007 the Company entered into an intended contract and a supplemental agreement to acquire from two independent third parties (the "Vendors") 100% equity interest in High Luck Group Limited, at completion of the acquisition, will be the beneficial and registered owner of 60% interest in the exploration and potential exploitation concession granted by the Government of Argentina in Tartagal and Morillo, a surface area of approximately 7,065 square kilometers and 3,518 square kilometers respectively, in the province of Salta in northern Argentina. Based on the report issued by China National Petroleum Corporation and Bureau of Geophysical Propecting dated August 2007 in relation to the estimate resource potential in Tartagal block, by reviewing (i) geologic setting and characteristics in Argentina; (ii) geologic setting of basin where the Tartagal block is located; (iii) geologic setting and evaluation of Tartagal block; (iv) the results of previous drillings, the estimated reserve of oil resource is approximately 0.81 billion tons, dissolved gas resource reserve is approximately 277.2 BCF and gas reserve is approximately 317.5 BCF. Recoverable reserve of oil is approximately 0.24 billion tons (representing the estimate of percentage of quoted reserve of oil by specialist) and dissolved gas is 83.2 BCF on 30% recover ratio (representing the estimate of percentage of quoted reserve of dissolved gas by specialist) and recoverable reserve of gas is 222.3 BCF on 70% recovery ratio (representing the estimate of percentage of quoted reserve of gas by specialist). Due diligence works have been commenced and the Company has appointed Netherland Sewell & Associates, Inc. ("NSAI"), a respectful firm of International independent reserve consultants based in Texas, U S A as technical adviser for the preparation of technical report. NSAI is currently collating the information and data on the Concessions sites. Due to the size and complication of the data gathered, a second supplemental agreement was signed with Vendors to extend the deadline for fulfillment of the conditions to the Acquisition to 31 August 2008.

In the view of the continued economic growth and accelerated industrialization and urbanization in certain parts of the world as well as the development of the global economy, petroleum and other natural resources will have its sustained demand. The consumption of petroleum and natural gas has been a global trend and is increasing every year, and for which there is a shortage of this irreplaceable form of energy, hence, price of petroleum and its related products have been rising over year. Directors of the Company believe that the new business strategy will generate reasonable returns in the future. The Group will continue to seek for opportunity in oil and natural gas exploitation and related business to strengthen the earning stream and above all, enhance shareholders' return.

LIQUIDITY AND FINANCIAL RESOURCES

Capital structure, liquidity and financial resources

At 31 December 2007, the net asset value of the Group is approximately HK$355.01 million (31 December 2006: HK$144.28 million) and the total cash and bank balances is approximately HK$160.20 million (31 December 2006: HK$14.75 million)

At 31 December 2007, an unsecured and other borrowings loan of approximately HK$10.70 million were dominated in Renminbi ("RMB"), bearing interest at 7.56%-7.956% per annum. At 31 December 2007, the gearing ratio is 3% (total bank borrowings to shareholders' equities) (31 December 2006: 7%) and interest expenses is about HK$0.43 million (nine months ended 31 December 2006: HK$0.80 million).

Contingent liability

Details of contingent liabilities of the Group at 31 December 2007 are set out in note 30 to the financial statements (31 December 2006: Nil).

Capital investments and commitments

Details of capital investments and commitments of the Group at 31 December 2007 are set out in note 29 to the financial statements (31 December 2006: HK$60.30 million).

Foreign exchange and interest rate exposure

The Group does not currently have any hedging activities against its foreign exchange exposure nor does adopt any formal hedging policies. Revenue and incurred costs of the Group are mainly denominated in Hong Kong Dollar and Renminbi and the directors consider the impact of foreign exchange of the Group will be minimal and the management will closely monitor the fluctuation in this currency and take appropriate actions when condition arises.

Employees

At 31 December, 2007, the Group had 9 employees in Hong Kong and 11 employees in the PRC. The cost of employees (including directors' emoluments) amounted to HK$16.52 million (nine month ended 31 December 2006: HK$1.09 million). The Group ensures that the pay levels of its employees are competitive according to market trend and its employees are rewarded on a performance related basis within the general framework of the Group's salary and bonus system. During the year, 43,333,000 (nine month ended 31 December 2006: Nil) stock options were granted to certain employees at exercise price of HK$0.60 per share and the equity settled share-based payments expenses amounted to HK$12.84 million (nine month ended 31 December 2006: Nil).

Share Option Scheme

The Company operates a share option scheme for the purpose of providing incentives and rewards to eligible participants who contribute to the success of the Group's operations. Eligible participants include any director, or proposed director, including independent non-executive director, employee or proposed employee, secondee, any holder of securities issued by any member of the Group, any business or joint venture partner, contractor, agent or representative, any person or entity that provides research, development or other technology support or advisory, consultancy, professional or other services to the Group, any supplier, producer or licensor of goods or services to the Group, any customer, licensee or distributor of goods or services of the Group, or any landlord or tenant of the Group or any substantial shareholder or company controlled by a substantial shareholder, or any company controlled by one or more persons belonging to any of the above classes of participants. The Scheme became effective on 30 August 2002 and, unless otherwise terminated earlier by shareholders in a general meeting, will remain in force for a period of 10 years from that date.

LIQUIDITY AND FINANCIAL RESOURCES *(Continued)*

Share Option Scheme *(Continued)*

Pursuant to the Scheme, the maximum number of share options may be granted under the scheme and any other share option schemes of the Company is an amount equivalent to, upon their exercise, in aggregate not exceeding 30% of the issued share capital of the Company from time to time, excluding any shares issued on the exercise of share options. As at 31 December 2007, the number of share issuable under the Scheme was 43,330,200. The maximum number of shares issuable under the Scheme to each eligible participant within any 12-month period is limited to 1% of the shares of the Company in issue at any time. Any further grant of share options in excess of such limit is subject to shareholders' approval in a general meeting.

Pursuant to the Scheme, Share options granted to a director chief executive or substantial shareholder of the Company, or any of their associates, are subject to approval in advance by the independent non-executive directors. In addition, any grant of share options to a substantial shareholder or an independent non-executive director, or any of their associates, will result in the total number of shares issued and to be issued upon exercise of share options already granted and to be granted to such person under the New Scheme and any other share option schemes of the Company, including options exercised, cancelled and outstanding, in any 12-month period up to and including the date of grant representing in aggregate over 0.1% of the shares in issue, and having an aggregate value, based on the closing price of the Company shares at each date of grant, in excess of $5 million, such further grant of share options is required to be approved by shareholders in a general meeting in accordance with the Listing Rules.

The offer of a grant of share options under the Scheme may be accepted within 28 days from the date of the offer, upon payment of a nominal consideration of $1 in total by the grantee. The exercise period of the share options granted is determinable by the directors, and commences after a certain vesting period and ends on a date which is not later than 10 years from the date of the offer of the share options or the expiry date of the Scheme, if earlier. The exercise price of the share options under the Scheme is determinable by the directors, but may not be less than the higher of (i) the Stock Exchange closing price of the Company's shares on the date of the offer of the share options; (ii) the average Stock Exchange closing price of the Company's shares for the five trading days immediately preceding the date of the offer; and (iii) the nominal value of the shares.

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

LIQUIDITY AND FINANCIAL RESOURCES *(Continued)*

Share Option Scheme *(Continued)*

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

				Number of share options				
Category of grantees	Date of grant	Exercise period	Exercise price	Balance at beginning of the year	Granted during the year	Exercised during the year	Lapsed during the year	Balance at the end of the year
Directors								
Mr. Tse On Kin	8.5.2007	8.5.2007- 7.5.2012	HK$0.60	–	4,333,000	–	–	4,333,000
Mr. Wu Jian Feng	8.5.2007	8.5.2007 – 7.5.2012	HK$0.60	–	4,333,000	–	–	4,333,000
Mr. Zhang Cheng Jie	8.5.2007	8.5.2007 – 7.5.2012	HK$0.60	–	4,333,000	–	–	4,333,000
				–	12,999,000	–	–	12,999,000
Other employees in aggregate	8.5.2007	8.5.2007 – 7.5.2012	HK$0.60	–	12,999,000	4,333,000	–	8,666,000
Other participants in aggregate	8.5.2007	8.5.2007 – 7.5.2012	HK$0.60	–	17,332,000	–	–	17,332,000
					43,330,000	4,333,000	–	38,997,000

ACKNOWLEDGEMENT

Finally, I would like to express my sincere appreciation to our shareholders, strategic partners and customers for their unfailing support and confidence. I would also like to extend my sincere gratitude to all the staff members of the Group for their many contributions and dedication.

Tse On Kin
Chairman

Hong Kong, 25 April 2008

Biographical Details of Directors

EXECUTIVE DIRECTORS

Mr. Tse On Kin, aged 46, was appointed as chairman and executive Director since May 2007. Mr. Tse has over 20 years of experience in corporate planning, restructure, business development, project injection, merger and acquisition. Mr. Tse has a Bachelor Degree in Public Policy and Administration from York University in Canada. He is currently the chairman and an executive director of Kong Sun Holdings Limited (stock code: 295) and a non-executive director of China Sciences Conservational Power Limited (stock code: 351) and Climax International Company Limited (stock code: 439). Mr. Tse was also the former Chairman China Sciences Conservational Power Limited (stock code: 351) from March 2006 to March 2007, an executive director of Mexan Limited (stock code: 22) from March 2005 to July 2007, an executive director of China National resources Development Holdings Limited (stock code: 661) from April 2004 to August 2005 and the vice-chairman and chief executive officer of Great Wall Cybertech Limited (stock code: 689) from August 2001 to September 2006.

Mr. Cheng Kam Chiu, Stewart, aged 53, joined the Group in February 2008 as executive Director. Mr. Cheng holds a Bachelor's Degree in Civil and Environmental Engineering from the University of Wisconsin-Madison; a Master's Degree in Civil Engineering from the University of California, Berkeley, United States; and a degree in Master of Business Administration from the Chinese University of Hong Kong. He is a member of the Institution of Structural Engineers and the Hong Kong Institution of Engineers. Mr. Cheng is a professional engineer with extensive experience in property development and construction management. Mr. Cheng is a Member of the Shunde District, Foshan City Committee of the Chinese People's Political Consultative Conference since November 2006. In 1984, Mr. Cheng joined Hip Hing Construction Company Limited as project manager and had subsequently become a director. From 1993 to 1997, Mr. Cheng was transferred to New World Development (China) Limited as director and assistant general manager overseeing the property development in the People's Republic of China (the "PRC"). Mr. Cheng was a director of NWS Service Management Limited (formerly known as New World Services Limited) from 1997 to 2006, and was mainly responsible for the construction and the E & M engineering businesses, and pursuing business opportunities in the PRC. Mr. Cheng is an executive director of International Entertainment Corporation (stock code: 8118) whose shares are listed on GEM Board of the Stock Exchange. He is also the managing director of Cheung Hung Development (Holdings) Limited, a director for the Hip Hing Construction group of companies and Palm Island Resort Limited.

Mr. Cheng is the nephew of Dato' Dr. Cheng Yu-Tung, *DPMS, LLD(Hon), DBA(Hon), DSSc(Hon)* the ultimate beneficiary of the single largest shareholder of the Company and the uncle of Mr. Cheng Chi Him.

Mr. Cheng Chi Him, aged 29, joined the Group in February 2008 as executive Director. Mr. Cheng is an executive director of International Entertainment Corporation (stock code: 8118) whose shares are listed on GEM Board of the Stock Exchange.

Mr. Cheng is the grandson of Dato' Dr. Cheng Yu-Tung, *DPMS, LLD(Hon), DBA(Hon), DSSc(Hon)* the ultimate beneficiary of the single largest shareholder of the Company and the nephew of Mr. Cheng Kam Chiu, Stewart.

Mr. Li Guoping, aged 57, joined the Group in October 2007 as executive Director. Mr. Li has worked in petroleum industry for more than 40 years. He had worked for China Petroleum & Chemical Corporation and served as managing director of Shengli Oilfield Gong Yi Petroleum Exploitation and Development Corporation (勝利油田工益石油勘探開發公司), general manager of Shengli Oilfield Gong Yi Group Corporation (勝利油田工益集團公司), and Sinopec Shengli Oilfield Kyrgyz Exploitation and Development Department (中國石化勝利油田吉爾吉斯勘探開發項目). He has extensive experienced in exploration, drilling and exploitation. He was also the president of China Congo Wing Wah Pertrochemical Joint Stock Company Limited. Mr. Li holds a Master Degree in Economic and Management from The Kyrgyz National University.

Biographical Details of Directors

NON-EXECUTIVE DIRECTORS

Mr. Wong Man Kong, Peter, *BBS, JP*, aged 59, was appointed as a non-executive Director of the Company in February 2008. Mr. Wong graduated from the University of California at Berkeley in the United States with a Bachelor of Science Degree in Mechanical Engineering (Naval Architecture) and was awarded the Bronze Bauhinia Star by the Hong Kong Government, an awardee of the "Young Industrialist Award of Hong Kong". Mr. Wong is a Deputy of the 8th, 9th,10th and 11th National People's Congress. He is also an Executive Vice Chairman of Hong Kong Pei Hua Education Association, a Vice Chairman of Chamber of Tourism, All-China Federation of Industry & Commerce and a Director of Ji Nan University, Honorary Professor in Lanzhou University and The Central University for Nationalities. Mr. Wong is a non-executive director of Hong Kong Ferry (Holdings) Company Limited (stock code: 50) and an independent non-executive director of Glorious Sun Enterprises Limited (stock code: 393), China Travel International Investment Hong Kong Limited (stock code: 308), Sun Hung Kai & Company Limited (stock code: 86), Sino Hotels (Holdings) Limited (stock code: 1221), Chinney Investments Limited (stock code: 216) and Far East Consortium International Limited (stock code: 35) all being companies listed on the Main Board of the Stock Exchange. He is also Chairman of the M.K. Corporation Limited, and North West Development Limited.

Mr. Pei Cheng Ming Michael, aged 60, was appointed as non-executive Director of the Company in February 2008. Mr. Pei is the assistant to managing Director of New World Development Company Limited ("New World"). He holds a BA degree and DBA from the University of Toronto, Canada. He has been with New World Group for more than 20 years. Prior to that, he was a senior officer with the Canadian Imperial Bank of Commerce in Toronto, Canada.

Mr. Chan Chi Yuen, aged 41, joined the Group in May 2006 as chairman and executive Director of the Group and re-designated as non-executive Director in October 2006. Mr. Chan holds a bachelor degree with honours in Business Administration and a Master of Science degree in Corporate Governance and Directorship. He is a fellow member of The Hong Kong Institute of Certified Public Accountants and The Association of Chartered Certified Accountants and is an associate member of The Institute of Chartered Accountants in England and Wales. He is currently an executive director of A-Max Holdings Limited (stock code: 959), Kong Sun Holdings Limited (stock code: 295) and Prosticks International Holdings Limited (stock code: 8055), and an independent non-executive director of China Sciences Conservational Power Limited (stock code: 351), Hong Kong Health Check and Laboratory Holdings Company Limited (stock code: 397), Premium Land Limited (stock code: 164) and Superb Summit International Timber Company Limited (stock code: 1228), companies whose shares are listed in Hong Kong.

Mr. Tsang Kwong Fook, Andrew, aged 43, was appointed as non-executive Director of the Company in November 2007. Mr. Tsang has intensive experience in the project management and field of engineering. He holds a Bachelor of Civil Engineering degree from the Hong Kong Polytechnic University and a Master Degree in Business Administration from the Queensland University of Technology.

INDEPENDENT NON-EXECUTIVE DIRECTOR

Fung Chi Kin, aged 58, was appointed as independent non-executive director in October 2006. Mr. Fung is the Permanent Honorary President of The Chinese Gold & Silver Exchange Society, the International Advisor of Shanghai Gold Exchange. He is also an independent non-executive director of Chaoda Modern Agriculture (Holdings) Limited (stock code: 682) and Emperor Capital Group Limited (stock code: 717). Mr. Fung has over 30 years of experience in banking and finance business. Prior to his retirement, he was the Director and Deputy General Manager of Po Sang Bank Limited (now merged into Bank of China (Hong Kong) Limited), Managing Director of BOCI Securities Limited and Chief Administration Officer of BOC International Holdings Limited. From October 1998 to June 2000, he served as the Council Member of First Legislative Council of the HKSAR. He also held important office in various public organizations, namely President of the Chinese Gold and Silver Exchange Society, Vice Chairman of The Stock Exchange of Hong Kong Limited, Director of the Hong Kong Futures Exchange, Director of the Hong Kong Futures Exchanges Limited and Hong Kong Securities Clearing Company Limited, Hong Kong Affairs Advisor.

Mr. Qian Zhi Hu, aged 45, was appointed as independent non-executive director in October 2006. Mr. Qian graduated from Jilin Normal University. He has a Master degree in Procedure (Law) China from Southwest University of Political Science and Law. He has more than twelve years' experience in legal professional in the PRC. He was the chief legal advisor of China National Native Produce & Animal By-products Import & Export Corporation. Mr. Qian is currently a partner of Guangdong Justwin Law firm (廣州天勝律師事務所).

Mr. Chiu Wai On, aged 38, was appointed as independent non-executive director in November 2006. Mr. Chiu is a member of the Hong Kong Institute of Certified Public Accountants and a fellow member of the Association of Chartered Certified Accountants. Mr. Chiu possesses 10 years of professional experience in accounting and auditing services

Corporate Governance Report

The Company is committed to maintain good corporate governance standard and procedures. The board of directors (the "Board") of the Company believes that good governance is essential to achieving the Group's objectives of to maximize and enhance shareholders' value and interests.

During the financial year ended 31 December 2007, the Company complied with the Code Provisions of the Code in Corporate Governance Practice (the "CG Code") set out in Appendix 14 of the Listing Rules throughout the year ended 31 December 2007, except for the deviation in respect of the service term of Directors under Code Provision A.2.1 and A.4.1.

Code Provision A.2.1

This code stipulates that the role of Chairman and Managing Director (or chief executive officer ("CEO")) should be separate and should not be performed by the same individual. The division of responsibilities between the chairman and CEO should be clearly established and set out in writing. The Company does not presently have any officer with the title of "Managing Director" or "CEO". In the period under review, Mr. Tse On Kin, being the Chairman and an Executive Director of the company, is assuming the role of the CEO of the Company and is responsible for the strategic planning and corporate policy of the Group. The Board considers that the current structure facilitates the execution of the Group business strategies and maximizes effectiveness of its organization. The Board will review the structure from time to time to ensure appropriate move being taken should suitable circumstances arise.

Code provisions A.4.1

This code stipulates that non-executive directors should be appointed for a specific term and subject to re-election.

Certain non-executive and independent non-executive directors of the Company are not appointed for a specific term. Pursuant to the bye-law of the Company, directors are subject to retirement by rotation and re-election at the next general meeting of the Company.

THE BOARD OF DIRECTORS

Composition

The Board currently comprises four executive directors, four non-executive directors and three independent non-executive directors from different business and professional fields. The directors, including non-executive directors and independent non-executive directors, have brought a wide spectrum of valuable business and professional expertise, experiences and independent judgement to the Board for its efficient and effective delivery of the Board function.

The Board of the Company comprises the following directors:

Executive Directors:
Mr. Tse On Kin *(Chairman)*
Mr. Cheng Kam Chiu, Stewart
Mr. Cheng Chi Him
Mr. Li Guoping

Non-executive Directors:
Mr. Wong Man Kong, Peter
Mr. Pei Cheng Ming, Michael
Mr. Tsang Kwong Fook, Adnrew
Mr. Chan Chi Yuen

Independent non-executive Directors:
Mr. Fung Chi Kin *(Member of Audit and Chairman of Remuneration Committee)*
Mr. Qian Zhi Hui *(Member of Audit and Remuneration Committee)*
Mr. Chiu Wai On *(Chairman of Audit and member of Remuneration Committee)*

The profiles of each director are set out in the "Biographical Details of Directors" section in this Annual Report.

Chairman and Chief Executive Officer

As mentioned above, Mr. Tse On Kin performs both roles of the Chairman and CEO. The Directors consider that vesting the roles the Chairman and CEO in Mr. Tse is presently the most beneficial structure and is in the best of the Company and the shareholders of the Company.

Independent Non-executive Directors

Pursuant to Rules 3.10(1) and 3.10(2) of the Listing Rules, the Company has appointed three independent non-executive, of whom Mr. Chiu Wai On has appropriate professional qualifications and experience in financial matters.

The Company has received written annual confirmation from each independent non-executive director of their independence pursuant to the requirements of Rules 3.13 of the Listing Rules. The Company considers all independent non-executive directors to be independence guidelines set out in the Listing Rules.

THE BOARD OF DIRECTORS *(Continued)*

Appointment and Re-election of Directors

The Board as a whole is responsible for the selection and approval of candidates for appointment to the Board.

The existing non-executive and independent non-executive directors of the Company are not appointed for a specific term except Mr. Tsang Kwong Fook, Andrew with a service agreement for one year and thereafter may be extend for such period. Pursuant to the Bye-law of the Company, any director appointed to fill a casual vacancy or as an addition to the Board shall hold office only until the next following general meeting of the Company and shall then be eligible for re-election. At each annual general meeting, one-third of the Directors for the time being, or, if their number is not three or a multiple of three, then the number nearest to but not less than one-third, shall retire from office by rotation but shall be eligible for re-election, provided that every Director shall be subject to retirement at least once every three years. The Directors (including those appointed for a special term) to retire in every year shall be those who have been longest in office since their last election but as between persons who became Directors on the same day those to retire shall (unless they otherwise agree between themselves) be determined by lot.

Responsibilities of directors

The Board is responsible for the leadership and control of the Company and collectively responsible for promoting success of the Company by directly and supervising the Company's affairs. The Board also formulates objectives, overall strategies and business plans and oversees the financial and management performance of the Group. The day-to-day function and authorities are delegated to the management including implementation of objective, strategies and plans adopted by the Board and the day-to-day management of the Group's business.

All directors have full and timely access to all relevant information in relation to the Company as well as the advice and services of the Company Secretary, if and when required, with a view ensuring that the Board procedures and all applicable rules and regulations are followed.

There are established procedures for directors upon reasonable request, to seek independent advice in appropriate circumstances, at the Company's expenses.

The Company has arranged for appropriate liability insurance for the Directors and the senior management of the Group for indemnifying their liabilities arising out of corporate activities. The insurance coverage is reviewed on an annual basis.

RESPONSIBILITIES IN RESPECT OF THE FINANCIAL STATEMENTS

The Directors acknowledge their responsibility for preparing the Company's accounts. The financial statements for the year ended 31 December 2007 have been prepared in accordance with Hong Kong Financial Reporting Standards, including Hong Kong Accounting Standards and applicable Interpretations issued by the Hong Kong Institute of Certified Public Accountants, and the applicable disclosure requirements of the Listing Rules and other applicable regulatory requirements

The reporting responsibilities of the external auditors, CCIF CPA Limited, are set out in the Independent Auditors' Report on page 25.

RESPONSIBILITIES IN RESPECT OF THE FINANCIAL STATEMENTS *(Continued)*

Board and Board Committee Meetings

Number of Meetings and Directors' Attendance

Regular Board meetings are held at least four times a year at approximately quarterly intervals for reviewing and approving the financial and operating performance, and considering and approving the overall strategies and policies of the Company.

Notices of regular Board meetings are served to all directors at least 14 days before the meetings while reasonable notice is generally given for other Board meetings. For committee meetings, notices are served in accordance with the required notice period stated in the relevant terms of reference.

Agenda and Board papers together with all appropriate, complete and reliable information are normally sent to all directors before each Board meeting to keep the directors apprised to the latest developments and financial position of the Company and to enable them to make informed decisions. All directors are given the opportunity to include matters in the agenda for regular Board meetings. The Board and each director also have separate and independent access to senior management whenever necessary.

Apart from the regular board meetings, the Board met on other occasions when a board-level decision on a particular matter was required.

Minutes of all Board meetings sufficient details of matters considered and decisions reached are kept by the secretary of the meetings are open for inspection by the directors.

During the year, thirty one board meetings (of which four were regular quarterly meetings) were held and the individual attendance of each director is set out below:

Director Name	**Attendance**
Executive directors	
Tse On Kin *(Chairman)* (Appointed on 7 May 2007)	27/31
Mr. Wu Jian Feng (Resigned on 5 February 2008)	17/31
Mr. Zhang Cheng Jie (Resigned on 5 February 2008)	16/31
Mr. Li Guoping (Appointed on 22 October 2007)	1/31
Non-executive director	
Mr. Chan Chi Yuen	17/31
Mr. Chan Chung Yin, Victor (Resigned on 5 February 2008)	7/31
Mr. Tsang Kwong Fook, Andrew (Appointed on 8 November 2007)	0/31
Independent non-executive directors	
Mr. Fung Chi Kin	6/31
Mr. Qian Zhi Hui	4/31
Mr. Chui Wai On	15/31

RESPONSIBILITIES IN RESPECT OF THE FINANCIAL STATEMENTS *(Continued)*

Board and Board Committee Meetings *(Continued)*

Board Committees

The Board has established three committees namely, the Audit Committee, the Remuneration Committee and the Nomination Committee for overseeing particular aspects of the Company's affairs. All Board committees of the Company are established with defined written terms of reference.

The majority of the members of each Board committees are independent non-executive directors. The Board committees are provided with sufficient resources to discharge their duties and, upon reasonable request, are able to seek independent professional advice in appropriate circumstances, at the Company's expenses.

Remuneration Committee

The Remuneration Committee comprises three independent non-executive directors of the Company, namely Mr. Fung Chi Kin, Mr. Qian Zhi Hui and Mr. Chiu Wai On. Mr. Fung Chi Kin is the Chairman of the Remuneration Committee.

The primary objectives of the Remuneration Committee include making recommendations on and approving the remuneration policy and structure and remuneration packages of the executive directors and the senior management. The Remuneration Committee is also responsible for establishing transparent procedures for developing such remuneration policy and structure to ensure that no director or any of his/her associates will participate in deciding his/ her own remuneration, which remuneration will be determined by reference to the performance of the individual and the Company as well as market practice and conditions.

In 2007, the remuneration committee convened two meetings. Members and their attendance are as follows:

Director Name	**Attendance**
Mr. Fung Chi Kin *(Chairman of the remuneration committee)*	2/2
Mr. Qian Zhi Hui	2/2
Mr. Chui Wai On	2/2

Audit Committee

The Audit Committee comprises three independent non-executive directors of the Company, namely Mr. Fung Chi Kin, Mr. Qian Zhi Hui and Mr. Chiu Wai On. Mr. Chiu Wai On is the Chairman of the Audit Committee. None of the members of the Audit Committee is a former partner of the Company's existing external auditors.

RESPONSIBILITIES IN RESPECT OF THE FINANCIAL STATEMENTS *(Continued)*

Board and Board Committee Meetings *(Continued)*

The main duties of the Audit Committee include the followings:

(a) To review the financial statements and reports and consider any significant or unusual items raised by the qualified accountant, compliance officer (if any), internal auditor (if any) or external auditors before submission to the Board.

(b) To review the relationship with the external auditors by reference to the work performed by the auditors, their fees and terms of management, and make recommendation to the Board on the appointment, re-appointment and removal of external auditors.

(c) To review the adequacy and effectiveness of the Company's financial reporting system, internal control system and risk management system and associated procedures.

In 2007, the audit committee convened two meetings. Members and their attendance are as follows:

Director Name	Attendance
Mr. Chui Wai On *(Chairman of the audit committee)*	2/2
Mr. Fung Chi Kin	2/2
Mr. Qian Zhi Hui	2/2

Nomination Committee

The Nomination Committee comprises three independent non-executive directors of the Company, namely Mr. Fung Chi Kin, Mr. Qian Zhi Hui and Mr. Chiu Wai On. Mr. Fung Chi Kin is the chairman of the Nomination Committee.

The main duties of the Nomination Committee include the followings:

(a) To review the criteria and procedures of selection of directors and senior management members, and provide suggestions;

(b) To conduct extensive search for qualified candidates of directors and senior management members; and

(c) To access the candidates for directors and senior management members and provide the relevant recommendations.

The Nomination Committee did not hold any committee meeting during the year ended 31 December 2007.

MODEL CODE FOR SECURITIES TRANSACTIONS

The company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers ("Model Code") as set out in Appendix 10 to the Listing Rules.

Specific enquiry has been made of all the directors and the directors have confirmed that they have complied with the Model Code throughout the year ended 31 December 2007.

The Company also has adopted a code of conduct governing securities transactions by employees who may possess or have access to price sensitive information.

AUDITORS' REMUNERATION

During the year ended 31 December 2007, the remuneration paid and payable to the auditor of the Company, CCIF CPA Limited, for provision of the Group's statutory audit and other non-audit services were approximately HK$0.50 million and HK$0.13 million respectively.

INTERNAL CONTROL

The Board, recognizing its overall responsibility in ensuring the system of internal controls of the Company and for reviewing its effectiveness, is committed to implementing an effective and sound internal controls system to safeguard the interests of shareholders and the assets of the Group. Procedures have been designed for safeguard assets against unauthorized used or disposition ensuring the maintenance of proper accounting records for the provision of reliable financial information for internal use or for publication, and ensuring compliance with applicable law, rules and regulations. The procedures provide a reasonable but not absolute assurance and prevention of material untrue statements or losses, as well as management on the interruption of the Group's management system and risks existing in the course of arriving at the Group's objectives.

The management of the group has conducted an review on the Group's internal control and risk management system for the year ended 31 December 2007 and weakness in internal control system in a PRC subsidiary was found. A report from the Audit Committee with findings and recommendations was made to the board to improve and strengthen its control in order to enhance the corporate governance and safeguard the interests of its shareholders.

COMMUNICATIONS WITH SHAREHOLDERS

The Code requires the Company to have a dialogue with shareholders and it is the responsibility of the Board as a whole to ensure that satisfactory dialogue takes place. The primary communication channel between the Company and its shareholders is through the publication of its interim and annual reports. The Company's Registrars serve the shareholders with respect to all share registration matters. The Company's annual general meeting provides a useful forum for shareholders to exchange views with the Board. The Chairman of the Company and management are available to answer shareholders' questions. Separate resolutions are proposed at general meetings on each substantially separate issue, including the election of individual Director. Details of the poll voting procedures and rights of shareholders to demand a poll are included in the circular to shareholders dispatched together with the annual report. The circular also includes details of the procedures and the timetable of proposing appropriate candidates to stand for election as Directors at annual general meetings, and relevant details of proposed resolutions, including biographies of each candidate standing for re-election and whether such candidates are considered to be independent.

Report of the Directors

The directors present their report and the audited financial statements of New Times Group Holdings Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") for the year ended 31 December 2007.

PRINCIPAL ACTIVITIES

The principal activity of the Company is investment holding. During the year, the principal activities of its subsidiaries include zinc ore concentrate, zinc ingots trading business and property investment. An analysis of turnover and contribution to results from operations of the Company and its subsidiaries (the ("Group') for the year by principal activities is set out in note 4 and 12 to the financial statements.

RESULTS AND DIVIDENDS

The Group's loss for the year ended 31 December 2007 and the state of affairs of the Company and the Group at that date are set out in the financial statements on pages 26 to 31.

The directors do not recommend the payment of any dividend in respect of the year.

SUMMARY FINANCIAL INFORMATION

A summary of the results and of the assets and liabilities of the Group for the last five financial years/periods is set out on page 98.

FIXED ASSETS

Details of movements in the fixed assets of the Group during the year are set out in note 13(a) to the financial statements.

SHARE CAPITAL AND SHARE OPTION

Details of movements in the Company's share capital in the year is set out in note 26(c) to the financial statements and movements of share options in the year is set out in page 6 to page 8 of the annual report.

PRE-EMPTIVE RIGHTS

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

PURCHASE, REDEMPTION OR SALE OF LISTED SECURITIES OF THE COMPANY

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

RESERVES

Details of movements in the reserves of the Group and the Company during the year are set out in note 26(a) and 26(b) to the financial statements respectively.

DISTRIBUTABLE RESERVES

At 31 December 2007, the Company had no retained profits available for cash distribution and/or distribution in specie, under the Company Act 1981 of Bermuda (as amended) the Company's contribution surplus of approximately HK$122,864,000 is currently not available for distribution. In addition, the Company's share premium account of HK$353,001,000 as at 31 December 2007, may be distributed in the form of fully paid bonus shares.

MAJOR CUSTOMERS AND SUPPLIERS

During the year ended 31 December 2007, the five largest customers of the Group accounted for approximately 99% (for the nine-month ended 31 December 2006: 98%) of the Group's turnover for the year while the five largest suppliers accounted for approximately 100% (for the nine-month ended 31 December 2006: 100%) of the Group's purchases. In addition, the largest customer of the Group accounted for approximately 38% (for the nine-month ended 31 December 2006: 39%) of the Group's turnover for the period while the largest supplier accounted for approximately 99% (for the nine-month ended 31 December 2006: 41%) of the Group's purchases.

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

DIRECTORS

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

Executive directors

Mr. Tse On Kin *(Chairman)*	(Appointed on 7 May 2007)
Mr. Cheng Kam Chiu, Stewart	(Appointed on 5 February 2008)
Mr. Cheng Chi Him	(Appointed on 5 February 2008)
Mr. Li Guoping	(Appointed on 22 October 2007)
Mr. Wu Jian Feng	(Resigned on 5 February 2008)
Mr. Zhang Cheng Jie	(Resigned on 5 February 2008)

Non-executive director

Mr. Chan Chi Yuen	
Mr. Tsang Kwong Fook, Andrew	(Appointed on 9 November 2007)
Mr. Wong Man Kong, Peter	(Appointed on 5 February 2008)
Mr. Pei Cheng Ming, Michael	(Appointed on 5 February 2008)
Mr. Chan Chung Yin, Victor	(Resigned on 5 February 2008)

Independent non-executive directors

Mr. Fung Chi Kin
Mr. Qian Zhi Hui
Mr. Chiu Wai On

DIRECTORS *(Continued)*

In accordance with the Company's bye-law no. 86(2), Mr. Cheng Kam Chiu, Stewart, Mr. Cheng Chi Him, Mr. Wong Man Kong, Peter and Mr. Pei Cheng Ming, Michael shall retire by rotation from office and, being eligible, offer themselves for re-election at the forthcoming annual general meeting.

The independent non-executive directors have not been appointed for a specific term, but are subject to retirement by rotation pursuant to the Company's bye-laws.

BIOGRAPHICAL DETAILS OF DIRECTORS

Biographical details of the directors of the Company of the Group are set out on pages 9 to 11 of the annual report.

DIRECTORS' SERVICE CONTRACTS

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

DIRECTORS' REMUNERATION

The directors' fees are subject to shareholders' approval at general meetings. Other emoluments are determined by the Company's board of directors with reference to directors' duties, responsibilities and performance and the results of the Group. In addition, the directors' remuneration is reviewed by the Remuneration Committee annually.

DIRECTOR INTEREST IN CONTRACTS

No director had a significant beneficial interest, either directly or indirectly, in any contract of significance to the business of the Group to which the Company or any of its subsidiaries was a party during the year.

DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS AND SHORT POSITIONS IN THE SHARES, UNDERLYING SHARES AND DEBENTURES OF THE COMPANY OR ANY ASSOCIATED CORPORATION

As at 31 December 2007, the interests and short positions of the directors and or their associates in the shares, underlying shares and debentures of the Company and its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance ("SFO"), as recorded in the register maintained by the Company under Section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO and the Model Code for the Securities Transactions by Directors of Listed Companies were as follows:

Long positions of Directors' interests in shares of the Company

	Number of ordinary shares of the Company held			
Name of Directors	**Other Interest** (Note)	**Interest in underlying shares under derivatives/ share options**	**Total interests**	**Approximate percentage of the total issued share capital**
Mr. Tse On Kin	119,712,500	4,333,000	124,045,500	15.95%
Mr. Wu Jian Feng		4,333,000	4,333,000	0.56%
Mr. Zhang Cheng Jie		4,333,000	4,333,000	0.56%

Note: This corporate interest was held by Good Power International Limited, a company which is 80% owned by Mr. Tse On Kin and 20% owned by Ms. Wong Chin Yen.

The interests of the Directors or chief executive of the Company, and their respective associates, in the underlying shares of the Company which may be issued pursuant to exercise of the share options granted to the Directors by the Company are set out on pages 6 to pages 8 of the annual report.

Save as disclosed above, as at 31 December 2007, none of the directors nor chief executives of the Company and their associates had any personal, family, corporate or other interests had registered an interest or short position in the shares underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance ("SFO"), as recorded in the register maintained by the Company under Section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO and the Model Code.

DIRECTORS' RIGHT TO ACQUIRE SHARE OR DEBENTURES

Save as disclosed under the section "Share Option Scheme", at no time during the year was the Company, its subsidiaries, its fellow subsidiaries or its holding companies a party to any arrangements to enable the Directors to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate.

DISCLOSABLE INTERESTS AND SHORT POSITIONS OF SHAREHOLDERS UNDER THE SFO

At 31 December 2007, according to the register kept by the Company pursuant to section 336 of SFO, and so far as is known to any directors of chief executive of the Company, the following persons had, or were deemed or taken to have, an interest or short position in the shares or underlying shares which would fall to be disclosed to the Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO or will be directly or indirectly interested in 5% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any other members of the Group:

Long positions:

Name of shareholder	Notes	**Capacity and Nature of Interest**	**Number of ordinary share held**	**Percentage of the Company's issued share capital**
Good Power International Limited	(i)	Directly beneficially owned	119,712,500	15.39
Mr. Tse On Kin and Ms. Wong Chin Yen	(i)	Through a controlled corporation	119,712,500	15.39
Kistefos Investment A.S.	(ii)	Directly beneficially owned	62,400,000	8.02

Notes:

(i) 119,712,500 ordinary shares in the Company were held by Good Power International Limited, a company which is 80% owned by Mr. Tse On Kin and 20% owned by Ms. Wong Chin Yen.

(ii) So far is known to the Directors, Kistefos Investment A.S. is wholly-owned by A.S. Kistefos Traesliberi, in which Mr. Christen Sveaas has an 85% beneficial interest.

Save as disclosed above, the directors are not aware of any person had or were deemed or taken to have, an interest or short position in the shares or underlying shares which would fall to be disclosed to the Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO or will be directly or indirectly interested in 5% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any other members of the Group.

DIRECTORS' INTEREST IN COMPETING BUSINESS

None of the directors or the initial management shareholders is interest in any business that competes with or is likely to compete with the business of the Group.

CONNECTED AND RELATED PARTY TRANSACTIONS

Details of the related party transactions for the year are set out in note 28 to the financial statements.

MANAGEMENT CONTRACTS

No contracts concerning the management and administration of the whole or any substantial part of the business of the Company were entered into or existed during the year.

RETIREMENT SCHEME

Contribution to MPF are required under Hong Kong Mandatory Provident Fund Schemes Ordinance. The Group and its employees in Hong Kong make monthly contributions to the Mandatory Provident Fund Scheme at 5% of the employee's relevant income as defined under the Mandatory Fund Scheme Ordnance. The contribution from employees and employer are subject to a cap of monthly relevant income of HK$20,000.

The Group did not operate nor participate in any other scheme for retirement benefits provided to the Group's employees during the year.

SUFFICIENCY OF PUBLIC FLOAT

Based on the information that is publicly available to the Company and within the knowledge of the directors of the Company, as at the date of this report, there is sufficient public float throughout the year ended 31 December 2007.

AUDIT COMMITTEE

The Audit Committee, comprising three members, all being independent Non-executive Directors of the Company, has reviewed with management the accounting principles and practices adopted by the Group, and discussed with auditing. Internal control and financial reporting matters including the review of the Group's financial statements for the year ended 31 December 2007.

AUDITORS

The financial statements for the year ended 31 March 2006, the nine-month ended 31 December 2006, and the year ended 31 December 2007 were audited by CCIF CPA Limited. CCIF CPA Limited retires and a resolution for the reappointment as auditors of the Company will be proposed at the forthcoming annual general meeting.

ON BEHALF OF THE BOARD

Tse On Kin
Chairman and Executive Director

Hong Kong
25 April 2008

Independent Auditor's Report

CCIF CPA LIMITED
20/F Sunning Plaza
10 Hysan Avenue
Causeway Bay Hong Kong

INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF NEW TIMES GROUP HOLDINGS LIMITED
(Incorporated in Bermuda with limited liability)

We have audited the consolidated financial statements of New Times Group Holdings Limited (the "Company") set out on pages 26 to 96, which comprise the consolidated and company balance sheets as at 31 December 2007, and the consolidated income statement, the consolidated statement of changes in equity and the consolidated cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory notes.

DIRECTORS' RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

The directors of the Company are responsible for the preparation and the true and fair presentation of these 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. This report is made solely to you, as a body, in accordance with Section 90 of the Companies Act 1981 of Bermuda, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the 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 the affairs of the Company and of the Group as at 31 December 2007 and of the Group's loss and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards and have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

CCIF CPA Limited
Certified Public Accountants
Hong Kong, 25 April 2008

Sze Chor Chun, Yvonne
Practising Certificate Number P05049

Consolidated Income Statement

For the year ended 31 December 2007

	Note	**1/1/2007 to 31/12/2007 HK$'000**	1/4/2006 to 31/12/2006 HK$'000
Turnover	4 & 12	**155,453**	90,181
Cost of sales		**(156,325)**	(81,387)
Gross (loss)/profit		**(872)**	8,794
Other revenue	5	**1,536**	63
Other net income	5	**4,077**	2,957
Other operating income	5	**3,391**	–
Valuation loss on investment properties	13(a)	**(7,901)**	(1,200)
Write down of inventories	16(c)	**(15,912)**	–
Equity settled share-based payment expenses	25	**(12,838)**	–
Impairment loss on goodwill	14	**(10,200)**	(6,523)
Administrative expenses		**(17,473)**	(4,111)
Other operating expenses		**(2,876)**	(24,031)
Loss from operations		**(59,068)**	(24,051)
Finance costs	6(a)	**(430)**	(804)
Loss before taxation	6	**(59,498)**	(24,855)
Income tax	7(a)	**(239)**	(1,262)
Loss for the year/period		**(59,737)**	(26,117)
Attributable to equity shareholders of the Company	10 & 26(b)	**(59,737)**	(26,117)
Dividends		**–**	–
Loss per share attributable to the equity holders of the Company	11		
– Basic		**(9.32 cents)**	(5.66 cents)
– Diluted		**N/A**	N/A

The notes on pages 32 to 96 form part of these financial statements.

Consolidated Balance Sheet

As at 31 December 2007

	Note	2007 HK$'000	2006 HK$'000
NON-CURRENT ASSETS			
Fixed assets	13(a)		
– Investment properties		**73,585**	77,300
– Other property, plant and equipment		**1,785**	2
Goodwill	14	**–**	10,200
		75,370	87,502
CURRENT ASSETS			
Inventories	16	**162,598**	61,823
Trade and other receivables	17	**73,788**	56,608
Loan receivables, unsecured	18	**–**	–
Deposit paid for potential investment	19	**54,600**	–
Cash and cash equivalents	20	**160,195**	14,754
		451,181	133,185
CURRENT LIABILITIES			
Trade and other payables	21	**156,573**	62,460
Bank and other borrowings	22	**10,700**	9,965
Obligations under finance leases	23	**13**	–
Tax payable	24(a)	**2,936**	2,697
		(170,222)	(75,122)
NET CURRENT ASSETS		**280,959**	58,063
TOTAL ASSETS LESS CURRENT LIABILITIES		**356,329**	145,565
NON-CURRENT LIABILITIES			
Obligations under finance leases	23	**35**	–
Deferred tax liabilities	24(b)	**1,286**	1,286
		(1,321)	(1,286)
NET ASSETS		**355,008**	144,279
CAPITAL AND RESERVES	26(a)		
Share capital		**77,764**	55,631
Reserves		**277,244**	88,648
TOTAL EQUITY		**355,008**	144,279

Approved and authorised for issue by the board of directors on 25 April 2008

Tse On Kin
Director

Chan Chi Yuen
Director

The notes on pages 32 to 96 form part of these financial statements.

Balance Sheet

As at 31 December 2007

	Note	2007 HK$'000	2006 HK$'000
NON-CURRENT ASSETS			
Property, plant and equipment	13(b)	**17**	–
Investment in subsidiaries	15	**–**	21,254
Amounts due from subsidiaries	15	**–**	69,053
		17	90,307
CURRENT ASSETS			
Other receivables	17	**3,294**	245
Deposit paid for potential investment	19	**54,600**	–
Amounts due from subsidiaries	15	**251,554**	–
Cash and cash equivalents	20	**82,949**	5,310
		392,397	5,555
CURRENT LIABILITIES			
Other payables	21	**2,049**	1,282
Amount due to a subsidiary	15	**25,953**	–
		(28,002)	(1,282)
NET CURRENT ASSETS		**364,395**	4,273
TOTAL ASSETS LESS CURRENT LIABILITIES		**364,412**	94,580
NON-CURRENT LIABILITIES			
Amounts due to subsidiaries	15	**–**	(25,951)
NET ASSETS		**364,412**	68,629
CAPITAL AND RESERVES	26(b)		
Share capital		**77,764**	55,631
Reserves		**286,648**	12,998
TOTAL EQUITY		**364,412**	68,629

Approved and authorised for issue by the board of directors on 25 April 2008

Tse On Kin — *Director*

Chan Chi Yuen — *Director*

The notes on pages 32 to 96 form part of these financial statements.

Consolidated Statement of Changes in Equity

For the year ended 31 December 2007

	Share capital HK$'000	Share premium HK$'000	Employee share-based compensation reserve HK$'000	Capital reserve HK$'000	Convertible notes equity reserve HK$'000	Exchange fluctuation reserve HK$'000	Accumulated losses HK$'000	Total reserves HJK$'000	Total HK$'000
At 1 April 2006	43,330	94,471	–	9,585	–	840	(14,801)	90,095	133,425
Equity component of convertible notes	–	–	–	–	1,201	–	–	1,201	1,201
Shares issued under convertible notes (note 26(c)(iii))	3,031	1,969	–	–	(1,201)	–	–	768	3,799
Shares issued under placement, net of issuance costs (note 26(c)(iv))	9,270	22,638	–	–	–	–	–	22,638	31,908
Exchange difference on translation of financial statements of a subsidiary	–	–	–	–	–	63	–	63	63
Loss for the period	–	–	–	–	–	–	(26,117)	(26,117)	(26,117)
At 31 December 2006	55,631	119,078	–	9,585	–	903	(40,918)	88,648	144,279
At 1 January 2007	55,631	119,078	–	9,585	–	903	(40,918)	88,648	144,279
Equity settled share-based transactions	–	–	12,838	–	–	–	–	12,838	12,838
Shares issued under share option scheme (note 26(c)(v))	433	3,451	(1,284)	–	–	–	–	2,167	2,600
Shares issued under placement, net of issuance costs (note 26(c)(iv))	21,700	230,472	–	–	–	–	–	230,472	252,172
Exchange difference on translation of financial statements of a subsidiary	–	–	–	–	–	2,856	–	2,856	2,856
Loss for the year	–	–	–	–	–	–	(59,737)	(59,737)	(59,737)
At 31 December 2007	**77,764**	**353,001**	**11,554**	**9,585**	**-**	**3,759**	**(100,655)**	**277,244**	**355,008**

The notes on pages 32 to 96 form part of these financial statements.

Consolidated Cash Flow Statement

For the year ended 31 December 2007

	Note	1/1/2007 to 31/12/2007 HK$'000	1/4/2006 to 31/12/2006 HK$'000
OPERATING ACTIVITIES			
Loss before taxation		**(59,498)**	(24,855)
Adjustments for:			
Depreciation		**76**	37
Valuation loss on investment properties		**7,901**	1,200
Write down of inventories		**15,912**	–
Finance costs		**430**	804
Interest income		**(1,531)**	(60)
Equity settled share-based payment expenses		**12,838**	–
Net gain on sales of fixed assets		**–**	(142)
Net realised gain on trading securities		**–**	(335)
Impairment on goodwill		**10,200**	6,523
Impairment loss on			
– loan receivables, unsecured		**–**	12,642
– trade and other receivables		**1,000**	9,620
Recovery of debts on loan receivables		**(400)**	–
Reversal of impairment loss on trade and other receivables		**(2,991)**	–
Foreign exchange gain		**(4,188)**	(2,381)
OPERATING PROFIT BEFORE WORKING CAPITAL CHANGES		**(20,251)**	3,053
Increase in inventories		**(116,687)**	(7,287)
Increase in trade and other receivables		**(15,189)**	(44,653)
Increase in loan receivables, unsecured		**400**	–
Increase in trade and other payables		**94,113**	25,550
CASH USED IN OPERATIONS		**(57,614)**	(23,337)
Interest paid		**(430)**	(804)
Interest received		**1,531**	60
Hong Kong profits tax paid		**–**	(6)
NET CASH USED IN OPERATING ACTIVITIES		**(56,513)**	(24,087)

Consolidated Cash Flow Statement

For the year ended 31 December 2007

	Note	1/1/2007 to 31/12/2007 HK$'000	1/4/2006 to 31/12/2006 HK$'000
INVESTING ACTIVITIES			
Payment for the purchase of property, plant and equipment		**(1,799)**	–
Payment for the deposit of potential investment		**(54,600)**	–
Proceeds from disposal of property, plant and equipment		**–**	196
Proceeds from disposal of financial assets at fair value through profit or loss		**–**	1,650
NET CASH (USED IN)/GENERATED FROM INVESTING ACTIVITIES		**(56,399)**	1,846
FINANCING ACTIVITIES			
Loans borrowed		**10,700**	–
Repayment of bank and other borrowings		**(9,965)**	(1,501)
Capital element of finance lease rental payments		**(10)**	(199)
Proceeds from shares issued under share option scheme		**2,600**	–
Issue of new shares		**255,250**	37,445
Payment for the expenses of issuing new shares		**(3,078)**	(537)
NET CASH GENERATED FROM FINANCING ACTIVITIES		**255,497**	35,208
INCREASE IN CASH AND CASH EQUIVALENTS		**142,585**	12,967
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR/PERIOD		**14,754**	1,724
EFFECT OF FOREIGN EXCHANGE RATE CHANGES		**2,856**	63
CASH AND CASH EQUIVALENTS AT THE ENDED OF THE YEAR/PERIOD	20	**160,195**	14,754

The notes on pages 32 to 96 form part of these financial statements.

1. BACKGROUND INFORMATION

The Company is a limited liability company incorporated in Bermuda and its registered office is Clarendon House, 2 Church Street, Hamilton HM11, Bermuda. The Company is listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange").

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 collective term 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") and accounting principles generally accepted in Hong Kong. They were also prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance and the Rules Governing the Listing of Securities on the Stock Exchange. A summary of the significant policies adopted by 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 the 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.

(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 for the revaluation of certain assets as explained in the accounting policies below. The functional currencies of the Company and its subsidiary in The People's Republic of China (the "PRC") are Hong Kong dollars and Renminbi respectively. For the purposes of presenting the consolidated financial statements, the Group adopted Hong Kong dollars as its presentation currency.

The preparation of financial statements in conformity with HKFRSs requires management to make judgements, estimates and assumptions 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 believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying values of assets and liabilities not readily apparent from other sources. 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.

Judgements 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 34.

2. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(c) Subsidiaries

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 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 unrealized profits arising from intra-group transactions are eliminated in full in preparing the consolidated financial statements. Unrealized losses resulting from intra-group transactions are eliminated in the same way as unrealized gains but only to the extent that there is no evidence of impairment.

In the Company's balance sheet, investment in subsidiaries are stated at cost less any impairment losses (see note 2(h)), unless the investment is classified as held for sale.

(d) Goodwill

Goodwill represents the excess of the cost of a business combination over the Group's interest in the net fair value of the acquiree's identifiable assets, liabilities and contingent liabilities.

Goodwill is stated at cost less accumulated impairment losses. Goodwill is allocated to cash-generating units and is tested annually for impairment (see note 2(h)).

Any excess of the Group's interest in the net fair value of the acquiree's identifiable assets, liabilities and contingent liabilities over the cost of a business combination is recognised immediately in profit or loss.

On disposal of a cash generating unit during the year, any attributable amount of purchased goodwill is included in the calculation of the profit or loss on disposal.

(e) Investment Property

Investment property is property (land or a building – or part of a building – or both) held (by the owner or by the lessee under a finance lease) to earn rentals or for capital appreciation or both, rather than for:

(a) use in the production or supply of goods or services or for administrative purposes; or

(b) sale in the ordinary course of business.

Land held under an operating lease is classified and accounted for as an investment property when the rest of the definition of an investment property is met. The operating lease is accounted for as if it were a finance lease.

Investment property is measured initially at its cost, including related transaction costs.

2. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(e) Investment Property *(Continued)*

After initial recognition, investment property is carried at fair value. Fair value is based on active market prices, adjusted, if necessary, for any difference in the nature, location or condition of the specific asset. If this information is not available, the Group uses alternative valuation methods such as recent prices on less active markets or discounted cash flow projections. These valuations are reviewed annually by external valuers. Investment property that is being redeveloped for continuing use as investment property, or for which the market has become less active, continues to be measured at fair value.

The fair value of investment property reflects, among other things, rental income from current leases and assumptions about rental income from future leases in light of current market conditions.

The fair value also reflects, on a similar basis, any cash outflows that could be expected in respect of the property. Some of those outflows are recognized as a liability, including finance lease liabilities in respect of land classified as investment property; others, including contingent rent payments, are not recognised in the financial statements.

Subsequent expenditure is charged to the asset's carrying amount only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. All other repairs and maintenance costs are expensed in the income statement during the financial period in which they are incurred. Changes in fair values are recognised in the income statement.

If an investment property becomes owner-occupied, it is reclassified as property, plant and equipment, and its fair value at the date of reclassification becomes its cost for accounting purposes. Property that is being constructed or developed for future use as investment property is classified as property, plant and equipment and stated at cost until construction or development is complete, at which time it is reclassified and accounted for as investment property.

If an item of property, plant and equipment becomes an investment property because its use has changed, any difference between the carrying amount and the fair value of this item at the date of transfer is recognised in equity as a revaluation of property, plant and equipment under IAS 16. However, if a fair value gain reverses a previous impairment loss, the gain is recognised in the income statement.

Investment property held for sale without redevelopment is classified within non-current assets held for sale, under HKFRS 5.

2. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(f) Property, Plant and Equipment

Property, plant and equipment are stated in the balance sheet at cost less accumulated depreciation and impairment losses (see note 2(h)).

Gains or losses arising from the retirement or disposal of an item of property, plant and equipment are determined as the difference between the net proceeds on disposal and the carrying amount of the item and are recognised in profit or loss on the date of retirement or disposal.

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

Furniture and office equipment	20%
Motor vehicles	33%

Where parts of an item of property, plant and equipment have different useful lives, the cost of the item is allocated on a reasonable basis between the parts and each part is depreciated separately. Both the useful life of an asset and its residual value, if any, are reviewed annually.

(g) Leased Assets

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

(i) *Classification of assets leased to the Group*

Assets held by Group under leases which transfer to the Group substantially all the risks and rewards of ownership are classified as being held under finance leases. Leases which do not transfer substantially all the risks and rewards of ownership to the Group are classified as operating leases, with the following exceptions:

– property held under operating leases that would otherwise meet the definition of an investment property is classified as an investment property on a property-by-property basis and, if classified as investment property, is accounted for as if held under a finance lease (see note 2(e)); and

– land held for own use under an operating lease, the fair value of which cannot be measured separately from the fair value of a building situated thereon at the inception of the lease, is accounted for as being held under a finance lease, unless the building is also clearly held under an operating lease. For these purposes, the inception of the lease is the time that the lease was first entered into by the Group or taken over from the previous lessee or at the date of construction of those buildings, if later.

2. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(g) Leased Assets *(Continued)*

(ii) Assets acquired under finance leases

Where the Group acquires the use of assets under finance leases, the amounts representing the fair value of the leased asset, or, if lower, the present value of the minimum lease payments, of such assets are included in fixed assets and the corresponding liabilities, net of finance charges, are recorded as obligations under finance lease. Deprecation is provided at rates which will write off the cost or valuation of the assets over the term of the relevant lease or, where it is likely the Company or Group will obtain ownership of the asset, the life of the asset, as set out in note 2(f). Impairment losses are accounted for in accordance with the accounting policy as set out in note 2(h). Finance charges implicit in the lease payments are charged to profit or loss over the period of the leases so as to produce an approximately constant periodic rate of charge on the remaining balance of the obligations for each accounting period.

(iii) Operating lease charges

Where the Group has the use of assets under operating leases, payments made under the leases are charged to profit or loss in equal instalments over the accounting periods covered by the lease term, except where an alternative basis is more representative of the pattern of benefits to be derived from the leased asset. Lease incentives received are recognised in profit or loss as an integral part of the aggregate net lease payments made. Contingent rentals are written off as an expense of the accounting period in which they are incurred.

The cost of acquiring land held under an operating lease is amortised on a straight-line basis over the period of the lease term except where the property is classified as an investment property.

(h) Impairment of Assets

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

Investments in equity securities (other than investments in subsidiaries) 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. Objective evidence of impairment includes observable data that comes to the attention of the Group about one or more of the following loss events:

- significant financial difficulty of the debtor;
- a breach of contract, such as a default or delinquency in interest or principal payments;
- it becoming probable that the debtor will enter bankruptcy or other financial reorganisation;

2. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(h) Impairment of Assets *(Continued)*

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

– significant changes in the technological, market, economic or legal environment that have an adverse effect on the debtor; and

– a significant or prolonged decline in the fair value of an investment in an equity instrument below its cost.

If any such evidence exists, any impairment loss is determined and recognised as follows:

– For unlisted equity securities carried at cost, impairment loss is measured as the difference between the carrying amount of the financial asset and the estimated future cash flows, discounted at the current market rate of return for a similar financial asset where the effect of discounting is material. Impairment losses for equity securities are not reversed.

– 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. This assessment is made collectively where financial assets carried at amortised cost share similar risk characteristics, such as similar past due status, and have not been individually assessed as impaired. 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, when a decline in the fair value has been recognised directly in equity and there is objective evidence that the asset is impaired, the cumulative loss that had been recognised directly in equity shall be removed from equity and recognised in profit or loss even though the financial asset has not been derecognised. 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.

2. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(h) Impairment of Assets *(Continued)*

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

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

Impairment losses are written off against the corresponding assets directly, except for impairment losses recognised in respect of trade debtors included within trade and other receivables, whose recovery is considered doubtful but not remote. In this case, the impairment losses for doubtful debts are recorded using an allowance account. When the Group is satisfied that recovery is remote, the amount considered irrecoverable is written off against trade debtors directly and any amounts held in the allowance account relating to that debt are reversed. Subsequent recoveries of amounts previously charged to the allowance account are reversed against the allowance account. Other changes in the allowance account and subsequent recoveries of amounts previously written off directly are recognised in profit or loss.

(ii) Impairment of other assets

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

– property, plant and equipment (other than properties carried at revalued amounts);

– intangible assets;

– investments in subsidiaries (except for those classified as held for group sale); and

– goodwill.

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

– Calculation of recoverable amount

The recoverable amount of an asset is greater of its net selling price and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of time value of money and the risks specific to the asset. Where an asset does not generate cash inflows largely independent of those from other assets, the recoverable amount is determined for the smallest group of assets that generates cash inflows independently (i.e., a cash-generating unit).

2. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(h) Impairment of Assets *(Continued)*

(ii) Impairment of other assets (Continued)

– Recognition of impairment losses

An impairment loss is recognised in profit or loss whenever the carrying amount of an asset, or the cash-generating unit to which it belongs, exceeds its recoverable amount. Impairment losses recognised in respect of cash-generating units are allocated first to reduce the carrying amount of any goodwill allocated to the cash-generating unit (or group of units) and then, to reduce the carrying amount of the other assets in the unit (or group of units) on a pro rata basis, except that the carrying value of an asset will not be reduced below its individual fair value less costs to sell, or value in use, if determinable.

– Reversal of impairment losses

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

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

(iii) Interim financial reporting and impairment

Under the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited, the Group is required to prepare an interim financial report in compliance with HKAS 34, Interim financial reporting, in respect of the first six months of the financial year. At the end of the interim period, the Group applies the same impairment testing, recognition, and reversal criteria as it would at the end of the financial year (see note 2(h)).

Impairment losses recognised in an interim period in respect of goodwill and available-for-sale equity securities carried at cost are not reversed in a subsequent period. This is the case even if no loss, or a smaller loss, would have been recognised had the impairment been assessed only at the end of the financial year to which the interim period relates.

2. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(i) Inventories

(i) Trading of non-ferrous metal

Inventories are carried at the lower of cost and net realisable value.

Costs is calculated using the weighted average cost formula and comprises all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition.

Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.

When inventories are sold, the carrying amount of those inventories is recognised as an expense in the period in which the related revenue is recognised. The amount of any write-down of inventories to net realisable value and all losses of inventories are recognised as an expense in the period the write-down or loss occurs. The amount of any reversal of any write-down of inventories is recognised as a reduction in the amount of inventories recognised as an expense in the period in which the reversal occurs.

(ii) Property development

Inventories in respect of property development activities are carried at the lower of cost and net realisable value. Cost and net realisable values are determined as follows:

– Property under development for sale

The cost of properties under development for sale comprises specifically identified costs, including the acquisition cost of land, aggregate cost of development, materials and supplies, wages and other direct expenses, an appropriate proportion of overheads and borrowing costs capitalized (see note 2(t)). Net realisable value represents the estimated selling price less estimated costs of completion and costs to be incurred in selling the property.

– Completed property held for sale

In the case of completed properties developed by the Group, cost is determined by an apportionment of the total development costs for that development project attributable to the unsold properties. Net realisable value represents the estimated selling price less costs to be incurred in selling the property.

The cost of completed properties held for sale comprises all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition.

2. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(j) Debtors, Other Receivables, Deposits and Prepayments

Debtors, other receivables, deposits and prepayments are initially recognised at fair value and thereafter stated at amortised cost less allowance for 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 allowance for impairment losses for bad and doubtful debts (see note 2(h)).

(k) Convertible Notes

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

At initial recognition, the liability component of the convertible notes is measured as the present value of the future interest and principle payments, discounted at the market rate of interest applicable at the time of initial recognition to similar liabilities that do not have a conversion option. Any excess of proceeds over the amount initially recognised as the liability component is recognised as the equity component. Transaction costs that relate to the issue of a compound financial instrument are allocated to the liability and equity components in proportion to the allocation of proceeds.

The liability component is subsequently carried at amortised cost. The interest expense recognised in profit or loss on the liability component is calculated using the effective interest method. The equity component is recognised in the convertible notes equity reserve until either the note is converted or redeemed.

If the note is converted, the convertible notes equity reserve, together with the carrying amount of the liability component at the time of conversion, are transferred to share capital and share premium as consideration for the shares issued. If the note is redeemed, the convertible notes equity reserve is released directly to retained profits.

(l) 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.

(m) Creditors

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

2. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(n) 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 readily 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. Bank overdrafts that are repayable on demand and form an integral part of the Group's cash management are also included as a component of cash and cash equivalents for the purpose of the consolidated cash flow statement.

(o) Employee Benefits

(i) Short-term employee benefits and contributions to defined contribution plans

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

(ii) Share-based payments

The fair value of share options granted to employees is recognised as an employee cost with a corresponding increase in a employee share-based compensation reserve within equity. The fair value is measured at grant date using the Black-Scholes – Metron Option Pricing Model, taking into account the terms and conditions upon which the options were granted. Where the employees have to meet vesting conditions before becoming unconditionally entitled to the share options, the total estimated fair value of the share options is spread over the vesting period, taking into account the probability that the options will vest.

During the vesting period, the number of share options expected to vest is reviewed. Any adjustment to the cumulative fair value recognised in prior years is charged/credited to the profit or loss for the year under review, unless the original employee expenses qualify for recognition as an asset, with a corresponding adjustment to the employee share-based compensation reserve. On vesting date, the amount recognised as an expense is adjusted to reflect the actual number of share options that vest (with a corresponding adjustment to the employee share-based compensation reserve) except where forfeiture is only due to not achieving vesting conditions that relate to the market price of the Company's shares. The equity amount is recognised in the employee share-based compensation reserve until either the option is exercised (when it is transferred to the share premium account) or the option expires (when it is released directly to retained profits).

2. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(p) Income Tax

Income tax for the year comprises current tax and movements in deferred tax assets and liabilities. Current tax and movements in deferred tax assets and liabilities are recognised in profit or loss except to the extent that they relate to items recognised directly in equity, in which case they are recognised in equity.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the balance sheet date, and any adjustment to tax payable in respect of previous years.

Deferred tax assets and liabilities arise from deductible and taxable temporary differences respectively being the differences between the carrying amounts of assets and liabilities for financial reporting purposes and their tax bases. Deferred tax assets also arise from unused tax losses and unused tax credits.

Apart from certain limited exceptions, all deferred tax liabilities, and all deferred tax assets to the extent that it is probable that future taxable profits will be available against which the asset can be utilised, are recognised. Future taxable profits that may support the recognition of deferred tax assets arising from deductible temporary differences include those that will arise from the reversal of existing taxable temporary differences, provide that those differences relate to the same taxation authority and the same taxable entity, and are expected to reverse either in the same period as the expected reversal of the deductible temporary differences or in periods into which a tax loss arising from the deferred tax asset can be carried back or forward. The same criteria are adopted when determining whether existing taxable temporary differences support the recognition of deferred tax assets arising from unused tax losses and credits, that is, those differences are taken into account if they relate to the same taxation authority and the same taxable entity, and are expected to reverse in a period, or periods, in which the tax loss or credit can be utilized.

The limited exceptions to recognition of deferred tax assets and liabilities are those temporary differences arising from goodwill not deductible for tax purposes, the initial recognition of assets or liabilities that affect neither accounting nor taxable profit (provided they are not part of a business combination), and temporary differences relating to investments in subsidiaries to the extent that, in the case of taxable differences, the Group controls the timing of the reversal and it is probable that the differences will not reverse in the foreseeable future, or in the case of deductible differences, unless it is probable that they will reverse in the future.

The amount of deferred tax recognised is measured based on the expected manner of realisation or settlement of the carrying amount of the assets and liabilities, using tax rates enacted or substantively enacted at the balance sheet date. Deferred tax assets and liabilities are not discounted.

The carrying amount of a deferred tax asset is reviewed at each balance sheet date and is reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow the related tax benefit to be utilised. Any such reduction is reversed to the extent that it becomes probable that sufficient taxable profits will be available.

2. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(p) Income Tax *(Continued)*

Additional income taxes that arise from the distribution of dividends are recognised when the liability to pay the related dividends is recognised.

Current tax balances and deferred tax balances, and movements therein, are presented separately from each other and are not offset. Current tax assets are offset against current tax liabilities, and deferred tax assets against deferred tax liabilities, if the Company or the Group has the legally enforceable right to set off current tax assets against current tax liabilities and the following additional conditions are met:

– in the case of current tax assets and liabilities, the Company or the Group intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously; or

– in the case of deferred tax assets and liabilities, if they relate to income taxes levied by the same taxation authority on either:

  – the same taxable entity; or

  – different taxable entities, which, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered, intend to realize the current tax assets and settle the current tax liabilities on a net basis or realize and settle simultaneously.

(q) Financial Guarantees Issued, Provisions and Contingent Liabilities

(i) Financial guarantees issued

Financial guarantees are contracts that require the issuer (i.e., the guarantor) to make specified payments to reimburse the beneficiary of the guarantee ("the holder") for a loss the holder incurs because a specified debtor fails to make payment when due in accordance with the terms of a debt instrument.

Where the Group issues a financial guarantee, the fair value of the guarantee (being the transaction price, unless the fair value can otherwise be reliably estimated) is initially recognised as deferred income within trade and other payables. Where consideration is received or receivable for the issuance of the guarantee, the consideration is recognised in accordance with the Group's policies applicable to that category of asset. Where no such consideration is received or receivable, an immediate expense is recognised in profit or loss on initial recognition of any deferred income.

The amount of the guarantee initially recognised as deferred income is amortised in profit or loss over the term of the guarantee as income from financial guarantees issued. In addition, provisions are recognised in accordance with note 2(q)(ii) if and when (i) it becomes probable that the holder of the guarantee will call upon the Group under the guarantee, and (ii) the amount of that claim on the Group is expected to exceed the amount currently carried in trade and other payables in respect of that guarantee i.e., the amount initially recognised, less accumulated amortisation.

2. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(q) Financial Guarantees Issued, Provisions and Contingent Liabilities *(Continued)*

(ii) Provisions and contingent liabilities

Provisions are recognised for other 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 expected 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.

(r) Revenue Recognition

Provided it is probable that the economic benefits will flow to the Group and the revenue and costs, if applicable, can be measured reliably, revenue is recognised in profit or loss as follows:

(i) Sale of goods

Revenue is recognised when goods are delivered which is taken to be the point in time when the customer has accepted the goods and the related risks and rewards of ownership. Revenue excludes value added tax or other sales taxes and is after deduction of any trade discounts.

(ii) Sale of properties

Revenue arising from the sale of properties held for sale is recognised upon the signing of the sale and purchase agreement or the issue of an occupation permit by the relevant government authorities, whichever is the later. Deposits and instalments received on properties sold prior to the date of revenue recognition are included in the balance sheet under deposits received.

(iii) Rental Income from operating lease

Rental income receivable under operating lease is recognised in profit or loss in equal instalments over the periods covered by the lease term, except where an alternative basis is more representative of the pattern of benefits to be derived from the use of the leased asset. Lease incentives granted are recognised in profit or loss as an integral part of the aggregate net lease payments receivable. Contingent rentals are recognised as income in the accounting period in which they are earned.

(iv) Interest income

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

(v) Service income

Service income is recognised when services are provided.

2. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(s) Translation of Foreign Currencies

Foreign currency transactions during the year are translated at the foreign exchange rates ruling at the transaction dates. Monetary assets and liabilities denominated in foreign currencies are translated at the foreign exchange rates ruling at the balance sheet date. Exchange gains and losses are recognised in profit or loss, except those arising from foreign currency borrowings used to hedge a net investment in a foreign operation which are recognised directly in equity.

Non-monetary assets and liabilities measured in terms of historical cost in a foreign currency are translated using the foreign exchange rates ruling at the transaction dates. Non-monetary assets and liabilities denominated in foreign currencies that are stated at fair value are translated using the foreign exchange rates ruling at the dates the fair value was determined.

The results of foreign operations are translated into Hong Kong dollars at the exchange rates approximating the foreign exchange rates ruling at the dates of the transactions. Balance sheet items, including goodwill on consolidation of foreign operations acquired on or after 1 January 2005, are translated into Hong Kong dollars at the foreign exchange rates ruling at the balance sheet date. The resulting exchange differences are recognised directly in a separate component of equity. Goodwill on consolidation of a foreign operation acquired before 1 January 2005 is translated at the foreign exchange rate that applied at the date of acquisition of the foreign operation.

On disposal of a foreign operation, the cumulative amount of the exchange differences recognised in equity which relate to that foreign operation is included in the calculation of the profit or loss on disposal.

(t) 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 capitalized as being directly attributable to the acquisition, construction or production of an asset which necessarily takes a substantial period of time to get ready for its intended use or sale.

The capitalization of borrowing costs as part of the cost of a qualifying asset commences when expenditure for the asset is being incurred, borrowing costs are being incurred and activities that are necessary to prepare the asset for its intended use or sale are in progress. Capitalization of borrowing costs is suspended or ceases when substantially all the activities necessary to prepare the qualifying asset for its intended use or sale are interrupted or complete.

2. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(u) Related Parties

For the purposes of these financial statements, parties are considered to be related to the Group if:

(i) the party has the ability, directly or indirectly through one or more intermediaries, to control the Group or exercised significant influence over the Group in making financial and operating policy decisions, or has joint control over the Group;

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

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

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

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

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

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

(v) 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 information as the secondary reporting format for the purpose of these financial statements.

Segment revenue, expenses, results, assets and liabilities include items directly attributable to a segment as well as those that can be allocated on a reasonable basis to that segment. For example, segment assets may include trade receivables and property, plant and equipment. Segment revenue, expenses, assets and liabilities are determined before intra-group balances and intra-group transactions are eliminated as part of the consolidation process, except to the extent that such intra-group balances and transactions are between group entities 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. CHANGES IN ACCOUNTING POLICIES

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 include expanded disclosure about the significance of the Group'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 provided throughout these financial statements, in particular in note 27.

The amendment to HKAS 1 introduces additional disclosure requirements to provide information about the level of capital and the Group's and the Company's objectives, policies and processes for managing capital. These new disclosures are set out in note 26(f).

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 instruments.

The Group has not applied any new standard or interpretation that is not yet effective for the current accounting period (see note 35).

4. TURNOVER

The principal activities of the Group are the trading of non-ferrous metals and property investment and development and provision of financial services.

Turnover represents the sales value of goods supplied to customers and rental income. The amount of each significant category of revenue recognised in turnover during the year is as follows:

	1/1/2007 to 31/12/2007 HK$'000	1/4/2006 to 31/12/2006 HK$'000
Trading of non-ferrous metals	**154,259**	85,937
Gross rentals from investment properties	**1,194**	3,487
Provision of financial services	**–**	757
	155,453	90,181

5. OTHER REVENUE, NET INCOME AND OPERATING INCOME

	1/1/2007 to 31/12/2007 HK$'000	1/4/2006 to 31/12/2006 HK$'000
Other revenue		
Bank interest income	1,343	9
Other interest income	188	51
Total interest income on financial assets not at fair value through profit or loss	1,531	60
Sundry income	5	3
	1,536	63
Other net income		
Net gain on sales of fixed assets	–	142
Net realised gain on trading securities	–	335
Net exchange gain	4,077	2,480
	4,077	2,957
Other operating income		
Reversal of impairment loss on trade and other receivables	2,991	–
Recovery of debts on loan receivables	400	–
	3,391	–

6. LOSS BEFORE TAXATION

Loss before taxation is arrived at after charging/(crediting) the followings:

	1/1/2007 to 31/12/2007 HK$'000	1/4/2006 to 31/12/2006 HK$'000
(a) Finance Costs		
Interest on bank borrowings wholly repayable within five years	**251**	585
Interest on other borrowings wholly repayable within five years	**–**	11
Interest on amount due to a securities dealer	**178**	208
Finance charges on obligations under finance lease	**1**	–
Total interest expense on financial liabilities not at fair value through profit or loss	**430**	804
(b) Staff Costs (Including Directors' Emoluments)		
Salaries, wages and other benefits	**3,624**	1,058
Contributions to defined contribution retirement plan	**62**	30
Equity settled share-based payment expenses (note 25)	**12,838**	–
	16,524	1,088
(c) Other Items		
Cost of inventories	**156,325**	80,918
Depreciation	**76**	37
Impairment loss on		
– trade and other receivables	**1,000**	9,620
– loan receivables, unsecured	**–**	12,642
Minimum lease payments under operating leases on leasehold land and buildings	**1,155**	801
Auditor's remuneration	**500**	350
Rental income from investment properties less direct outgoings of HK$208,000 (for the nine months ended 31 December 2006: HK$610,000)	**(986)**	(2,877)

7. INCOME TAX IN THE CONSOLIDATED INCOME STATEMENT

(a) Income tax in the consolidated income statement represents:

	1/1/2007 to 31/12/2007 HK$'000	1/4/2006 to 31/12/2006 HK$'000
Hong Kong		
Provision for the year/period	**–**	673
Under-provision in respect of prior years	**–**	6
PRC Enterprise Income Tax		
Provision for the year/period	**239**	583
Deferred income tax	**–**	–
	239	1,262

No provision for Hong Kong profits tax has been made as the Group did not generate any assessable profit arising in Hong Kong during the current year (For the nine months ended 31 December 2006: Hong Kong profits tax is calculated at 17.5% of the estimated assessable profit for the period).

Taxes on profits assessable elsewhere have been calculated at the rates of tax prevailing in the jurisdictions in which the Group operates, based on existing legislation, practices and interpretations in respect thereof.

(b) Reconciliation between tax expense and accounting loss at the applicable tax rates:

	1/1/2007 to 31/12/2007 HK$'000	1/4/2006 to 31/12/2006 HK$'000
Loss before taxation	**(59,498)**	(24,855)
Notional tax on loss before taxation, calculated at the rates applicable to loss in the tax jurisdictions concerned	**(9,860)**	(3,767)
Tax effect of non-taxable income	**(461)**	(685)
Tax effect of non-deductible expenses	**5,462**	5,493
Tax effect of unused tax losses not recognised	**5,101**	215
Unrecognised timing difference	**(3)**	–
Underprovision in prior years	**–**	6
Actual tax expense	**239**	1,262

7. INCOME TAX IN THE CONSOLIDATED INCOME STATEMENT *(Continued)*

(c) New tax law of the PRC

On 16 March 2007, the Fifth Plenary Session of the Tenth National People's Congress promulgated the Corporate Income Tax Law of the PRC ("the New Tax Law"), which would become effective on 1 January 2008. Further, on 6 December 2007, the State Council released the Implementation Rules to the Corporate Income Tax Law ("the Implementation Rules").

According to the New Tax Law, from 1 January 2008, the standard corporate income tax rates for enterprises in the PRC will be reduced from 33% to 25%. However, an "encouraged hi-tech enterprise" will continue to be entitled to a reduced corporate income tax rate of 15%. The detailed application of the newly introduced preferential tax policies have yet to be made public.

Under the New Tax Law which became effective from 1 January 2008 and in accordance with "Notification of the State Council on Carrying out the Transitional Preferential Policies concerning Enterprise Income Tax" (Guo Fa [2007] No.39) promulgated by the State Council on 26 December 2007, an entity established before 16 March 2007 that was entitled to preferential tax treatment prior to the New Tax Law will be subject to a transitional tax rate beginning in the year 2008 ("Transitional Tax Rate") before the new corporate income tax rate of 25% applies. For companies currently enjoying a reduced tax rate of 15%, the Transitional Tax Rate is 18%, 20%, 22%, 24% and 25% for 2008, 2009, 2010, 2011 and 2012 onwards respectively.

Any unutilized tax holidays can continue until expiry while tax holidays will be deemed to start from 1 January 2008, even if the company is not yet turning to a profit. The PRC subsidiary of the Group. Weiqiu Industrial (Shenzhen) Company Limited is currently under loss status and is forcibly to commence the tax holiday on 1 January 2008.

The enactment of the New Tax Law is not expected to have any financial effect on the amounts accrued in the balance sheet in respect of current tax payable. The deferred tax assets/liabilities of the subsidiary in the PRC are measured using enacted tax rates expected to apply to taxable income, based on the Transitional Tax Rate, in the years in which those temporary differences are expected to be recovered or settled.

In addition, under the New Tax Law, a withholding tax may be applied on the gross amount of dividends received by the Company from its PRC subsidiary after 1 January 2008. The Implementation Rules provided for the withholding tax rate to be at 10% unless reduced by treaty.

8. DIRECTORS' EMOLUMENTS

Directors' emoluments disclosed pursuant to section 161 of the Hong Kong Companies Ordinance is as follows:

	Note	Year ended 31 December 2007				
		Directors' fees	Salaries, wages and other benefits in kind	Contributions to defined contribution retirement plan	Equity settle share-based payment expenses	Total
		HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Chairman						
Mr. Tse On Kin	(ii)	–	937	8	1,284	2,229
Executive directors						
Mr. Wu Jian Feng	(i) & (iii)	60	–	–	1,284	1,344
Mr. Zhang Cheng Jie	(i) & (iii)	60	–	–	1,284	1,344
Mr. Li Guoping	(ii)	–	348	3	–	351
Non-executive directors						
Mr. Chan Chi Yuen	(i)	100	–	–	–	100
Mr. Chan Chung Yin, Victor	(i) & (iii)	100	–	–	–	100
Mr. Tsang Kwong Fook, Andrew	(ii)	15	–	–	–	15
Independent non-executive directors						
Mr. Fung Chi Kin	(i)	100	–	–	–	100
Mr. Qian Zhi Hui	(i)	60	–	–	–	60
Mr. Chiu Wai On	(i)	100	–	–	–	100
		595	1,285	11	3,852	5,743

8. DIRECTORS' EMOLUMENTS *(Continued)*

		For the nine months ended 31 December 2006				
	Note	Directors' fees HK$'000	Salaries, wages and other benefits in kind HK$'000	Contributions to defined contribution retirement plan HK$'000	Equity settled share-based payment expenses HK$'000	Total HK$'000
Chairman						
Mr. Wu Jian Feng	(i) & (iii)	15	–	–	–	15
Executive directors						
Mr. Zhang Cheng Jie	(i) & (iii)	15	–	–	–	15
Non-executive directors						
Mr. Chan Chi Yuen	(i)	25	–	–	–	25
Mr. Chan Chung Yin, Victor	(i) & (iii)	25	–	–	–	25
Independent non-executive directors						
Mr. Fung Chi Kin	(i)	25	–	–	–	25
Mr. Qian Zhi Hui	(i)	15	–	–	–	15
Mr. Chiu Wai On	(i)	17	–	–	–	17
		137	–	–	–	137

Note:

(i) Appointed during the period ended 31 December 2006.

(ii) Appointed during the year ended 31 December 2007.

(iii) Resigned on 5 February 2008.

The above emoluments include the fair value of share options granted to certain directors under the Company's share option scheme as estimated at the date of grant. Details of these benefits in kind are disclosed in note 25.

During the year, no emoluments or incentive payments were paid to the directors as an inducement to join or upon joining the Group or as compensation for loss of office during the year.

9. INDIVIDUALS WITH HIGHEST EMOLUMENTS

Of the five individuals with the highest emoluments in the Group, three (2006: none) were directors of the Company whose emoluments are included in the disclosures in note 8 above. The emoluments of the remaining two (2006: five) individuals were as follows:

	1/1/2007 to 31/12/2007 HK$'000	1/4/2006 to 31/12/2006 HK$'000
Salaries, wages and other benefits	**720**	596
Contributions to defined contribution retirement plan	**18**	35
Equity settled share-based payment expenses	**2,568**	–
	3,306	631

Analysis of the emoluments of the remaining two (2006: five) individuals with the highest emoluments by the number of individuals and remuneration range is as follows:

	Number of individuals	
	2007	2006
Nil – HK$1,000,000	**–**	5
HK$1,000,001 – HK$1,500,000	**1**	–
HK$1,500,001 – HK$2,000,000	**1**	–

During the year, no emoluments or incentive payments were paid to the five highest paid individuals as an inducement to join or upon joining the Group or as compensation for loss of office during the year.

10. PROFTT/(LOSS) ATTRIBUTABLE TO EQUITY SHAREHOLDERS OF THE COMPANY

The consolidated loss attributable to equity shareholders of the Company includes a profit of HK$28,173,000 (For the nine months ended 31 December 2006: a loss of HK$121,228,000) which has been dealt with in the financial statements of the Company (note 26(b)).

11. LOSS PER SHARE

(a) Basic loss per share

The calculation of basic loss per share is based on loss attributable to ordinary equity shareholders of the Company of HK$59,737,000 (For the nine months ended 31 December 2006: HK$26,117,000) and the weighted average number of 641,144,646 ordinary shares (For the nine months ended 31 December 2006: weighted average number of 461,597,019 ordinary shares) in issue during the year/period calculated as follows:

	Number of shares	
	2007	2006
Issued ordinary shares at 1 January/1 April	**556,305,030**	433,302,000
Effect of shares issued under placement (note 26(c)(iv))	**84,104,109**	1,011,273
Effect of share options exercised (note 26(c)(v))	**735,507**	–
Effect of conversion of convertible notes (note 26(c)(iii))	**–**	27,283,746
Weighted average number of ordinary shares at 31 December	**641,144,646**	461,597,019

(b) Diluted loss per share

Diluted loss per share for the year ended 31 December 2007 has not been disclosed as the potential ordinary shares outstanding during the year had an anti-dilutive effect on the basic loss per share for the year. Diluted loss per share was not presented for the nine months ended 31 December 2006 as there were no dilutive potential shares in issue during the prior year.

12. SEGMENT REPORTING

Segment information is presented in respect of the Group's business and geographical segments. Business segment is chosen as the primary reporting format because this is more relevant to the Group's internal financial reporting.

Business segments

The Group comprises the following main business segments:

Property investment and development :	the leasing of properties to generate rental income and to gain from the appreciation in the properties' values in the long term; the development and sale of office premises.
Financial services:	provision of financial services.
Trading of non-ferrous metal:	the sale of zinc ore concentrate and zinc ingots.

12. SEGMENT REPORTING *(Continued)*

Business segments *(Continued)*

	Year ended 31 December 2007			
	Property investment and development HK$'000	Financial services HK$'000	Trading of non-ferrous metal HK$'000	Total HK$'000
Revenue				
External sales	1,194	–	154,259	155,453
Segment result	(28,447)	342	(8,610)	(36,715)
Unallocated corporate expenses				(23,884)
Interest income				1,531
Loss from operations				(59,068)
Interest expenses				(430)
Loss before taxation				(59,498)
Income tax				(239)
Loss for the year				(59,737)

12. SEGMENT REPORTING *(Continued)*

Business segments *(Continued)*

	Year ended 31 December 2007			
	Property investment and development HK$'000	Financial services HK$'000	Trading of non-ferrous metal HK$'000	Total HK$'000
Other information:				
Capital expenditure				
– segment	46	–	1,794	1,840
– unallocated				17
Depreciation				
– segment	3	–	72	75
– unallocated				1
Impairment loss on trade and other receivables				
– segment	–	–	1,000	1,000
Reversals of impairment loss on trade and other receivables				
– segment	(2,991)	–	–	(2,991)
Recovery of debts on loan receivables				
– segment	–	(400)	–	(400)
Impairment on goodwill				
– segment	10,200	–	–	10,200
Valuation loss on investment properties				
– segment	7,901	–	–	7,901
Write down of inventories				
– segment	15,912	–	–	15,912
Equity settled share-based payment expenses				
– unallocated				12,838
Segment assets	249,050	297	136,339	385,686
Unallocated assets				140,865
Total assets				526,551
Segment liabilities	(164,649)	(1,530)	(1,101)	(167,280)
Unallocated liabilities				(4,263)
Total liabilities				(171,543)

12. SEGMENT REPORTING *(Continued)*

Business segments *(Continued)*

	For the nine months ended 31 December 2006			
	Property investment and development HK$'000	Financial services HK$'000	Trading of non-ferrous metal HK$'000	Total HK$'000
Revenue				
External sales	3,487	757	85,937	90,181
Segment result	(12,218)	(13,533)	3,857	(21,894)
Unallocated corporate expenses				(2,217)
Interest income				60
Loss from operations				(24,051)
Interest expenses				(804)
Loss before taxation				(24,855)
Income tax				(1,262)
Loss for the period				(26,117)

12. SEGMENT REPORTING *(Continued)*

Business segments *(Continued)*

	For the nine months ended 31 December 2006			
	Property investment and development HK$'000	Financial services HK$'000	Trading of non-ferrous metal HK$'000	Total HK$'000
Other information:				
Depreciation				
– unallocated				37
Impairment loss on trade and other receivables				
– segment	7,642	1,978	–	9,620
Impairment loss on loan receivables				
– segment	–	12,642	–	12,642
Net gain on sales of fixed assets				
– unallocated				(142)
Net realised gain on trading securities				
– segment	–	(335)	–	(335)
Valuation loss on investment properties				
– segment	1,200	–	–	1,200
Impairment on goodwill				
– segment	6,523	–	–	6,523
Segment assets	171,624	300	40,458	212,382
Unallocated assets				8,305
Total assets				220,687
Segment liabilities	(61,156)	(1,349)	(10,548)	(73,053)
Unallocated liabilities				(3,355)
Total liabilities				(76,408)

12. SEGMENT REPORTING *(Continued)*

Geographical segment

In presenting information on the basis of geographical segments, segment revenue is based on the geographical location of customers. Segment assets and capital expenditure are based on the geographical location of the assets.

	2007			2006		
	Hong Kong HK$'000	Mainland China HK$'000	Total HK$'000	Hong Kong HK$'000	Mainland China HK$'000	Total HK$'000
Revenue						
External sales	154,259	1,194	155,453	86,694	3,487	90,181
Segment assets	277,501	249,050	526,551	49,063	171,624	220,687
Captial expenditure	1,811	46	1,857	–	–	–

13. FIXED ASSETS

(a) The Group

	Furniture and office equipment HK$'000	Motor vehicles HK$'000	Sub-total HK$'000	Investment properties HK$'000	Total fixed assets HK$'000
Cost or valuation					
At 1 April 2006	8,186	497	8,683	75,812	84,495
Exchange adjustments	–	–	–	2,688	2,688
Disposal	(8,140)	(497)	(8,637)	–	(8,637)
Fair value adjustment	–	–	–	(1,200)	(1,200)
At 31 December 2006	46	–	46	77,300	77,346
Representing					
Cost	46	–	46	–	46
Valuation	–	–	–	77,300	77,300
	46	–	46	77,300	77,346
At 1 January 2007	46	–	46	77,300	77,346
Exchange adjustments	2	–	2	4,186	4,188
Additions	277	1,580	1,857	–	1,857
Fair value adjustment	–	–	–	(7,901)	(7,901)
At 31 December 2007	**325**	**1,580**	**1,905**	**73,585**	**75,490**
Representing					
Cost	325	1,580	1,905	–	1,905
Valuation	–	–	–	73,585	73,585
	325	1,580	1,905	73,585	75,490
Accumulated depreciation					
At 1 April 2006	8,173	417	8,590	–	8,590
Charge for the period	11	26	37	–	37
Written back on disposal	(8,140)	(443)	(8,583)	–	(8,583)
At 31 December 2006	44	–	44	–	44
At 1 January 2007	44	–	44	–	44
Charge for the year	23	53	76	–	76
At 31 December 2007	**67**	**53**	**120**	**–**	**120**
Net book value					
At 31 December 2007	**258**	**1,527**	**1,785**	**73,585**	**75,370**
At 31 December 2006	2	–	2	77,300	77,302

13. FIXED ASSETS *(Continued)*

(b) The Company

	Furniture and office equipment HK$'000
Cost	
At 1 April 2006, 31 December 2006 and 1 January 2007	–
Additions	18
At 31 December 2007	**18**
Accumulated depreciation	
At 1 April 2006, 31 December 2006 and 1 January 2007	–
Charge for the year	1
At 31 December 2007	**1**
Net book value	
At 31 December 2007	**17**
At 31 December 2006	–

(c) The fair value of the Group's investment properties at 31 December 2007 have been arrived at on the basis of a valuation carried out on that date by Chung, Chan & Associates, an independent qualified professional firm of valuers not connected with the Group. Chung, Chan & Associates has among its staff members of Hong Kong Institute of Surveyors and has appropriate qualifications and recent experiences in the location and category of property being valued. The valuation, which conforms to The Valuation Standards on Properties of Hong Kong Institute of Surveyors, was arrived at by reference to recent market transactions in comparable properties.

(d) At 31 December 2007, investment properties with a total of carrying amount of HK$73,585,000 (2006: HK$77,300,000) are situated outside Hong Kong under medium-term leases.

(e) The Group leases certain furniture and office equipment under finance lease expiring in 5 years. At the end of the lease term, the Group has the option to purchase the leased equipment at a price deemed to be a bargain purchase option. None of the leases includes contingent rental.

During the year, additions to furniture and office equipment of the Group financed by new finance leases were approximately HK$59,000 (For the nine months ended 31 December 2006: HK$Nil). At the balance sheet date, the net book value of the furniture and office equipment held under finance leases of the Group was approximately HK$50,000 (2006: HK$Nil).

13. FIXED ASSETS *(Continued)*

(f) The Group leased out investment properties under operating leases. The lease terms are generally within the range of three to five years with an option to renew the lease after the expiry date at which time all terms will be renegotiated. None of the leases includes contingent rentals.

All properties interests held under operating leases that would otherwise meet the definition of investment property are classified as investment property.

The Group's total future minimum lease payments under non-cancellable operating leases were receivable as follows:

	The Group	
	2007 **HK$'000**	2006 HK$'000
Not later than one year	**–**	4,368
Later than one year but not later than five years	**–**	1,227
	–	5,595

14. GOODWILL

	The Group	
	2007 **HK$'000**	2006 HK$'000
At 1 January/1 April	**10,200**	16,723
Impairment loss	**(10,200)**	(6,523)
At 31 December	**–**	10,200

Goodwill was acquired through acquisition of subsidiaries in prior years.

14. GOODWILL *(Continued)*

Impairment test for cash-generating unit ("CGU") containing goodwill

Goodwill is allocated to the Group's cash-generating unit (the "CGU") in the property investment and development segment.

The recoverable amount of the CGU is determined based on value-in-use calculations. These calculations use cash flow projections based on financial budgets approved by management covering a one-year period. A discount rate of 12.21% has been used for the value-in-use calculations.

Management determined the budgeted gross margin based on past performance and its expectation for market development. The discount rate used is a pre-tax rate and reflects specific risks relating to the relevant CGU.

The impairment loss recognised during the year relates to the Group's property development activities in PRC. As the recoverable amount of the CGU based on value-in-use calculations is less than its carrying amount, the carrying amount of the CGU has been reduced to its recoverable amount. Any adverse change in the assumptions used in the calculation of recoverable amount would cause the carrying value to be less than the recoverable amount.

15. INTEREST IN SUBSIDIARIES

	The Company	
	2007	2006
	HK$'000	HK$'000
Unlisted shares, at cost	**153,153**	153,153
Less: Impairment loss	**(153,153)**	(131,899)
	–	21,254
Due from subsidiaries	**299,700**	189,154
Less: allowance for doubtful debts (note (a))	**(48,146)**	(120,101)
	251,554	69,053
Due to a subsidiary	**(25,953)**	(25,951)
	225,601	64,356

15. INTEREST IN SUBSIDIARIES *(Continued)*

Notes:

(a) Movement in the allowance for doubtful debts

	Company	
	2007	2006
	HK$'000	HK$'000
At 1 January/1 April	**120,101**	101
Impairment losses recognised	**22,045**	120,000
Amounts reversed during the year	**(94,000)**	–
At 31 December	**48,146**	120,101

(b) The directors consider that in light of recurring operating loss of certain subsidiaries, the recoverable amount of these subsidiaries has been reduced to the estimated net realisable value of their identifiable net assets. Accordingly, impairment loss of approximately HK$153,153,000 (2006: HK$131,899,000) and HK$48,146,000 (2006: HK$120,101,000) in respect of the Company's interest in subsidiaries and amounts due from subsidiaries were recognised.

(c) The balances are unsecured, interest-free and expected to be repaid within one year. In the last year, such amount were not expected to be repaid within one year from the balance sheet date.

(d) The following list contains only the particulars of subsidiaries which principally affect the results, assets or liabilities of the Group. The class of shares held is ordinary unless otherwise stated.

Name of company	Place of incorporation and operation	Particulars of issued and paid up capital	Proportion of ownership interest: Group's effective interest	Proportion of ownership interest: Held by the Company	Proportion of ownership interest: Held by a subsidiary	Principal activities
New Times Holdings Limited	British Virgin Islands/ Hong Kong	1,000 shares of HK$1 each	100%	100%	–	Investment holding
Elegant Pool Limited	British Virgin Islands/ Mainland China	100 shares of US$1 each	100%	–	100%	Property investment
Jefta Holdings Limited	British Virgin Islands/ Hong Kong	100 shares of US$1 each	100%	–	100%	Investment holding/ provision of financial services
New Times Finance Limited	Hong Kong	2 shares of HK$10 each	100%	–	100%	Provision of financial services
Smart Wave Limited	British Virgin Islands/ Hong Kong	100 shares of US$1 each	100%	100%	–	Investment holding
Weiqiu Industrial (Shenzhen) Company Limited#	PRC	RMB10,000,000	100%	–	100%	Property development
Jumbo Hope Group Limited	Hong Kong	1 share of HK$1 each	100%	–	100%	Trading of non-ferrous metal

\# *Registered under the laws of the PRC as foreign investment enterprise.*

16. INVENTORIES

(a) Inventories in the balance sheet comprise:

	Group	
	2007	2006
	HK$'000	HK$'000
Trading of non-ferrous metals		
Finished goods	**19,540**	–
Property investment and development		
Land held for development for sale	**–**	37,692
Property under development for sale	**–**	24,131
Completed property held for sale	**143,058**	–
	162,598	61,823

(b) The analysis of carrying value of land and properties held by the Group is as follows:

	Group	
	2007	2006
	HK$'000	HK$'000
Outside Hong Kong		
– medium-term lease	**143,058**	61,823

	Group	
	2007	2006
	HK$'000	HK$'000
Representing:		
Land held for development for sale	**–**	37,692
Property under development for sale	**–**	24,131
Completed property held for sale	**143,058**	–
	143,058	61,823

16. INVENTORIES *(Continued)*

(c) The analysis of the amount of inventories recognised as an expense is as follows:

	1/1/2007 to 31/12/2007 HK$'000	1/4/2006 to 31/12/2006 HK$'000
Carrying amount of inventories sold	156,325	80,918
Write down of inventories	15,912	–

The write down of inventories made during the year arose due to a decrease in the estimated net realisable value of the completed property held for sale based on the latest market transaction made in similar location.

All inventories are expected to be recovered within one year.

17. TRADE AND OTHER RECEIVABLES

	Group		Company	
	2007 HK$'000	2006 HK$'000	2007 HK$'000	2006 HK$'000
Trade receivables (note a)	42,443	39,557	–	–
Other receivables (note d)	36,348	28,197	9	12
Less: allowance for doubtful debts (note b)	(8,722)	(11,751)	–	–
	70,069	56,003	9	12
Prepayment and deposits	3,719	605	3,285	233
	73,788	56,608	3,294	245

All of the trade and other receivables are expected to be recovered within one year.

17. TRADE AND OTHER RECEIVABLES

Notes:

(a) Ageing analysis

Included in trade and other receivables are trade receivables net of allowance for doubtful debts of HK$4,651,000 (2006: HK$7,642,000) with the following age analysis as of the balance sheet date:

	Group	
	2007	2006
	HK$'000	HK$'000
Less than 90 days	**37,792**	31,915

Trade debtors are due within 90 days from the date of billing. Further details on the Group's credit policy are set out in note 27(a).

(b) Impairment of trade and other receivables

Impairment losses in respect of trade and other receivables are recorded using an allowance account unless the Group is satisfied that the recovery of the amount is remote, in which case the impairment loss is written off against trade debtors directly (see note 2(j)).

Movement in the allowance for doubtful debts

	Group	
	2007	2006
	HK$'000	HK$'000
At 1 January/1 April	**11,751**	2,131
Impairment losses recognised	**1,000**	9,620
Uncollectible amounts written off	**(1,038)**	–
Amounts reversed during the year	**(2,991)**	–
At 31 December	**8,722**	11,751

As at 31 December 2007, the trade debtors of HK$8,722,000 (2006: HK$11,751,000) were individually determined to be impaired and full provision had been made. These individually impaired receivables related to customers that were in financial difficulties and management assessed that only a portion of the receivables could be recovered. Consequently, specific allowances for doubtful debts of HK$1,000,000 (2006: HK$9,620,000) were recognised. The Group does not hold any collateral over these balances.

(c) Trade receivables that are not impaired

No ageing analysis of trade debtors is disclosed as none of the balances is past due nor is considered to be impaired as at the balance sheet date. Receivables that were neither past due nor impaired relate to a wide range of customers for whom there was no recent history of default.

(d) The balance mainly includes the advances to 萬地房地產開發有限公司 ("萬地房地產"), 深圳市萬地物業管理有限公司 ("萬地物業管理") and 深圳市偉健達投資發展有限公司 ("偉健達") totalling HK$31,746,000 (2006: HK$20,884,000). All these companies are long-term business partners with the PRC subsidiary of the Group and they are all principally engaged in property development and investment in PRC. The advances represent amounts paid for the purpose of introduction of property projects and business opportunities to the Group. 萬地房地產, 萬地物業管理 and 偉健達 are companies related to each other and the terms of such advances are unsecured, interest-free and have no fixed terms of repayment.

17. TRADE AND OTHER RECEIVABLES *(Continued)*

Notes: (Continued)

(e) Included in trade and other receivables in the balance sheet are mainly the following amounts denominated in a currency other than the functional currency of the Group to which they related:

	Group		Company	
	2007	2006	**2007**	2006
	HK$'000	HK$'000	**HK$'000**	HK$'000
Renminbi	**37,712**	60,978	**1,011**	–

18. LOAN RECEIVABLES, UNSECURED

	Group	
	2007	2006
	HK$'000	HK$'000
Loan receivables, unsecured	**6,750**	12,642
Less: allowance for doubtful debts (Note (a))	**(6,750)**	(12,642)
	–	–

Note:

(a) Movement in the allowance for doubtful debts

	Group	
	2007	2006
	HK$'000	HK$'000
At 1 January/1 April	**12,642**	–
Impairment losses recognised	**–**	12,642
Uncollectible amounts written off	**(5,492)**	–
Amounts recovered during the year	**(400)**	–
At 31 December	**6,750**	12,642

At 31 December 2007, the loan receivables of HK$6,750,000 (2006: HK$12,642,000) were individually determined to be impaired and full provision had been made. These individually impaired receivables related to debtors that were in financial difficulties and management assessed that the amounts are unlikely to be recovered. Special allowances of HK$6,750,000 for the doubtful debts which have been brought forward from 2006 had been made in the previous year. The Group does not hold any collateral over these balances.

On 5 September 2007, the Group filed a writ of summons against a debtor in the High Court of Hong Kong Special Administrative Region in relation to the loan advanced by the Group in 2004, together with interest accrued of HK$5,892,000.

Further on 14 December 2007, the Group has entered into a deed of settlement with this debtor in full and final settlement of the amount claimed by the Group. According to the deed, the debtor paid HK$400,000 to the Group in December 2007 as full settlement and discharge of the outstanding debt.

(b) The balances were unsecured, interest bearing at Hong Kong Dollar Prime Rate and repayable within one year from the dates on which the loans were granted. As at the balance sheet date, the loan receivables were already past due and default interest is calculated at 2% over Hong Kong Dollar Prime Rate per month.

(c) **Loan receivables that are not impaired**
No ageing analysis of loan receivables is disclosed as none of the balances is past due nor is considered to be impaired as at the balance sheet date.

19. DEPOSIT PAID FOR POTENTIAL INVESTMENT

Pursuant to legal opinion obtained, the directors define the Tartagal Concession and Morillo Concession (collectively the "Concessions") are the concessions of the exploration permits and potential exploitation permits for oil and developments of hydrocarbons in the province of Salta in northern Argentina covering a total surface area of approximately 7,065 and 3,518 square kilometers respectively. The Tartagal Concession was granted under the Provincial Government Decree Nº3391/2006 dated 29 December 2006; and the Morillo Concession was granted under the Provincial Government Decree Nº3388/2006 dated 29 December 2006 to JHP International Petroleum Engineering Limited ("JHP") and Oxipetrol – Petroleros de Occidente S.A. ("Oxipetrol") respectively (collectively the "Consortium"). Pursuant to legal opinion obtained, the directors consider that the aforesaid decrees are legal, valid and enforceable. The exploration permits granted are valid for an initial period of four years and an additional extension of aggregate nine years may be obtained. The holder for an exploration permit has the right to obtain an exploitation permit. The granting of the exploitation permit is a pure administrative procedure. The exploitation permit has a term of 25 years, with a possibility of a 10-year extension.

On 28 August 2007, an additional agreement was executed by the Consortium specially related to the Concessions. Based on legal opinion obtained, the directors confirm that the Consortium has agreed to distribute the interest in the Concessions as to 70% by JHP and as to 30% by Oxipetrol. A joint venture company ("UTE") is to be created to take up the interest distributed and will finally be the title owner of the concession of exploration permits to the Concessions. The UTE was submitted to the authority, but has not yet been filed for registration before the Public Register of Commerce.

On 30 September 2007, High Luck Group Limited ("High Luck") and the Consortium entered into an assignment agreement pursuant to which, the Consortium has agreed to assign 60% interests in the Concessions to High Luck subject to the notification to the Argentina government requesting authorization of the assignment to High Luck. Pursuant to legal opinion obtained, the directors does not foresee any major difficulties in respect of the transfer of ownership the Consortium to High Luck and the renewal of the Concessions in the future.

On 10 October 2007, the Company entered into a conditional framework agreement with two independent third parties (the "Vendors"), under which the Company agreed to acquire from the Vendors the entire issued share capital of Jade Honest Limited (the "Target") for a consideration of HK$10 billion. The Target benefically owned 51% of the entire issued share capital of High Luck which in turn, at completion of the acquisition by the Company, will become the beneficial and registered owner of 60% interest in each of the Tartagal Concession and the Morillo Concession . The effective interest in the Concessions to be acquired by the Group will be 30.6%.

Under this conditional framework agreement, the consideration of HK$10 billion is to be satisfied at completion by (i) as to a total of HK$408,229,000 by way of the issue and allotment of 272,152,758 of the Company's shares at an issue price of HK$1.50 per share to the Vendors or their nominees; (ii) as to a total of HK$9,361,771,000 by the issue of convertible notes by the Company to the Vendors or their nominees; and (iii) as to a total of HK$230,000,000 by the issue of a promissory note by the Company to the Vendors or their nominees.

19. DEPOSIT PAID FOR POTENTIAL INVESTMENT *(Continued)*

On 11 November 2007, the Target entered into an unconditional sale and purchase agreement to acquire an additional 49% equity interest in High Luck. As a result of the Target becoming interested in 100% of equity interest in High Luck, the Company entered into the supplementary agreement with the Vendors on 12 November 2007. Under the supplementary agreement, the Company agreed to increase the consideration for the acquisition to HK$10,312 million. The Target's interest in the issued share capital of High Luck will be increased to 100%. The effective interest in the Concessions to be acquired by the Group will increase from 30.6% to 60%.

Under the supplementary agreement, the additional consideration of HK$312 million is to be satisfied by: (i) HK$54,600,000 payable to the Vendors by cheque upon signing of the supplemental agreement (of the balance, HK$39,000,000 being a non-refundable out right payment); (ii) HK$234,000,000 payable to the Vendors upon completion and to be satisfied by the Company issuing the additional convertible notes; and (iii) HK$23,400,000 payable to Vendors by cheque upon completion.

The balance of HK$54,600,000 (2006: HK$ Nil) as at the balance sheet date represents the deposit money paid by the Group in relation to the acquisition of the Concessions upon signing of the supplementary agreement.

According to the legal opinion issued by the Argentina legal advisers dated 18 October 2007, it is the obligation of the Consortium to fulfill the investment commitment for the exploration work in Tartagal and Morillo up to a total amount of US$35,990,000 and US$13,000,000 respectively (the "Investment Commitment") within the initial four-year period of the Concessions. The amount not spent in the exploration work at the end of the initial four-year period must be paid to the government of Salta Province of Argentina. The Consortium is obliged to obtain a guarantee for the benefit of the government of Salta Province of Argentina for an amount equal to the Investment Commitment (the "Guarantee"). The Guarantee is to be fulfilled by posting a performance bond which shall consist of, among others, a surety bond issued by leading insurance companies in Argentina for an amount equal to the Investment Commitment (subject to the amount spent relating to the exploration work in the Concession sites) to the government of Salta Province of Argentina.

Pursuant to the second supplementary agreement, the Company has agreed to bear the costs of approximately US$784,000 (equivalent to approximately HK$6,000,000), representing annual insurance premium payable to the insurance company for issuing an insurance policy to the government of Salta Province of Argentina, to be incurred by the Vendors. Further liability to any annual insurance premium is subject to further negotiation among the parties.

20. CASH AND CASH EQUIVALENTS

	Group		Company	
	2007	2006	**2007**	2006
	HK$'000	HK$'000	**HK$'000**	HK$'000
Cash and cash equivalents in the balance sheet and cash flow statement	**160,195**	14,754	**82,949**	5,310

Included in cash and cash equivalents in the balance sheets are the following amounts denominated in a currency other than the functional currency of the entity to which they relate:

	Group		Company	
	2007	2006	**2007**	2006
	HK$'000	HK$'000	**HK$'000**	HK$'000
European dollars	**9**	–	**–**	–
United States dollars	**66**	1,133	**65**	–
Renminbi	**3,400**	879	**3,087**	–

21. TRADE AND OTHER PAYABLES

	Group		Company	
	2007	2006	**2007**	2006
	HK$'000	HK$'000	**HK$'000**	HK$'000
Trade payables (note a)	**61,061**	10,723	**–**	–
Other payables and accruals	**18,248**	15,831	**1,599**	1,145
Deposit received (note b)	**76,814**	35,769	**–**	–
Due to directors	**450**	137	**450**	137
Financial liabilities measured at amortised cost	**156,573**	62,460	**2,049**	1,282

All of the trade and other payables (including amounts due to directors) are expected to be settled or recognised as income within one year or are repayable on demand.

21. TRADE AND OTHER PAYABLES *(Continued)*

Notes:

(a) The following is an ageing analysis of trade payables as at the balance sheet date:

	Group	
	2007	2006
	HK$'000	HK$'000
Less than 90 days	**61,061**	10,723

(b) The balance represents deposits received on properties sold prior to the date of revenue recognition.

(c) Included in trade and other payables in the balance sheet are the following amounts denominated in a currency other than the functional currency of the entity to which they relate:

	Group	
	2007	2006
	HK$'000	HK$'000
Renminbi	**152,557**	58,324
United State dollars	**12**	982

22. BANK AND OTHER BORROWINGS

		Group	
		2007	2006
	Note	**HK$'000**	HK$'000
Bank loan, secured	(a)	**–**	9,965
Other borrowing, unsecured	(b)	**10,700**	–
		10,700	9,965

As 31 December 2007, the bank and other borrowings were repayable as follows:

	Group	
	2007	2006
	HK$'000	HK$'000
Within one year	**10,700**	9,965

22. BANK AND OTHER BORROWINGS *(Continued)*

Notes:

(a) The bank loan bore interest at 7.56% to 7.956% (For the nine months ended 31 December 2006: 7.839%) per annum and was fully repaid on 1 April 2007. The balance was secured by the leasehold land of the property held for sale included in inventories of the Group (note 16) and a personal guarantee given by a director of one of the subsidiaries of the Company.

(b) The other borrowing was obtained from an independent third party and bears interest at 5.85% per annum and is repayable on 31 December 2007. Up to the date of this report, the balance remains outstanding and compound interest is charged at 7.61% to 8.78% per annum on the outstanding balance.

(c) **Convertible notes**

On 7 April 2006, the Company issued 5 convertible notes ("the Notes") with a fair value estimated to be HK$1,000,000 each in the aggregate principal amount of HK$5,000,000 and a maturity date on 6 April 2008. Holder of the Notes has the right at any time to convert all or some of the Notes into ordinary shares of the Company, at a conversion price of HK$0.165 per share, subject to adjustment. The Notes bear interest at 2% per annum and are unsecured.

The Notes had been fully converted into ordinary shares during the period ended 31 December 2006, details are disclosed in note 26(c)(iii) to the financial statements.

23. OBLIGATIONS UNDER FINANCE LEASES

At 31 December 2007, the Group had obligations under finance leases payable as follows:

	Group			
	2007		2006	
	Present value of the minimum lease payments HK$'000	**Total minimum lease payments HK$'000**	Present value of the minimum lease payments HK$'000	Total minimum lease payments HK$'000
Within 1 year	**13**	**15**	–	–
After 1 year but within 2 years	**12**	**13**	–	–
After 2 years but within 5 years	**23**	**23**	–	–
	35	**36**	–	–
	48	**51**	–	–
Less: Total future interest expenses		**(3)**		–
Present value of lease obligations		**48**		–

24. INCOME TAX IN THE CONSOLIDATED BALANCE SHEET

(a) Current taxation in the balance sheet represents:

	Group	
	2007	2006
	HK$'000	HK$'000
Provision for the year		
– Hong Kong Profits Tax	**–**	673
– PRC Enterprise Income Tax	**239**	583
Provision for prior years		
– Hong Kong Profits Tax	**673**	–
– PRC Enterprise Income Tax	**2,024**	1,441
	2,936	2,697

(b) Deferred tax liabilities recognised:

The component of deferred tax liability recognised in the consolidated balance sheet and the movements during the current year and prior period is as follows:

	Investment properties
	HK$'000
Group	
At 1 April 2006	1,286
Charged to income statement	–
At 31 December 2006	1,286
Charged to income statement	–
At 31 December 2007	**1,286**

At the balance sheet date, the Group has unused tax losses of HK$24,195,000 (2006: HK$28,142,000) available for offset against future profits that may be carried forward indefinitely. No deferred tax asset has been recognised in respect of the losses due to the unpredictability of future profit streams.

25. EQUITY SETTLED SHARE-BASED TRANSACTIONS

The Company has a share option scheme which was adopted on 30 August 2002 whereby the directors of the Company are authorised, at their discretion, to invite employees of the Group, including directors of any company in the Group, to take up options for a nominal consideration to subscribe for shares of the Company.

The total number of shares which may be issued upon exercise of all options to be granted under the scheme shall not in aggregate exceed 10% of the total number of shares of the Company in issue on the adoption date of the scheme (i.e., 433,302,000 shares). As at the date of this report, 777,638,030 shares of the Company were in issue.

Under the scheme, the total number of shares to be issued upon exercise of the options granted to each eligible person (including both exercised and outstanding options) in any 12-month period shall not exceed 1% of the total number of shares in issue. The exercise price (subscription price) shall be such price as determined by the Board of Directors in its absolute discretion at the time of the making of the offer but in any case the exercise price shall not be lower than the highest of (i) the closing price of the shares as stated in The Stock Exchange of Hong Kong Limited's (the "Exchange's") daily quotation sheets on the date of the offer of grant, which must be a trading day; (ii) the average closing price of the shares as stated in the Exchange's daily quotation sheets for the five trading days immediately preceding the date of the offer of grant; and (iii) the nominal value of a share.

The options vest from the date of grant and are exercisable within a period of five years.

(a) The terms and conditions of the options which are to be settled by physical delivery of shares are as follows:

	Number of shares issuable under options	**Vesting conditions**	**Contractual life of options**
Options granted to directors:			
– on 8 May 2007	12,999,000	From date of grant	5 years
Options granted to employees:			
– on 8 May 2007	12,999,000	From date of grant	5 years
Options granted to consultants:			
– on 8 May 2007	17,332,000	From date of grant	5 years
Total option shares	43,330,000		

25. EQUITY SETTLED SHARE-BASED TRANSACTIONS *(Continued)*

(b) The number of outstanding share options and the weighted average exercise prices are as follows:

	2007		2006	
	Weighted average exercise price	**Number of shares issuable under options**	Weighted average exercise price	Number of shares issuable under options
Outstanding at the beginning of the year/period	**–**	**–**	–	–
Granted during the year/period	**HK$0.6**	**43,330,000**	–	–
Exercised during the year/period	**HK$0.6**	**(4,333,000)**	–	–
Outstanding at the end of the year/period	**HK$0.6**	**38,997,000**	–	–
Exercisable at the end of the year/period	**HK$0.6**	**38,997,000**	–	–

The weighted average share price at the date of exercise for share options exercised during the year was HK$0.89 (2006: not applicable)

The share options outstanding at 31 December 2007 had an exercise price of HK$0.60 (2006: HK$Nil) (note 26(c)(vi)) and a weighted average remaining contractual life of 4 years (2006: not applicable).

(c) **Fair value of share options and assumptions**

The fair value of services received in return for share options granted is measured by reference to the fair value of share option granted. The estimate of fair value of the share options granted is based on the Black-Scholes Options Pricing Model (the "Model"). The Model is one of the commonly used models to estimate the fair value of an option. The Model is used to calculate a theoretical call price using the five key determinants of an option's price: stock price, strike price, volatility, time to expiration, and short-term (risk free) interest rate. Dilution effect was considered in applying the Model. The variables and assumptions used in computing fair value of the share options are based on the management's best estimate. The fair value of an option varies with different variables of certain subjective assumptions. Any change in the variable so adopted may materially affect the estimation of the fair value of an option.

25. EQUITY SETTLED SHARE-BASED TRANSACTIONS *(Continued)*

(c) Fair value of share options and assumptions *(Continued)*

Fair value of share options and assumptions:

Fair value at measurement date	HK$0.2963
Closing share price on the date of grant	HK$0.56
Exercise price	HK$0.60
Expected volatility	101.42%
Assumed life of option from the date of valuation	2 years
Risk-free interest rate	3.953%
Expected dividend yield	0%

The expected volatility is based on the historic volatility (calculated based on the weighted average remaining life of the share options), adjusted for any expected changes to future volatility based on public available information. Expected dividends are based on historical dividends. Changes in the subjective input assumptions could materially affect the fair value estimate.

There were no service conditions or market conditions associated with the share options granted.

26. CAPITAL AND RESERVES

(a) The Group

	Share capital HK$'000	Share premium HK$'000	Employee share-based compensation reserve HK$'000	Capital reserve HK$'000	Convertible notes equity reserve HK$'000	Exchange fluctuation reserve HK$'000	Accumulated losses HK$'000	Total reserves HJK$'000	Total HK$'000
At 1 April 2006	43,330	94,471	–	9,585	–	840	(14,801)	90,095	133,425
Equity component of convertible notes	–	–	–	–	1,201	–	–	1,201	1,201
Shares issued under convertible notes (note 26(c)(iii))	3,031	1,969	–	–	(1,201)	–	–	768	3,799
Shares issued under placement, net of issuance costs (note 26(c)(iv))	9,270	22,638	–	–	–	–	–	22,638	31,908
Exchange difference on translation of financial statements of a subsidiary	–	–	–	–	–	63	–	63	63
Loss for the period	–	–	–	–	–	–	(26,117)	(26,117)	(26,117)
At 31 December 2006	55,631	119,078	–	9,585	–	903	(40,918)	88,648	144,279
At 1 January 2007	55,631	119,078	–	9,585	–	903	(40,918)	88,648	144,279
Equity settled share-based transactions	–	–	12,838	–	–	–	–	12,838	12,838
Shares issued under share option scheme (note 26(c)(v))	433	3,451	(1,284)	–	–	–	–	2,167	2,600
Shares issued under placement, net of issuance costs (note 26(c)(iv))	21,700	230,472	–	–	–	–	–	230,472	252,172
Exchange difference on translation of financial statements of a subsidiary	–	–	–	–	–	2,856	–	2,856	2,856
Loss for the year	–	–	–	–	–	–	(59,737)	(59,737)	(59,737)
At 31 December 2007	77,764	353,001	11,554	9,585	–	3,759	(100,655)	277,244	355,008

26. CAPITAL AND RESERVES *(Continued)*

(b) The Company

	Share Capital HK$'000	Share premium HK$'000	Employee share-based compensation reserve HK$'000	Contributed surplus HK$'000	Convertible notes equity reserve HK$'000	Accumulated losses HK$'000	Total reserves HK$'000	Total HK$'000
At 1 April 2006	43,330	94,471	–	122,864	–	(107,716)	109,619	152,949
Equity component of convertible notes	–	–	–	–	1,201	–	1,201	1,201
Shares issued under convertible notes (note 26(c)(iii))	3,031	1,969	–	–	(1,201)	–	768	3,799
Shares issued under placement, net of issuance costs (note 26(c)(iv))	9,270	22,638	–	–	–	–	22,638	31,908
Loss for the period	–	–	–	–	–	(121,228)	(121,228)	(121,228)
At 31 December 2006	55,631	119,078	–	122,864	–	(228,944)	12,998	68,629
At 1 January 2007	55,631	119,078	–	122,864	–	(228,944)	12,998	68,629
Equity settled share-based transactions	–	–	12,838	–	–	–	12,838	12,838
Shares issued under placement, net of issuance costs (note 26(c)(iv))	21,700	230,472	–	–	–	–	230,472	252,172
Shares issued under share option scheme (note 26(c)(v))	433	3,451	(1,284)	–	–	–	2,167	2,600
Profit for the year	–	–	–	–	–	28,173	28,173	28,173
At 31 December 2007	**77,764**	**353,001**	**11,554**	**122,864**	**–**	**(200,771)**	**286,648**	**364,412**

26. CAPITAL AND RESERVES *(Continued)*

(c) Share capital

(i) Authorised and issued share capital

		2007		2006	
		Number of shares		Number of shares	
	Note	'000	HK$'000	'000	HK$'000
Authorised:					
Ordinary shares of HK$0.10 each	(ii)	**20,000,000**	**2,000,000**	900,000	90,000
Ordinary shares, issued and fully paid:					
At 1 January/1April		**556,305**	**55,631**	433,302	43,330
Shares issued under convertible notes	(iii)	**–**	**–**	30,303	3,031
Shares issued under placement	(iv)	**217,000**	**21,700**	92,700	9,270
Shares issued under share option scheme	(v)	**4,333**	**433**	–	–
At 31 December		**777,638**	**77,764**	556,305	55,631

The holders of ordinary shares are entitled to received dividends as declared from time to time and are entitled to one vote per share at meetings of the Company. All ordinary shares rank equally with regard to the Company's residual assets.

(ii) Increase in authorised share capital

By an ordinary resolution passed at the special general meeting held on 29 June 2007, the Company's authorised share capital was increased to HK$300,000,000 by the creation of an additional 2,100,000,000 ordinary shares of HK$0.1 each, ranking pari passu with the existing ordinary shares of the Company in all respects.

Further on 12 December 2007, an ordinary resolution was passed at the special general meeting to increase the authorised share capital of the Company to HK$2,000,000,000 by the creation of an additional 17,000,000,000 ordinary shares of HK$0.1 each, ranking pari passu with the existing shares of the Company in all respects.

26. CAPITAL AND RESERVES *(Continued)*

(c) Share capital *(Continued)*

(iii) Shares issued under convertible notes

On 7 April 2006, the Company issued HK$5,000,000 convertible notes at a conversion price of HK$0.165 per share. On 12 April 2006, HK$3,000,000 convertible notes had been converted. Further, on 23 May 2006, the remaining HK$2,000,000 had also been converted. Upon full conversion of all the convertible notes, the number of ordinary shares of the Company increased by 30,303,030.

(iv) Shares issued under placement

- On 29 December 2006, the Company issued 92,700,000 shares of HK$0.1 each at HK$0.35 per share for cash as its additional working capital.

- On 14 May 2007, Good Power International Limited ("Good Power"), the ultimate holding company of the Company, placed 70,000,000 existing ordinary shares of HK$0.1 each of the Company to independent investors at a price of HK$0.78 per share. On the same date, Good Power entered into a top-up subscription agreement with the Company to subscribe for 70,000,000 new ordinary shares of HK$0.1 each of the Company at HK$0.78 per share. The new ordinary shares of HK$0.1 each were issued on 18 May 2007.

- On 16 May 2007, Good Power placed 30,000,000 existing ordinary shares of HK$0.1 each of the Company to independent investors at a price of HK$0.87 per share. On the same date, Good Power entered into a conditionally top-up subscription agreement with the Company to subscribe for 30,000,000 new ordinary shares of HK$0.1 each of the Company at HK$0.87 per share. On the same date, the Company entered into share subscription agreements with two independent investors to allot and issue 10,000,000 new ordinary shares of HK$0.1 each of the Company at HK$0.87 per share. The new ordinary shares of HK$0.1 each were issued on 22 May 2007.

- On 29 October 2007, Good Power entered into sale and purchase agreements with ten independent investors to sell 107,000,000 existing ordinary shares of the Company at a price of HK$1.55 per share. On the same date, Good Power entered into a conditionally top-up subscription agreement with the Company to subscribe for 107,000,000 new ordinary shares of HK$0.1 each of the Company at HK$1.55 per share. The new ordinary shares of HK$0.1 each were issued on 8 November 2007.

(v) Shares issued under share option scheme

On 31 October 2007, options were exercised to subscribe for 4,333,000 ordinary shares of the Company for a consideration of HK$2,600,000 of which HK$433,000 was credited to share capital and the balance of HK$2,167,000 was credited to the share premium account. HK$1,284,000 has been transferred from the employee share-based compensation reserve to the share premium account in accordance with the accounting policy set out in note 2(o)(ii).

26. CAPITAL AND RESERVES *(Continued)*

(c) Share capital *(Continued)*

(vi) Terms of unexpired unexercised share options at balance sheet date:

Exerciseable period	Exercise price	2007 Number of shares issuable under options	2006 Number of shares issuable under options
8 May 2007 to 7 May 2012	HK$0.60	**38,997,000**	–

Each option entitles the holder to subscribe for one ordinary share in the Company. Further details of these options are set out in note 25 to the financial statements.

(d) Nature and purpose of reserves

(i) Share premium

The application of the share premium account is governed by the Companies Act 1981 of Bermuda.

(ii) Employee share-based compensation reserve

This represents the fair value of the actual or estimated number of unexercised share options granted to employees of the Company recognised in accordance with the accounting policy adopted for share based payments in note 2(o)(ii).

(iii) Capital reserve

The capital reserve of the Group represents the difference between the nominal value of ordinary shares issued by the Company and the aggregate of the share capital and share premium of subsidiaries acquired through a reorganisation in relation to the listing of the Company's shares on the Stock Exchange of Hong Kong Limited in October 1998.

(iv) Convertible notes equity reserve

The convertible notes equity reserve of the Group represents the unrecognised equity component of convertible notes issued by the Company in accordance with the accounting policy adopted for convertible notes set out in note 2(k).

(v) Exchange fluctuation reserve

The exchange fluctuation reserve comprises all foreign exchange differences arising from the translation of the financial statements of foreign operations. The reserve is dealt with in accordance with the accounting policy set out in note 2(s).

(vi) Contributed surplus

The contributed surplus of the Company represents the difference between the aggregate net asset value of subsidiaries acquired as a result of the reorganisation prepared for the listing of the Company's shares on the Stock Exchange and the nominal amount of the Company's shares issued for the acquisition. Under Section 54 of the Bermuda Companies Act 1981, contributed surplus is available for distribution as dividends to shareholders subject to the provisions of the Company's bye-laws and provided that immediately following the distribution, the Company is able to pay its liabilities as and when they fall due or the realisable value of the Company's assets would not be less than the aggregate of its liabilities and its issued share capital and share premium account.

26. CAPITAL AND RESERVES *(Continued)*

(e) Distributability of reserves

At 31 December 2007, the Company had no retained profits available for cash distribution and/or distribution in specie. Under the Companies Act 1981 of Bermuda (as amended), the Company's contribution surplus in the amount of HK$122,864,000 is currently not available for distribution. The Company's share premium account in the amount of HK$353,001,000 as at 31 December 2007, may be distributed in the form of fully paid bonus shares.

(f) Capital management

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

The Group actively and regularly reviews and manages its capital structure to maintain a balance between the higher stakeholder returns that might be possible with higher levels of borrowings and the advantages and security afforded by a sound capital position, and makes adjustments to the capital structure in light of changes in economic conditions.

Consistent with others in the industry, the Group monitors capital on the basis of the gearing ratio. This ratio is calculated as net debt divided by total capital. Net debt is calculated as total borrowings (including current and non-current borrowings as shown in the consolidated balance sheet) less cash and cash equivalents. Total capital is calculated as 'equity', as shown in the consolidated balance sheet, plus net debt.

During 2007, the Group's strategy, which was unchanged from 2006, was to maintain a gearing ratio within 10% to 40%. In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, issue new shares, return capital to shareholders or sell assets to reduce debt.

26. CAPITAL AND RESERVES *(Continued)*

(f) Capital management *(Continued)*

The gearing ratio at 31 December 2007 and 2006 was as follows:

	2007 HK$'000	2006 HK$'000
Bank and other borrowings *(note 22)*	**10,700**	9,965
Obligation under finance leases *(note 23)*	**48**	–
Total borrowings	**10,748**	9,965
Less: Cash and cash equivalents *(note 20)*	**(160,195)**	(14,754)
Net debt	**(149,447)**	(4,789)
Total equity	**355,008**	144,279
Gearing ratio	**(42%)**	(3%)

27. FINANCIAL RISK MANAGEMENT OBJECTIVE AND POLICES

The Group's major financial instruments include borrowings, trade and other receivables, loan receivables and trade and other payables. Details of the financial instruments are disclosed in the respective notes. The risks associated with these financial instruments include credit risk, liquidity risk, currency risk and interest rate risk. The policies on how to mitigate these risks are set out below. The management manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.

(a) Credit risk

(i) As at 31 December 2007, the maximum exposure to credit risk is represented by the carrying amount of each financial asset in the consolidated balance sheet after deducting any impairment allowance.

27. FINANCIAL RISK MANAGEMENT OBJECTIVE AND POLICES *(Continued)*

(a) Credit risk *(Continued)*

(ii) In respect of trade and other receivables, in order to minimize risk, the management has a credit policy in place and the exposures to these credit risks are monitored on an ongoing basis. Credit evaluations of its customers' financial position and condition is performed on each and every major customer periodically. These evaluations focus on the customer's past history of making payments when due and current ability to pay, and take into account information specific to the customer as well as pertaining to the economic environment in which the customer operates. The Group does not require collateral in respect of its financial assets. Debts are usually due within 90 days from the date of billing.

(iii) In respect of trade receivables, the Group's exposure to credit risk is influenced mainly by the individual characteristics of each customer. The default risk of the industry and country in which customers operate also has an influence on credit risk. At the balance sheet date, the Group had a certain concentration risk as approximately 84% (2006: 77%) of the total trade and other receivables was due from three customers/debtors of the Group.

(iv) The maximum exposure to credit risk without taking account of any collateral held is represented by the carrying amount of each financial asset. Except for the financial guarantees given by the Group as set out in note 30, the Group does not provide any other guarantees which would expose the Group or the Company to credit risk. The maximum exposure to credit risk in respect of these financial guarantees at the balance sheet date is disclosed in note 30.

(v) In respect of loan receivables, the Group's exposure to credit risk is influenced mainly by the creditability of each borrower. The default risk from past history of each borrower also has an influence on credit risk. The management reviews the exposures to these credit risks on an ongoing basis. At the balance sheet date, the Group did not have any concentration risk since the balance was fully impaired.

(vi) The credit risk on liquid funds is limited because the counterparties are banks with high credit rating assigned by international credit-rating agencies. Further quantitative disclosures in respect of the Group's exposure to credit risk arising from trade and other receivables and loan receivables are set out in notes 17 and 18 respectively.

(b) Liquidity risk

Individual operating entities within the Group are responsible for their own cash management, including the short term investment of cash surpluses and the raising of loans to cover expected cash demands, subject to board approval. The Group's policy is to regularly monitor current and expected liquidity requirements and its compliance with lending covenants to ensure that it maintains sufficient amount of cash and adequate committed lines of funding from major financial institutions to satisfy its contractual and reasonably foreseeable obligations as they fall due.

27. FINANCIAL RISK MANAGEMENT OBJECTIVE AND POLICES *(Continued)*

(b) Liquidity risk *(Continued)*

The following table set out the remaining contractual maturities at the balance sheet date of the Group's and the Company's financial liabilities, which are based on contractual undiscounted cash flows (including interest payments computed using contractual rates or, if floating, based on rates current at the balance sheet date) and the earliest date the Group and the Company required to pay:

The Group

	2007						2006					
	Within 1 year or on demand HK$'000	More than 1 year but less than 2 years HK$'000	More than 2 years but less than 5 years HK$'000	More than 5 years HK$'000	Total contractual undiscounted cash flow HK$'000	Carrying amount HK$'000	Within 1 year or on demand HK$'000	More than 1 year but less than 2 years HK$'000	More than 2 years but less than 5 years HK$'000	More than 5 years HK$'000	Total contractua undiscounted cash flow HK$'000	Carrying amount HK$'000
Trade and other payables	156,573	–	–	–	156,573	156,573	62,460	–	–	–	62,460	62,460
Bank and other borrowings	10,700	–	–	–	10,700	10,700	9,965	–	–	–	9,965	9,965
Obligation under finance lease	15	13	23	–	51	48	–	–	–	–	–	–
Tax payable	2,936	–	–	–	2,936	2,936	2,697	–	–	–	2,697	2,697
	170,224	13	23	–	170,260	170,257	75,122	–	–	–	75,122	75,122

The Company

	2007						2006					
	Within 1 year or on demand HK$'000	More than 1 year but less than 2 years HK$'000	More than 2 years but less than 5 years HK$'000	More than 5 years HK$'000	Total contractual undiscounted cash flow HK$'000	Carrying amount HK$'000	Within 1 year or on demand HK$'000	More than 1 year but less than 2 years HK$'000	More than 2 years but less than 5 years HK$'000	More than 5 years HK$'000	Total contractua undiscounted cash flow HK$'000	Carrying amount HK$'000
Other payable	2,049	–	–	–	2,049	2,049	1,282	–	–	–	1,282	1,282
Amounts due to subsidiaries	25,953	–	–	–	25,953	25,953	–	25,951	–	–	25,951	25,951
	28,002	–	–	–	28,002	28,002	1,282	25,951	–	–	27,233	27,233

27. FINANCIAL RISK MANAGEMENT OBJECTIVE AND POLICES *(Continued)*

(c) Interest rate risk

The Group's interest risk arises primarily from its borrowings. Borrowings obtained at variable rates and at fixed rates expose the Group to cash flow interest rate risk and fair value interest rate risk respectively. The Group's interest rate profile as monitored by management is set out in (i) below.

The Group's exposures to interest rates on financial assets and financial liabilities are detailed in the liquidity risk management section of this note. The Group's cash flow interest rate risk is mainly concentrated on the fluctuation of market interest rate arising from the Group's RMB borrowings and bank deposits.

The Group is exposed to interest rate risk as its bank deposits are all interest-bearing. All bank deposits are short-term deposits with maturities less than or equal to three months. Management does not anticipate any significant impact resulting from the change in interest rates because the Group's bank balances are carried at low interest rates and the interest income thereon is not significant.

(i) Interest rate profile

The following table details the interest rate profile of the Group's borrowings at the balance sheet date:

	2007		2006	
	Effective interest rates %	**HK$'000**	Effective interest rates %	HK$'000
Fixed rate borrowings:				
Other borrowings	**7.57%**	**10,700**	–	–
Obligation under finance lease	**2.85%**	**48**	–	–
		10,748		–
Variable rate borrowings:				
Bank borrowings	**–**	**–**	7.84%	9,965
Total borrowings		**10,748**		9,965
Fixed rate borrowings as a percentage of total net borrowings		**100%**		–

27. FINANCIAL RISK MANAGEMENT OBJECTIVE AND POLICES *(Continued)*

(c) Interest rate risk *(Continued)*

(ii) Sensitivity analysis

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 decrease/increase the Group's loss after tax and accumulated losses by approximately HK$784,000 (2006: HK$43,000).

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 exposure to interest rate risk for non-derivative financial liabilities in existence at that date. The 50 basis points 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.

27. FINANCIAL RISK MANAGEMENT OBJECTIVE AND POLICES *(Continued)*

(d) Currency risk

Presently, there is no hedging policy with respect to the foreign exchange exposure. The Group's transactional currency is Hong Kong dollars as substantially all the turnover are in Hong Kong dollars. The Group's transactional foreign exchange exposure was insignificant.

(i) Exposure to currency risk

The following table details the Group's and the Company's exposure at the balance sheet date to currency risk arising from recognised assets or liabilities denominated in a currency other than the functional currency of the entity to which they relate.

	2007			2006		
	Renminbi HK$'000	**United States Dollars HK$'000**	**Euros HK$'000**	Renminbi HK$'000	United States Dollars HK$'000	Euros HK$'000
The Group						
Trade and other receivables	**37,712**	**–**	**–**	60,978	–	–
Cash and cash equivalents	**3,400**	**66**	**9**	879	1,133	–
Bank and other borrowings	**(10,700)**	**–**	**–**	(9,965)	–	–
Trade and other payables	**(152,557)**	**(12)**	**–**	(58,324)	(982)	–
Exposure arising from recognised assets and liabilities	**(122,145)**	**54**	**9**	(6,432)	151	–
The Company						
Cash and cash equivalents	**3,087**	**65**	**–**	–	–	–
Other receivables	**1,011**	**–**	**–**	–	–	–
Exposure arising from recognised assets and liabilities	**4,098**	**65**	**–**	–	–	–

27. FINANCIAL RISK MANAGEMENT OBJECTIVE AND POLICES *(Continued)*

(d) Currency risk *(Continued)*

(ii) Sensitivity analysis

The following table indicates the approximate change in the Group's loss after tax (and accumulated losses) and other components of consolidated equity in response to reasonably possible changes in the foreign exchange rates to which the Group has significant exposure at the balance sheet date. The sensitivity analysis includes balances between group companies where the denomination of the balances is in a currency other than the functional currencies of the lender or the borrower.

The Group

	2007			2006		
	Increase/ (decrease) in foreign exchange rates	Effect on loss after tax and accumulated losses HK$'000	Effect on other components of equity HK$'000	Increase/ (decrease) in foreign exchange rates	Effect on loss after tax and accumulated losses HK$'000	Effect on other components of equity HK$'000
Renminbi	5%	(5,779)	(5,779)	5%	(291)	(291)
	-5%	6,404	6,404	-5%	335	335
United States dollars	5%	3	3	5%	54	54
	-5%	(3)	(3)	-5%	(60)	(60)
Euros	5%	–	–	5%	–	–
	-5%	(1)	(1)	-5%	–	–

The sensitivity analysis has been determined assuming that the change in foreign exchange rates had occurred at the balance sheet date and had been applied to each of the group entities' exposure to currency risk for both derivative and non-derivative financial instruments in existence at that date, and that all other variables, in particular interest rates, remain constant.

The stated changes represent management's assessment of reasonably possible changes in foreign exchange rates over the period until the next annual balance sheet date. In this respect, it is assumed that the pegged rate between the Hong Kong dollar and the United States dollar would be materially unaffected by any changes in movement in value of the United States dollar against other currencies. Results of the analysis as presented in the above table represent an aggregation of the effects on each of the group entities' profit after tax and equity measured in the respective functional currencies, translated into Hong Kong dollars at the exchange rate ruling at the balance sheet date for presentation purposes. The analysis is performed on the same basis for 2006.

27. FINANCIAL RISK MANAGEMENT OBJECTIVE AND POLICES *(Continued)*

(e) Price risk

The principal operations of the Group are trading of non-ferrous metals. As non-ferrous metals markets are influenced by global as well as regional supply and demand conditions, any unexpected price changes could affect the Group's earnings and performance. To protect the Group's trading businesses from the impact of zinc and copper price fluctuations, the Group closely monitors the net exposure and ensures that is kept to an acceptable level.

(f) Fair values

The fair values of cash and cash equivalents, deposit paid for potential investment, loan receivables, trade and other receivables, trade and other payables, bank and other borrowings, obligations under finance leases, are not materially different from their carrying amounts because of the immediate or short term maturity of these financial instruments. The fair value has been determined either by reference to the market value at the balance sheet date or by discounting the relevant cash flows using current interest rates for similar instruments.

(g) Estimation of fair values

The following summarises the major methods and assumptions used in estimating the fair values of the following financial instruments.

(i) Interest-bearing loans and borrowings

The fair value is estimated as the present value of future cash flows, discounted at current market interest rates for similar financial instruments.

(ii) Financial guarantees

The fair value of financial guarantees issued is determined by reference to fees charged in an arm's length transaction for similar services, when such information is obtainable, or is otherwise estimated by reference to interest rate differentials, by comparing the actual rates charged by lenders when the guarantee is made available with the estimated rates that lenders would have charged, had the guarantees not been available, where reliable estimates of such information can be made.

28. MATERIAL RELATED PARTY TRANSACTIONS

(a) The Group has not entered into any material related party transactions during the current year and prior period.

(b) Key management personnel remuneration

Remuneration for key management personnel, including amounts paid to the Company's directors as disclosed in note 8 and certain of the highest paid employees as disclosed in note 9, is as follows:

	1/1/2007 to 31/12/2007 HK$'000	1/4/2006 to 31/12/2006 HK$'000
Salaries, wages and other benefits	**2,732**	382
Contribution to defined contribution retirement plan	**34**	6
Equity settled share-based payment expenses	**6,419**	–
	9,185	388

Total remuneration is included in "staff costs" (see note 6(b)).

29. COMMITMENTS

(a) Capital commitments outstanding at 31 December 2007 not provided for in the financial statement were as follows:

	Group	
	2007	2006
	HK$'000	HK$'000
Contracted for		
– Construction cost of properties held for/under development for sale	**–**	60,338
– Acquisition of property, plant and equipment	**2,885**	–
– Investment cost for potential investment (note 19)	**10,257,400**	–
	10,260,285	60,338

(b) At 31 December 2007, the total future minimum lease payments under non-cancellable operating leases are payable as follows:

	Group	
	2007	2006
	HK$'000	HK$'000
Within one year	**4,674**	1,043
In the second to fifth year, inclusive	**8,328**	2,456
	13,002	3,499

The Group leases its offices under operating lease arrangements. Leases for properties are negotiated for a term of three years.

30. FINANCIAL GUARANTEE

During the year 2007, the Group had given a joint corporate guarantee to a bank in connection with bank facilities granted by the bank to 萬地房地產, an independent third party of the Group. At 31 December 2007, such facilities was drawn down by 萬地房地產, to the extent of RMB35,000,000 (equivalent to HK$37,450,000). The maximum liability of the Group under the guarantee issued represents the amount drawn down by 萬地房地產 of RMB35,000,000 (equivalent to HK$37,450,000). No recognition was made because the fair value of the guarantee was insignificant and that the directors did not consider it is probable that a claim would be made against the Company under the guarantee.

Subsequent on 6 March 2008, the Group's completed property held for sale was sealed by Beijing First Intermediate Peoples Court (北京市第一中級人民法院) as a result of the default in progress repayment of the bank loan by 萬地房地產. According to the management of the Group, 萬地房地產 is now negotiating with the creditor bank on the settlement of the default payment.

31. EVENTS AFTER THE BALANCE SHEET DATE

Other than those disclosed elsewhere in the financial statements, the Group have the following significant event after the balance sheet date need to be disclosed:

On 21 April 2008, the Company entered into a conditional sale and purchase agreement with an independent third party, Rich Fast Holdings Limited ("Rich Fast"), to sell the entire issued share capital and the shareholder's loan of Smart Wave Limited ("Smart Wave") for an aggregate consideration of HK$12,250,000. Smart Wave holds through Weiqiu Industrial (Shenzhen) Company Limited ("Weiqiu"), a wholly-owned subsidiary of Smart Wave, the completed property held for sale located in Shenzhen, PRC. Upon signing of the agreement, the Company received a deposit of HK$2,000,000 from Rich Fast. The remaining consideration of HK$10,250,000 will be further received within seven days after the signing of agreement.

32. PARENT AND ULTIMATE HOLDING COMPANY

At 31 December 2007, the directors consider the parent and ultimate controlling party of the Group to be Good Power International Limited, which is incorporated in the British Virgin Islands. This entity does not produce financial statements available for public use.

33. COMPARATIVE FIGURES

As a result of adopting HKFRS 7, Financial instruments: Disclosures, and the amendments to HKAS 1, Presentation of financial statements: Capital disclosures, certain comparative figures have been adjusted to conform with changes in disclosures in the current year and to show separately comparative amounts in respect of items disclosed for the first time in 2007. Further details of these developments are disclosed in note 3.

In addition, certain comparative figures have been restated or reclassified to conform with the current years presentation.

34. ACCOUNTING ESTIMATES AND JUDGEMENTS

The methods, estimates and judgements the directors use in applying the Group's accounting policies have a significant impact on the Group's financial position and operating results. Some of the accounting policies require the Group to apply estimates and judgements, on matters that are inherently uncertain. In addition to note 25(c) which contains information about the assumptions and the risk factors relating to fair value of share options granted, certain critical accounting judgements in applying the Group's accounting policies are described below.

(a) Useful lives and residual values of property, plant and equipment

Management determines the estimated useful lives and residual values for the Group's property, plant and equipment. The Group will revise the depreciation charge where useful lives and residual values are different to previous estimates, or will write-off or write-down technically obsolete or non-strategic assets that have been abandoned or sold.

(b) Investment properties

The fair values of investment properties are determined by independent valuers on an open market basis.

In making the judgement, consideration has been given to assumptions that are mainly based on market conditions existing at the balance sheet date and appropriate capitalisation rates. These estimates are regularly compared to actual market data and actual transactions entered into by the Group.

(c) Estimated impairment of goodwill

Determining whether goodwill is impaired requires an estimation of the value in use of the cash-generating units to which goodwill has been allocated. The value in use calculation requires the Group to estimate the future cash flows expected to arise from the cash-generating unit and a suitable discount rate in order to calculate the present value. Where the actual future cash flows are less than expected, a material impairment loss may arise. As at 31 December 2007, the carrying amount of goodwill is HK$Nil (net of accumulated impairment loss of HK$16,723,000). Details of the recoverable amount calculation are disclosed in Note 14.

34. ACCOUNTING ESTIMATES AND JUDGEMENTS *(Continued)*

(d) Valuation of inventories

Inventories are stated at the lower of cost and net realisable value. Net realisable value is determined on the basis of the estimated selling price less the estimated costs necessary to make the sale. The directors estimate the net realisable value for finished goods and work-in-progress based primarily on the latest invoice prices and current market conditions. In addition, the directors perform an inventory review on a product-by-product basis regularly and assess the need for write down of inventories.

(e) Allowance for impairment of doubtful debts

Allowance for impairment of doubtful debts are assessed and provided based on the directors' regular review of ageing analysis and evaluation of collectibility. A considerable level of judgement is exercised by the directors when assessing the credit worthiness and past collection history of each individual customer. Any increase or decrease in the allowance for impairment of doubtful debts would affect profit or loss in future years.

(f) Taxation

The Group is subject to various taxes in the PRC. Significant judgement is required in determining the provision for taxation. There are many transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. The Group recognises liabilities for anticipated tax issues based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that are initially recorded, such differences will impact the tax provisions in the period in which such determination is made.

35. POSSIBLE IMPACT OF AMENDMENTS, NEW STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE FOR THE YEAR ENDED 31 DECEMBER 2007

Up to the date of issue of these financial statements, the HKICPA has issued a number of amendments, new standards and interpretations which are not yet effective for the year ended 31 December 2007 and which have not been adopted in these financial statements.

The Group is in the process of making an assessment of what the impact of these amendments, new standards and new interpretations is expected to be in the period of initial application. So far it has concluded that the adoption of them is unlikely to have a significant impact on the Group's results of operations and financial position.

In addition, HKFRS 8, operating segments, which is effective for annual periods beginning on or after 1 January 2009, may result in new or amended disclosure in the financial statements.

Group Properties

Particulars of properties of the Group

Location	Lease expiry	Gross floor Area (sq. m.)	Effective % held	Use
Two portion of shop spaces, within Axes 1-10, 10-15, 16-22 and 28-32 on the 1st level and Axes 1-10, 10-15, 15-22 and 28-32 on the 2nd Levels Buildings Nos. 1, 2 and 3, Wan Di Ming Yuan, No. 39 Xi Si Huan Zhang Road, Haiding District, Beijing, PRC	2040	4,551	100%	Office building
Industrial development on Land Lot No. A904-47 situated at the north side of Jihe Expressway, Bao An District, Shenzhen, Guangdong Province, PRC	2043	107,908	100%	Industrial

Five Years Financial Summary

Set out below is a summary of the results and a statement of net assets of the Group for the last five financial years, as extracted from the audited financial statements and reclassified as appropriate.

RESULTS

	Year ended 31 December 2007 HK$'000	Nine month ended 31 December 2006 HK$'000	Year ended 31 March 2006 HK$'000	2005 HK$'000 (Re-stated)	2004 HK$'000 (Re-stated)
Turnover	**155,453**	90,181	5,400	5,024	23,643
Loss before tax	**(59,498)**	(24,855)	(2,438)	(17,451)	(37,158)
Tax	**(239)**	(1,262)	(454)	(458)	(435)
Net Loss from ordinary activities attributable to shareholders	**(59,737)**	(26,117)	(2,892)	(17,909)	(37,593)

ASSETS AND LIABILITIES

	31 December 2007 HK$'000	2006 HK$'000	31 March 2006 HK$'000	2005 HK$'000 (Re-stated)	2004 HK$'000 (Re-stated)
Non-current assets	**75,370**	87,502	130,320	136,505	95,813
Current assets	**451,181**	133,185	54,100	21,399	72,348
TOTAL ASSETS	**526,551**	220,687	184,420	157,904	168,161
Current liabilities	**170,222**	75,122	49,602	20,470	12,599
Non-current liabilities	**1,321**	1,286	1,393	1,485	1,704
TOTAL LIABILITIES	**171,543**	76,408	50,995	21,955	14,303
	355,008	144,279	133,425	135,949	153,858