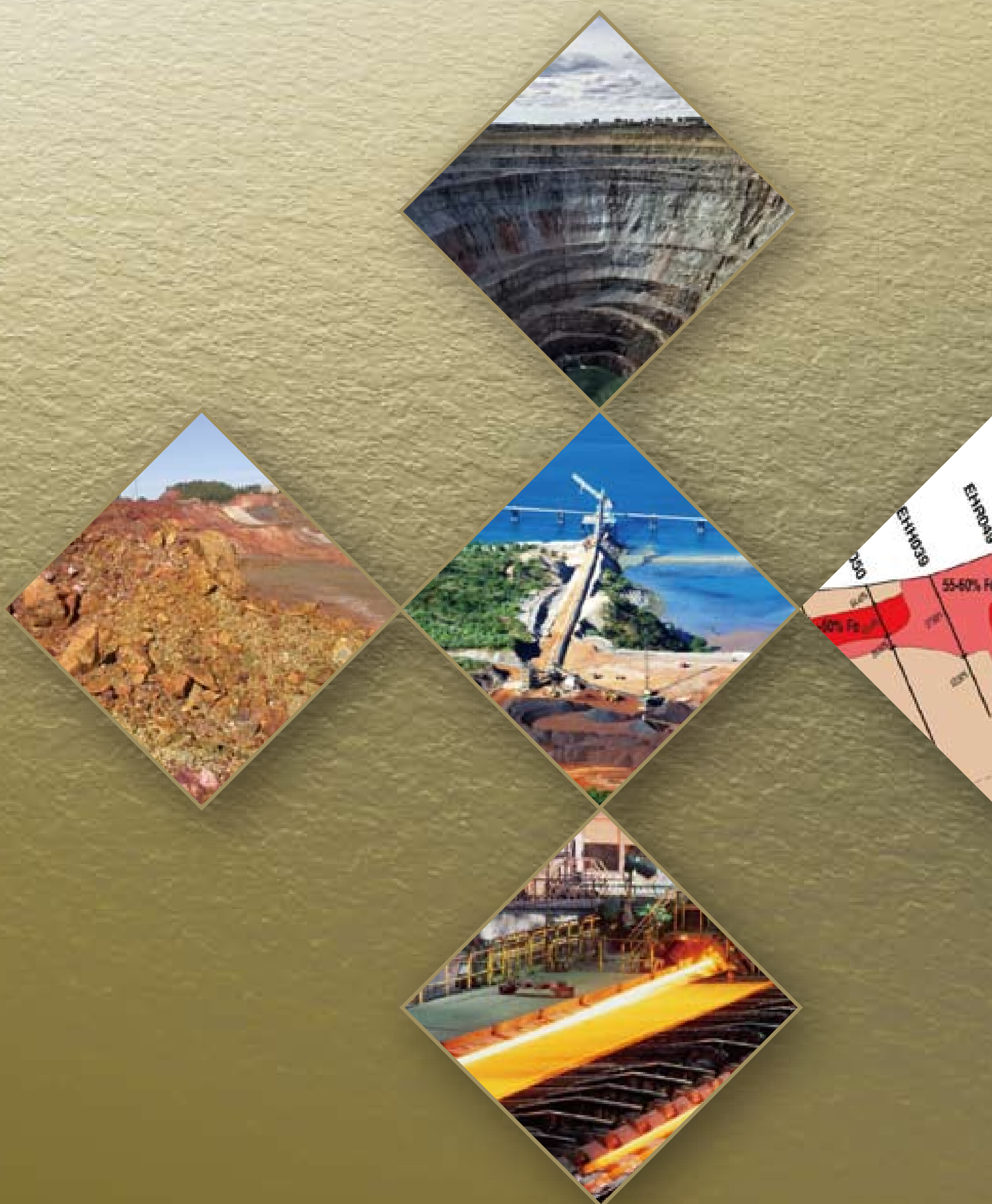
APAC RESOURCES

APAC Resources Limited
亞太資源有限公司*

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

Annual Report 2008



* For identification purpose only

Contents

Corporate Information

BOARD OF DIRECTORS

Executive Directors:

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

Independent Non-Executive Directors:

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

AUDIT COMMITTEE

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

REMUNERATION COMMITTEE

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

COMPANY SECRETARY

Ms. Fung Sam Ming

AUDITORS

Graham H.Y. Chan & Co

LEGAL ADVISERS

P.C. Woo & Co
Robertsons
Conyers Dill & Pearman
Mallesons Stephen Jaques

HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS

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

REGISTERED OFFICE

Clarendon House
2 Church Street
Hamilton HM11
Bermuda

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

Butterfield Fulcrum Group (Bermuda) Limited
Rosebank Centre
11 Bermudiana Road
Pembroke HM08
Bermuda

HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

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

WEBSITE

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

STOCK CODE	WARRANT CODE
1104	324

EXECUTIVE DIRECTORS

Mr. Cao Zhong, aged 49, was appointed as an Executive Director of the Company on 26 April 2007 and has been re-designated as Chairman and Executive Director of the Company since 3 May 2007. Mr. Cao is responsible for the strategic planning and corporate development of the Group. He graduated from Zhejiang University, the People's Republic of China (the "**PRC**"), and Graduate School, The Chinese Academy of Social Sciences, with a Master Degree in Engineering and a Master Degree in Economics. Mr. Cao is the assistant general manager of Shougang Corporation and the chairman of China Shougang International Trade and Engineering Corporation. He is also the vice chairman and general manager of Shougang Holding (Hong Kong) Limited and a director of Benefit Rich Limited, both of which are substantial shareholders of the Company. Mr. Cao is also the managing director of Shougang Concord International Enterprises Company Limited *(stock code: 697)*, the chairman of each of Shougang Concord Technology Holdings Limited *(stock code: 521)* and Shougang Concord Century Holdings Limited *(stock code: 103)*, the vice chairman and managing director of Shougang Concord Grand (Group) Ltd ("**SCG**") *(stock code: 730)*, the chairman of Global Digital Creations Holdings Limited *(stock code: 8271)*, a non-wholly owned subsidiary of SCG, an executive director of Fushan International Energy Group Limited *(stock code: 639)*, all of which are companies listed on the Hong Kong Stock Exchange of Hong Kong Limited (the "**Stock Exchange**"). Mr. Cao is also a non-executive director of Mount Gibson Iron Limited *(stock code: MGX)*, an associated company of the Company, the shares of which are listed on the Australian Stock Exchange. Mr. Cao has extensive experience in corporate management and operation. He is also a director of certain subsidiaries of the Company, the chairman of 亞太資源(青島)有限公司(「**亞太青島**」) and the chairman of supervisory committee of 瑞域(上海)投資諮詢有限公司(「**瑞域上海**」), both of which are wholly-owned subsidiaries of the Company in the PRC.

Mr. Liu Yongshun, aged 48, was appointed as a Non-Executive Director of the Company on 29 May 2007 and has been re-designated as Chief Executive Officer and an Executive Director of the Company since 27 July 2007. Mr. Liu is responsible for the execution of the Group's strategies, policies and corporate actions as delegated by the Board. Mr. Liu obtained his Bachelor's Degree in Ironing Making from Maanshan Institute of Iron and Steel (East China University of Metallurgy/Anhui University of Technology) in 1983. He subsequently obtained his Executive Master of Business Administration degree from China Europe International Business School in 2005. Mr. Liu has had a number of major appointments in the raw iron and steel resources industry. He was the president of the Department of Mineral Resources, Shanghai Baosteel Group International Economic and Trading Co., Ltd. from November 2001 to May 2005. He was appointed as both the deputy general manager of Baosteel Corporation and the general manager of its No. 1 Department of the Purchase Centre of Baosteel Corporation from May 2005 to April 2006. He acted as deputy general manager of Baosteel Trading Co., Ltd. from May 2006 to April, 2007. He is also the chairman of 瑞域上海, a director of 亞太青島 and certain subsidiaries of the Company.

Mr. Zhou Luyong, aged 45, was appointed as a Non-Executive Director of the Company on 29 May 2007 and has been re-designated as Deputy Chief Executive Officer and an Executive Director of the Company since 27 July 2007. Mr. Zhou completed his undergraduate studies at East China Institute of Chemical Technology (currently known as East China University of Science & Technology) in 1985 majoring in coal process. He was the manager of Baosteel Trading Hong Kong Co., Ltd. from June 1998 to December 2001. He was the general manager of the Coal & Coke Department of Baosteel International Economic and Trading Co., Ltd. from January 2002 to May 2004. He acted as general manager of Shanghai Baoding Energy Co., Ltd. from May 2004 to November 2005. He is also a director of 亞太青島 and 瑞域上海.

Ms. Chong Sok Un, aged 54, was appointed as an Executive Director of the Company on 6 July 2007. Ms. Chong holds a Master Degree in Business Administration. Ms. Chong is currently an executive director and chairman of COL Capital Limited *(stock code: 383)*, a substantial shareholder of the Company, and also a non-executive director of Shanghai Allied Cement Limited *(stock code: 1060)*, both of which are listed on the main board of the Stock Exchange. She has been the chairman of Long Island Golf & Country Club, Dongguan, China since September 1998. She is also the vice-chairman of the 30th Term Board of Directors of Yan Oi Tong. During 1992 to 2000, she was a director and chief executive officer of Shenyin Wanguo (H.K.) Limited. During September 2001 to October 2006, she was an independent director of Fujian Minnan (Zhangzhou) Economy Development Co., Ltd （福建閩南（漳州）經濟發展股份有限公司）, a company with shares listed on the Shenzhen Stock Exchange. During June 2002 to May 2007, she was a non-executive director of RIMCapital Limited, a company with shares listed on the Australian Stock Exchange. Ms. Chong is also a director of certain subsidiaries of the Company and the chairman of supervisory committee of 亞太青島.

Mr. Chen Zhaoqiang, aged 41, was appointed as a Non-Executive Director of the Company on 6 July 2007 and has been re-designated as an Executive Director of the Company since 7 September 2007. Mr. Chen obtained his Bachelor's Degree in Mining Engineering from Jiaozuo Mining Institute in 1989. He subsequently obtained his Master Degree in Management Science from Huazhong University of Science & Technology. Mr. Chen has had a number of major appointments in the coal mining industry. He was the vice chairman of Political Consultation, Xiangcheng County, Henan Province in 2004. He was also elected as one of the Top 10 Young People in Pingdingshan City in 2006. He worked in Pingdingshan Coal Co. Ltd. as a technician, director of operational division, vice general engineer, director of technique division and coalmine head from July 1989 to March 2004. He was appointed as both the vice chairman of Pingbao Coal Co. Ltd. and director of Shoushan No. 1 Coalmine of Pingdingshan Coal Co. Ltd. from April 2004 to January 2007. He was appointed as vice general manager of Henan Company for Coal Seam Gas Development & Application since March 2007. Mr. Chen's extensive experience in coal supply management for coal mining, technology development and management, purchase and logistics management, mineral resources development, project management and coal trading will contribute to the Company's business growth and expansion into the coal mining industry. He is also a director of 瑞域上海.

Mr. Yue Jialin, aged 41, was appointed as Chairman and Executive Director of the Company on 26 April 2004 and has been re-designated as an Executive Director of the Company since 3 May 2007. Mr. Yue has established in-depth knowledge of the PRC economic development and policies through his previous role as a judge in the Economic Court of People's Court in Luowu District, Shenzhen, the PRC during 1989 to 1992. Mr. Yue also sits on the school of business administration of Changhun Industrial University as visiting professor. Mr. Yue has engaged in legal consultation in respect of the acquisition of state owned assets and foreign investments in the PRC.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Wong Wing Kuen, **Albert**, aged 58, has been appointed as an Independent Non-executive Director of the Company since 6 July 2004. Mr. Wong is a fellow member of The Institute of Chartered Secretaries and Administrators, a fellow member of The Hong Kong Institute of Chartered Secretaries, a fellow member of the Taxation Institute of Hong Kong, a member of Hong Kong Securities Institute, a fellow member of Association of International Accountants, a fellow member of Society of Registered Financial Planners, a member of The Chartered Institute of Arbitrators, a member of The Chartered Institute of Bankers in Scotland and a full member of Macau Society of Certified Practising Accountants. Currently, Mr. Wong is the managing director of Charise Financial Planning Limited, a private professional consulting firm in Hong Kong. He is also an independent non-executive director of Solargiga Energy Holdings Limited *(stock code: 757)*, a company listed on the main board of the Stock Exchange.

Biographical Details of Directors

Mr. Chang Chu Fai, Johnson Francis, aged 54, was appointed as an Independent Non-Executive Director of the Company on 6 July 2007. Mr. Chang is currently the Managing Director of Ceres Consultancy Limited and a registered person under the Securities and Futures Ordinance (Cap 571, Laws of Hong Kong) ("**SFO**"). He has over 31 years of experience in banking, corporate finance, investment and management. Mr. Chang holds a Bachelor's Degree in Commerce from Concordia University in Montreal, Canada since 1976 and a Master's Degree in Business Administration from York University in Toronto, Canada since 1977. He is currently the deputy chairman and an independent non-executive director of Quality HealthCare Asia Limited *(stock code: 593)*; and an independent non-executive director of Tian An China Investments Company Limited *(stock code: 28)* and Royale Furniture Holdings Limited (formerly known as Chitaly Holdings Limited *(stock code: 1198)*, all of which are companies with shares listed on the Stock Exchange. He was the chairman and an executive director of Trasy Gold Ex Limited from January 2006 to November 2007 and an executive director of Golden 21 Investment Holdings Limited (now known as China Financial Leasing Group Limited) from May 2002 to April 2007, both are companies listed on the Stock Exchange.

Mr. Alan Stephen Jones, aged 66, has been appointed as an Independent Non-Executive Director of the Company since 27 July 2007. Mr. Jones is a chartered accountant and has extensive experience in management, administration, accounting, property development, carpark management, finance and trading. Mr. Jones has been involved in successful mergers and acquisitions of a number of public companies in Australia and internationally. He is an independent non-executive director of Allied Group Limited *(stock code: 373)*, Allied Properties (H.K.) Limited *(stock code: 56)* and Sun Hung Kai & Co. Limited *(stock code: 86)*, all of which are companies listed on the Stock Exchange. He is also a non-executive director of Mount Gibson Iron Limited, an associated company of the Company, the shares of which are listed on the Australian Stock Exchange, and a non-executive director of Mulpha Australia Limited.

Mr. Robert Moyse Willcocks, aged 60, has been appointed as an Independent Non-Executive Director of the Company since 27 July 2007. Mr. Willcocks holds a Bachelor's Degree in Arts and a Bachelor's Degree of Laws from Australian National University in Australia and a Master's Degree in Law from the University of Sydney in Sydney, Australia. He has been an advisor to companies in the mining and resources industry for more than 26 years. He has been a partner of Mallesons Stephen Jaques, an Australian law firm, director of Ban-Pu Australia Pty Ltd, Oakbridge Pty Ltd, Energy World Corporation Limited, eStar Online Trading Limited, Bond University Limited and Member of the Australian International Legal Advisory Committee. Mr. Willcocks held and holds directorships in various resources companies which are listed on the Australian Stock Exchange including being a director of Emperor Mines Limited from February 1999 to June 2006, a former chairman of RIMCapital Limited. He is currently a non-executive director of CBH Resources Limited *(stock code: CBH)*, a member of its audit committee, remuneration committee, succession and governance committee and safety, health and environment committee, and a non-executive director of ARC Exploration Limited *(stock code: ARX)*. Mr. Willcocks is also an alternate director to Mr. Cao Zhong of Mount Gibson Iron Limited *(stock code: MGX)*, an associated company of the Company.

On behalf of the Board of directors (the "**Board**") of APAC Resources Limited (the "**Company**"), I am pleased to present to the shareholders the financial results, operation and other aspect of the Company and its subsidiaries (the "**Group**") for the year ended 31 December 2008.

FINANCIAL RESULTS

Although the Group's revenue increased by 1,106% to HK$298,613,000 (2007: HK$24,751,000), the Group recorded a net loss attributable to shareholders of HK$1,252,329,000 compared to a net profit of HK$345,313,000 of last year midst the global financial and economic turmoil.

Loss per share (basic) for the year ended 31 December 2008 was 26.49 HK cents (2007: earnings per share of 9.78 HK cents) and the net asset value per share as at 31 December 2008 was HK$0.27 (2007: HK$1.0).

DIVIDEND

The Directors do not recommend the payment of a dividend for the year ended 31 December 2008 (2007: nil).

MANAGEMENT DISCUSSION AND ANALYSIS

Review of Operations

Trading and investment of listed securities

For the businesses of securities trading and investment, the Group recorded a gross sales proceeds of HK$231,444,000 (2007: HK$40,597,000) and a loss of HK$408,582,000 (2007: profit of HK$585,437,000) mainly due to the mark-to-market unrealised loss of HK$468,862,000 (2007: unrealised gain of HK$566,796,000) from its trading securities which was partially offset by the realised gain of HK$35,079,000 (2007: nil) from sale of trading securities and realised gain of HK$23,011,000 (2007: HK$19,646,000) from disposal of available-for-sale investments.

The second half of 2008 saw a sudden and dramatic drop in demand for iron ore and other commodities caused by the unprecedented global financial crisis and the consequent global economic uncertainty. As a whole, 2008 was a difficult year for investors in the global equity market, in particular, the natural resources sector. As such, the Group took a prudent approach by making a mark-to-market impairment charge of HK$241,495,000 (2007: nil) on its long term investment portfolio of available-for-sale investments.

As at 31 December 2008, the Group maintained a long term investment portfolio of available-for-sale investments of HK$84,585,000 (2007: HK$2,993,426,000) and a short term portfolio of trading securities of HK$113,898,000 (2007: HK$814,957,000).

Trading in base metals

As a result of the strengthening of its business in trading of base metals, the Group achieved a turnover of HK$298,613,000 (2007: nil) and a profit of HK$9,671,000 (2007: loss of HK$8,000) for the year under review.

During the year under review, the Group entered into an agreement with certain independent third parties ("**Suppliers**") to supply for a term of three years nickel ore from Philippines for the Group's business of trading of base metals. A purchase deposit of HK$50 million had been paid. However, up to the date of this annual report, the Suppliers were unable to supply any nickel ore to the Group. Consequently, certain undertakings, representations and warranties under the agreement had been breached by the Suppliers and legal letters had been issued to the Suppliers accordingly. For prudent sake, a provision of doubtful debts of HK$50,000,000 (2007: nil) has been made, however, the Group will continue with every legal action in order to recover such deposit paid.

Trading in fabric products

For 2008, there was no trading in fabric products (2007: HK$24,751,000) and a segment profit of HK$675,000 (2007: HK$1,508,000) was recorded. Due to intense competition and dim outlook within this market, the Group has wound down the operation in this sector.

Termination of the Acquisition of a 49% Equity Interest in Lan Ping Xian Wei Yuan Mining Co. Ltd（灤平縣偉源礦業有限責任公司）("Wei Yuan")

As announced on 3 October 2008, the conditional acquisition of the entire issued share capital of Good China Limited ("**GCL**"), beneficially owner of a 49% equity interests in Wei Yuan which engages in the business of iron ore mining and production of iron ore materials in the PRC, and a loan due by GCL to the vendor, for an aggregate consideration of HK$1,200,000,000 was terminated since the Group has not been able to conduct legal, financial, valuation, business and technical due diligence reviews to its sole satisfaction.

PRINCIPAL ASSOCIATED COMPANIES

The share of profit of associate of the Group for the year ended 31 December 2008 was HK$2,435,000 (2007: nil).

In November 2008, in order to preserve its interest and secure long term supply for its trading in base metals, the Group entered into a heads of agreement with Mount Gibson Iron Limited ("**MGX**") pursuant to which the Group would (i) take up its full entitlement under a rights issue of MGX ("**MGX's Rights Issue**") in respect of its then shareholding in MGX to subscribe for 32,829,629 new shares in MGX at an issue price of A$0.60 per share (the "**Shareholding Commitment**"), (ii) underwrite in priority the shortfall shares in MGX's Rights Issue of up to 82,900,000 new shares (the "**Underwriting Commitment**") and (iii) secure long term offtake agreement with MGX for its available iron ore production.

Following the appointment of Mr. Cao Zhong, the Company's chairman, into the board of MGX as non-executive director in December 2008 in pursuance to the heads of agreement, the Group considers MGX as an associate as defined under Hong Kong Accounting Standard 28 – Investments in Associates. As at 31 December 2008, the Group's shareholding in MGX was 17.95%. In view of the prevailing economic uncertainty, the Group took a prudent view by making a goodwill impairment charge of HK$466,553,000 (2007: nil) on its interest in MGX.

MGX is a pure iron ore exploration and mining company, which owns iron ore deposits and holds mining rights in Australia. According to MGX's interim report for the half-year period ended 31 December 2008, MGX recorded a turnover of A$232.9 million (2007: A$176.2 million) and a net profit of A$13.3 million (2007: A$32.1 million) for the six-month ended 31 December 2008. MGX pointed out that after a very strong result for the 1st quarter ended 30 September 2008, the 2nd quarter ended 31 December 2008 was negatively impacted by significantly reduced sale volumes as a result of defaults by some of its customers, reduced sale prices and a A$54.8 million mark-to-market adjustment relating to foreign exchange hedging loss. In such a volatile and adverse market environment, MGX has secured offtake agreements for all its available iron ore production with large customers who are also shareholders of MGX. MGX considered that these offtake agreements coupled with the substantial capital injection from the MGX's Rights Issue and a share placement exercise would place MGX in a sound financial position.

Subsequent to the year-end date, the subscription of 32,829,630 new shares in respect of the Shareholding Commitment and 82,900,000 new shares in respect of the Underwriting Commitment in MGX were all taken up by the Group on 12 January 2009 at an aggregate consideration of A$69,437,777 (equivalent to approximately HK$366,389,175) which were funded by the Group's internal resources and borrowings. As a result, the Group's interest in MGX increased to 279,877,774 shares, representing approximately 26.03% of the issued share capital of MGX. Further, the Group has also secured the long term offtake with MGX for 20% of its available iron ore production.

FINANCIAL RESOURCES, BORROWINGS AND CAPITAL STRUCTURE

As at 31 December 2008, the Group's non-current assets amounted to HK$678,045,000 (2007: HK$2,995,624,000) and net current assets amounted to HK$593,216,000 (2007: HK$1,742,672,000) with a current ratio of 3.8 times (2007: 158.7 times) calculated on the basis of the Group's current assets over current liabilities.

The flexibility of the financial resources available to the Group was enhanced by both short term credit facilities granted by a stock-broking firm and trade finance facilities granted by banks to the Group. The short term credit facilities were secured by investment in a listed associate, available-for-sale investments and trading securities while the trade finance facilities were secured by bank deposits. All the Group's borrowings are arranged on a short-term basis in Hong Kong. As at 31 December 2008, the Group had borrowings of HK$196,977,000 (2007: HK$1,797,000) and a gearing ratio of 0% (2007: 0%)) , calculated on the basis of the Group's net borrowings (after pledged bank deposits, cash and cash equivalents) over shareholders' fund.

FOREIGN EXCHANGE EXPOSURE

For the year under review, the Group's assets were mainly denominated in Australian Dollar, Renminbi and Hong Kong Dollar while the liabilities were mainly denominated in Hong Kong Dollar. As a substantial portion of the assets was held as long-term investments, there would be no material immediate effect on the cash flow of the Group. In light of this, the Group did not actively hedge for the risk arising from the Australian Dollar denominated assets. The Group monitors its foreign exchange exposure and will consider hedging significant currency exposure should the needs arises.

PLEDGE OF ASSETS

As at 31 December 2008, the Group's investment in a listed associate, available-for-sale investments and trading securities of HK$473,223,000 (2007: HK$3,628,045,000) were pledged to a stock-broking firm to secure short term credit facilities granted to the Group and the Group's bank deposits of HK$90,004,000 (2007: HK$10,526,000) were pledged to banks to secure trade finance facilities granted to the Group.

EMPLOYEES AND REMUNERATION POLICY

The Group ensured that its employees are remunerated according to the prevailing manpower market conditions and individual performance with its remuneration policies reviewed on a regular basis.

PROSPECT

The Group aims to establish itself as a significant natural resources trading and investment group by identification, evaluation and acquisition of strategic interests in quality natural resources assets (either indirectly through investment in, and support of, resources corporations or by direct investment in mineral projects) so as to build up a portfolio of long term cash generating investments that enhances the Company's value in the context of natural resources industry consolidation and rationalisation where it believes value can be maximised for all concerned stakeholders.

One of the strategies the Group employs is to work co-operatively with resources companies and management teams it identifies as reputable, trustworthy partners to achieve their corporate objectives where they are aligned with the Group. Another viable strategy is to bridge the gap between Western mining companies and Asian end-users to facilitate investment in, and fast-track development of, quality natural resource assets enabling the Group to undertake profitable investments in the resources sector and to secure reliable long term production offtake to the Group's strategic advantage.

The Group considers the increase in investment in MGX pursuant to the Shareholding Commitment and the Underwriting Commitment as a step to preserve the Group's interest in MGX and as a way in which to strengthen and support its investment in MGX. In particular, MGX's mining and exploration of hematite iron ore provides an opportunity to expand the Group's trading of base metals and the Group considers that the long term offtake agreement will give the Group a good opportunity to secure long term supply of hematite iron ore products for its trading activities.

Given the recent global financial turmoil and economic recession, the Group will be more cautious in its trading and investment activities in 2009. With a satisfactory financial position, however, the Group is well-placed to continue to identify, evaluate and acquire strategic interests in quality natural resources assets in order to maximise returns for shareholders.

APPRECIATION

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

Cao Zhong
Chairman

Hong Kong, 16 April 2009

The Directors present their annual report and the audited consolidated financial statements of the Group for the year ended 31 December 2008.

PRINCIPAL ACTIVITIES

The Company is an investment holding company. The principal activities of its subsidiaries are set out in Note 34 to the financial statements.

RESULTS

The results of the Group for the year ended 31 December 2008 are set out in the consolidated income statement on page 28.

SEGMENTAL INFORMATION

An analysis of the Group's revenue and contribution to results by business activities for the year ended 31 December 2008 is set out in Note 5 to the financial statements.

SHARE CAPITAL

Details of movements in share capital of the Company during the year are set out in Note 22 to the financial statements.

RESERVES

Details of movements in reserves of the Group during the year are set out in the consolidated statement of changes in equity on page 30.

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

DONATION

Charitable donation made by the Group during the year amounted to HK$1,600,000.

PROPERTY, PLANT AND EQUIPMENT

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

DIRECTORS

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

Executive Directors:

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

Independent Non-Executive Directors:

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

In accordance with Bye-law 87 of the Company's Bye-laws, Mr. Cao Zhong, Mr. Liu Yongshun, Mr. Yue Jialin and Mr. Wong Wing Kuen, Albert will retire at the forthcoming annual general meeting and, being eligible, offer themselves for re-election.

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

DIRECTORS' INTERESTS IN SHARES, UNDERLYING SHARES AND DEBENTURES

As at 31 December 2008, the interests and short positions held by each director and chief executive of the Company and their associates in the shares, underlying shares or debentures of the Company or any of its associated corporations, if any, (within the meaning of Part XV of the Securities and Futures Ordinance ("**SFO**")), as recorded in the register required to be kept by the Company under section 352 of the SFO or otherwise notified to the Company and The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**") pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers ("**Model Code**") contained in the Rules Governing the Listing of Securities on the Stock Exchange were as follows:

Long positions in shares and underlying shares of the Company

		Number of shares/underlying shares held in the Company			
Name of Directors	**Capacity in which interests are held**	**Interests in shares**	**Interests under equity derivatives**	**Total Interests**	**Total interests as to % to the issued share capital of the Company as at 31 December 2008** *(Note 1)*
Mr. Cao Zhong	Beneficial owner	–	133,000,000 *(Note 2)*	133,000,000	2.81%
Mr. Liu Yongshun	Beneficial owner	–	150,000,000 *(Note 2)*	150,000,000	3.17%
Ms. Chong Sok Un	Beneficial owner and interest of controlled corporation *(Note 3)*	614,260,000	115,000,000 *(Notes 2 & 4)*	729,260,000 *(Note 5)*	15.42%
Mr. Zhou Luyong	Beneficial owner	–	33,000,000 *(Note 2)*	33,000,000	0.70%
Mr. Chen Zhaoqiang	Beneficial owner	–	33,000,000 *(Note 2)*	33,000,000	0.70%
Mr. Yue Jialin	Interest of controlled corporation *(Note 6)*	16,179,602	119,339,960	135,519,562 *(Note 7)*	2.87%
Mr. Wong Wing Kuen, Albert	Beneficial owner	–	3,000,000 *(Note 2)*	3,000,000	0.06%
Mr. Chang Chu Fai, Johnson Francis	Beneficial owner	–	2,000,000 *(Note 2)*	2,000,000	0.04%

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

Long positions in shares and underlying shares of the Company *(Continued)*

Notes:

1. The percentage of shareholding was calculated on the basis of the Company's issued share capital of 4,728,659,055 shares as at 31 December 2008.

2. The relevant interests are share options granted pursuant to the Company's share option scheme adopted on 22 September 2004 (the "**Scheme**"). Upon exercise of the share options in accordance with the Scheme, the shares in the share capital of the Company are issuable.

3. These shares are held by Sparkling Summer Limited ("**Sparkling Summer**") and Rise Cheer Investments Limited ("**Rise Cheer**"), both of which are wholly-owned subsidiaries of COL Capital Limited ("**COL**"). As at 31 December 2008, COL was 38.62% owned by Vigor Online Offshore Limited which in turn is a wholly-owned subsidiary of China Spirit Limited ("**China Spirit**") in which Ms. Chong Sok Un maintains 100% beneficial interest. COL is therefore deemed to have interests in the shares and underlying shares in which Sparkling Summer and Rise Cheer are interested. Ms. Chong Sok Un is therefore deemed to have interests in the shares and underlying shares through her 100% interest in China Spirit.

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

5. This represents the interests held by: (i) Sparkling Summer as to 314,260,000 shares and 5,000,000 units of warrants giving rise to an interest in 5,000,000 underlying shares, (ii) Rise Cheer as to 300,000,000 shares, and (iii) 110,000,000 share options granted to Ms. Chong Sok Un.

6. These shares are registered/will be registered (as the case may be) in the name of and beneficially owned by Profit Harbour Investments Limited, the entire issued share capital of which is owned by Mr. Yue Jialin.

7. This represents an interest in 16,179,602 shares and an interest in 119,339,960 units of warrants giving rise to an interest in 119,339,960 underlying shares. The warrants entitle the holders to subscribe at any time during the period from 5 February 2007 to 4 February 2010 (both days inclusive) for fully paid shares at an initial subscription price of HK$0.30 per share (subject to adjustments).

Save as disclosed above, as at 31 December 2008, none of the Company's directors, chief executive or their respective associates had any other personal, family, corporate and other interests or short positions in shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) as recorded in the register required to be kept under section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.

SHARE OPTION SCHEME

The detailed disclosures relating to the Company's share option scheme and valuation of options are set out in Note 23 to the financial statements.

ARRANGEMENTS TO PURCHASE SHARES OR DEBENTURES

Save as disclosed under the section headed "DIRECTORS' INTERESTS IN SHARES, UNDERLYING SHARES AND DEBENTURES" and Note 23 to the financial statements, at no time during the year was the Company or any of its subsidiaries a party to any arrangements to enable the directors of the Company, their respective spouse or children under 18 years of age to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate.

DIRECTORS' INTERESTS IN CONTRACTS OF SIGNIFICANCE

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

SUBSTANTIAL SHAREHOLDERS

As at 31 December 2008, the following persons, other than a director or chief executive of the Company or any of its subsidiaries, were interested or had short positions in more than 5% of the shares and underlying shares of the Company or its subsidiaries according to the register required to be kept under section 336 of the SFO in the respective amounts as follows:

Long positions in shares and underlying shares of the Company

		Number of shares/underlying shares held in the Company			
Name of Shareholders	**Capacity in which interests are held**	**Interests in shares**	**Interests under equity derivatives**	**Total interests**	**Total interests as to % to the issued share capital of the Company as at 31 December 2008** *(Note 1)*
Benefit Rich Limited	Beneficial owner	600,000,000	60,000,000	660,000,000 *(Note 2)*	13.96%
Shougang Holding (Hong Kong) Limited	Interest of controlled corporation *(Note 4)*	896,000,000	60,000,000	956,000,000 *(Note 3)*	20.22%
Rise Cheer Investments Limited	Beneficial owner	300,000,000	–	300,000,000	6.34%
COL Capital Limited	Interest of controlled corporation *(Note 5)*	614,260,000	5,000,000 *(Note 6)*	619,260,000 *(Note 7)*	13.10%
Sun Hung Kai & Co. Limited	Interest of controlled corporation *(Notes 9 & 12)*	598,532,893	–	598,532,893 *(Note 8)*	12.66%
Allied Properties (H.K.) Limited	Interest of controlled corporation *(Notes 9 & 12)*	598,532,893	–	598,532,893	12.66%
Allied Group Limited	Interest of controlled corporation *(Notes 10 & 12)*	598,532,893	–	598,532,893	12.66%
Lee and Lee Trust	Interest of controlled corporation *(Notes 11 & 12)*	598,532,893	–	598,532,893	12.66%

SUBSTANTIAL SHAREHOLDERS *(Continued)*

Long positions in shares and underlying shares of the Company *(Continued)*

Notes:

1. The percentage of shareholding was calculated on the basis of the Company's issued share capital of 4,728,659,055 shares as at 31 December 2008.

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

3. This represents the interests held by: (i) Benefit Rich Limited ("**Benefit Rich**") as to 600,000,000 shares and 60,000,000 units of warrants giving rise to an interest in 60,000,000 underlying shares, (ii) Easymade Investments Limited ("**Easymade**") as to 100,000,000 shares, and (iii) Prime Success Investments Limited ("**Prime Success**") as to 196,000,000 shares, all of which are wholly-owned subsidiaries of Shougang Holding (Hong Kong) Limited ("**Shougang**") as at 31 December 2008.

4. Benefit Rich, Easymade and Prime Success are wholly-owned subsidiaries of Shougang as at 31 December 2008. Accordingly, Shougang is deemed to have the same long position as Benefit Rich, Easymade and Prime Success under the SFO.

5. These shares are held by Sparkling Summer Limited ("**Sparkling Summer**") and Rise Cheer Investments Limited ("**Rise Cheer**"), both of which are wholly-owned subsidiaries of COL Capital Limited ("**COL**"). As at 31 December 2008, COL was 38.62% owned by Vigor Online Offshore Limited which in turn is a wholly-owned subsidiary of China Spirit Limited ("**China Spirit**") in which Ms. Chong Sok Un maintains 100% beneficial interest. COL is therefore deemed to have interests in the shares and underlying shares in which Sparkling Summer and Rise Cheer are interested.

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

7. This represents the interests held by: (i) Sparkling Summer as to 314,260,000 shares and 5,000,000 units of warrants giving rise to an interest in 5,000,000 underlying shares, and (ii) Rise Cheer as to 300,000,000 shares.

8. This represents security interests held by: (i) Itso Limited ("**Itso**") as to 11,060,000 shares, and (ii) Sun Hung Kai Strategic Capital Limited ("**SHKSC**") as to 587,472,893 shares, both of which are indirect wholly-owned subsidiaries of Sun Hung Kai & Co. Limited ("**SHK**"). Accordingly, SHK is deemed to have the same long position as Itso and SHKSC under the SFO.

9. SHK is a non wholly-owned subsidiary of AP Emerald Limited ("**APE**"). APE is a wholly-owned subsidiary of AP Jade Limited which in turn is a wholly-owned subsidiary of Allied Properties (H.K.) Limited ("**APL**"). Accordingly, APL is deemed to have the same long position as SHK under the SFO.

10. APL is a non wholly-owned subsidiary of Allied Group Limited ("**AGL**"). Accordingly, AGL is deemed to have the same long position as APL under the SFO.

11. Mr. Lee Seng Hui, Ms. Lee Su Hwei and Mr. Lee Seng Huang are the trustees ("**Trustees**") of Lee and Lee Trust, being a discretionary trust. They together owned approximately 44.52% interest in the issued share capital of AGL as at 31 December 2008. Accordingly, Lee and Lee Trust is deemed to have the same long position as AGL under the SFO.

SUBSTANTIAL SHAREHOLDERS *(Continued)*

Long positions in shares and underlying shares of the Company *(Continued)*

Notes: (Continued)

12. By the announcement dated 31 December 2008 jointly made by SHK, APL and AGL, it was announced that on 24 December 2008, SHKSC and/or Itso (as vendors) entered into three separate sale and purchase agreements ("**SP Agreements**", and each a "**SP Agreement**") with three respective purchasers for the sale and purchase of an aggregate of 598,532,893 shares ("**Sale Shares**") of the Company. Pursuant to the SP Agreements, payment obligations of each of the purchasers were secured by a share charge ("**Share Charge(s)**") executed in favour of the relevant vendors.

    Pursuant to the SP Agreement, SHKSC (as vendor) has sold and Kindstart Limited (as purchaser, the entire issued share capital of which is owned by Mr. Guo Qingming) has purchased 300,000,000 shares of the Company, representing approximately 6.34% of the issued share capital of the Company, and payment obligation of Kindstart Limited was secured by a Share Charge executed in favour of SHKSC.

    Pursuant to the SP Agreements and the Share Charges, SHK, APL, AGL and the Trustees are deemed to be interested in the Sale Shares by virtue of the Share Charges. Upon payment of all outstanding payment of the purchase price by the purchasers to the relevant vendors and the release of the Share Charges, SHK, APL, AGL and the Trustees will cease to have any interest in the Sale Shares, and Kindstart Limited will become a substantial shareholder of the Company.

Save as disclosed above, no other person had interest or short position in the shares and underlying shares of the Company or its subsidiaries, which are recorded in the register required to be kept by the Company pursuant to section 336 of the SFO as at 31 December 2008.

DIRECTORS' INTERESTS IN COMPETING BUSINESSES

The Directors are of the opinion that during the year ended 31 December 2008, the Directors of the Company had no interests in any businesses which compete or are likely to compete, either directly or indirectly, with the businesses of the Group.

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

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

MAJOR CUSTOMERS AND SUPPLIERS

During the year, the Group's four customers in aggregate accounted for 100% of the turnover of the Group and the largest customer accounted for approximately 42% of the total turnover of the Group.

The aggregate purchases attributable to the Group's four suppliers during the year accounted for the entire purchases of the Group and the largest supplier accounted for approximately 41% of the total purchases of the Group.

At no time during the year did a director, an associate of a director or a shareholder of the Company, which to the knowledge of the Directors owns more than 5% of the Company's issued share capital, have an interest in any of the four customers and any of the four suppliers of the Group.

EMOLUMENT POLICY

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

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

The Company has adopted a share option scheme to provide incentives to directors, employees and consultants. The details of the scheme are set out in note 23 to the financial statements.

PRE-EMPTIVE RIGHTS

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

POST BALANCE SHEET EVENTS

Details of the significant post balance sheet events are set out in Note 33 to the financial statements.

PUBLIC FLOAT

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

AUDITORS

The financial statements of the Group for the year ended 31 December 2008 were audited by Graham H. Y. Chan & Co.. A resolution to re-appoint Graham H. Y. Chan & Co. as auditors of the Company will be proposed at the forthcoming annual general meeting.

On behalf of the Board

Cao Zhong
Chairman

Hong Kong, 16 April 2009

Corporate Governance Report

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

CODE OF CORPORATE GOVERNANCE PRACTICES

For the year ended 31 December 2008, the Company has complied with the code provisions of The Code on Corporate Governance Practices ("**CG Code**") as set out in Appendix 14 of the Rules Governing the Listing of Securities (the "**Listing Rules**") on The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**"), except for the deviation in respect of the specific term of non-executive Directors' appointment under the code provision A.4.1 of the CG Code which is detailed below.

BOARD COMPOSITION

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

The Board currently comprises ten Directors, with six Executive Directors and four Independent Non-Executive Directors. During the year, four Board meetings were held and the attendance of each director is set out as follow:

	Number of Board meetings attended/eligible to attend
Executive Directors:	
Mr. Cao Zhong *(Chairman)*	3/4
Mr. Liu Yongshun *(Chief Executive Officer)*	4/4
Mr. Zhou Luyong *(Deputy Chief Executive Officer)*	4/4
Ms. Chong Sok Un	4/4
Mr. Chen Zhaoqiang	4/4
Mr. Yue Jialin	3/4
Independent Non-Executive Directors:	
Mr. Wong Wing Kuen, Albert	4/4
Mr. Chang Chu Fai, Johnson Francis	4/4
Mr. Alan Stephen Jones	3/4
Mr. Robert Moyse Willcocks	4/4

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

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

CHAIRMAN AND CHIEF EXECUTIVE OFFICER

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

APPOINTMENTS AND RE-ELECTION OF DIRECTORS

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

REMUNERATION COMMITTEE

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

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

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

Details of the Directors' emoluments are set out in Note 11 to the financial statements of this annual report.

The primary duties of the Remuneration Committee are:

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

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

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

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

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

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

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

At a meeting of the Remuneration Committee held on 16 April 2009. Ms. Chong Sok Un was appointed as the Chairman of the Remuneration Committee.

AUDIT COMMITTEE

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

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

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

The primary duties of the Audit Committee are:

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

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

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

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

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

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

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

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

At a meeting of the Audit Committee held on 16 April 2009, certain terms of reference of the Audit Committee were amended to bring them in line with the amendments to the Listing Rules which took effect on 1 January 2009.

DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "**Model Code**") as set out in Appendix 10 of the Listing Rules as its code for securities transactions by Directors ("**Code for Securities Transactions**"). All Directors have confirmed, following specific enquiry by the Company, that they had complied with the Code for Securities Transaction for the year ended 31 December 2008.

At a meeting of the Board held on 16 April 2009, the Code for Securities Transactions was amended to bring them in line with the amendments to the Listing Rules which took effect on 1 January 2009.

BYE-LAWS

A special resolution will be proposed at the forthcoming annual general meeting of the Company for shareholders' approval to amend the Bye-laws to bring them in line with the amendments to the Listing Rules which took effect on 1 January 2009.

ACCOUNTABILITY AND AUDIT

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

The responsibility of the external auditors with respect to the financial reporting are set out in the section "Independent Auditors' Report" on pages 26 to 27.

INTERNAL CONTROLS

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

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

AUDITORS' REMUNERATION

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

Services rendered	Fee paid/payable HK$'000
Audit services	340
Non-audit services	
– review of interim report	125
– other services relating to circular	318
	783

COMMUNICATIONS WITH SHAREHOLDERS

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

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

An annual general meeting of the Company was held on 6 June 2008 ("**2008 AGM**"). A notice convening the 2008 AGM was despatched to the shareholders in the circular dated 30 April 2008 together with the 2007 Annual Report. All the resolutions proposed at the 2008 AGM were passed by way of show of hands.

A special general meeting of the Company was held on 29 December 2008 ("**SGM**") at which an ordinary resolution in respect of the aggregate subscription of 115,729,629 shares in Mount Gibson Iron Limited was proposed. A notice convening the SGM was despatched to the shareholders in the circular dated 12 December 2008. An ordinary resolution was put to the vote of the shareholders at the SGM and passed by way of show of hands.

The forthcoming annual general meeting of the Company will be held on 5 June 2009. A notice convening the annual general meeting will be published on the websites of the Stock Exchange at www.hkexnews.hk and the Company at www.irasia.com/listco/hk/apac/index.htm, and despatched to shareholders of the Company on or around 28 April 2009.

事務所 會計師 陳浩賢

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

TO THE SHAREHOLDERS OF APAC RESOURCES LIMITED

(incorporated in Bermuda with limited liability)

We have audited the consolidated financial statements of APAC Resources Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") set out on pages 28 to 87, which comprise the consolidated balance sheets as at 31 December 2008, and the consolidated income statement, the consolidated statement of changes in equity and the consolidated cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory notes.

DIRECTORS' RESPONSIBILITIES FOR THE FINANCIAL STATEMENTS

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

AUDITOR'S RESPONSIBILITY

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

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the 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 financial statements give a true and fair view of the state of affairs of the Group as at 31 December 2008 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.

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

16 April 2009

Consolidated Income Statement

For the year ended 31 December 2008

	Notes	2008 HK$'000	2007 HK$'000 (reclassified)
Revenue	4	**298,613**	24,751
Continuing operations			
Revenue from sales of goods	4	**298,613**	–
Net gain from sale of trading securities		**35,079**	–
Gain on disposal of available-for-sale investments		**23,011**	19,646
Change in fair value of trading securities		**(468,862)**	566,796
Interest income		**6,956**	13,319
Other operating income		**4,382**	248
Purchases		**(283,145)**	–
Equity-settled share option expenses		**(53,700)**	(214,889)
Salaries and allowances		**(17,836)**	(8,041)
Operating lease rental on buildings		**(2,917)**	(1,584)
Gain on disposal of a subsidiary	6	**–**	1,536
Provision for doubtful debt		**(50,000)**	–
Impairment losses on available-for-sale investments		**(241,495)**	–
Share of profit of an associate	16	**2,435**	–
Loss on deemed disposal of partial interests in an associate	16	**(7,544)**	–
Impairment loss on interest in an associate	16	**(466,553)**	–
Other operating expenses		**(30,137)**	(21,617)
Finance costs	8	**(675)**	(11,340)
(Loss)/profit before taxation	9	**(1,252,388)**	344,074
Income tax expense	10	**(616)**	–
(Loss)/profit for the year from continuing operations		**(1,253,004)**	344,074
Discontinued operation			
Profit for the year from discontinued operation	7	**675**	1,239
(Loss)/profit for the year		**(1,252,329)**	345,313
Attributable to:			
Equity shareholders of the Company		**(1,252,329)**	345,313
Dividends	12	**–**	–
(Loss)/earnings per share	13		
From continuing and discontinued operations			
– basic (HK cents per share)		**(26.49)**	9.78
– diluted (HK cents per share)		**(25.87)**	9.39
From continuing operations			
– basic (HK cents per share)		**(26.50)**	9.74
– diluted (HK cents per share)		**(25.88)**	9.36

Consolidated Balance Sheet

As at 31 December 2008

	Notes	2008 HK$'000	2007 HK$'000
Non-current assets			
Property, plant and equipment	*14*	**1,643**	2,198
Available-for-sale investments	*15*	**84,585**	2,993,426
Interests in associates	*16*	**591,817**	–
		678,045	2,995,624
Current assets			
Trade and other receivables	*17*	**470,732**	233,296
Trading securities	*18*	**113,898**	814,957
Pledged bank deposits	*19*	**90,004**	10,526
Cash and cash equivalents	*19*	**131,019**	694,945
		805,653	1,753,724
Current liabilities			
Other payables		**15,123**	9,018
Bills payable	*20*	**35,934**	–
Margin financing	*21*	**161,043**	1,797
Tax payable		**337**	237
		212,437	11,052
Net current assets		**593,216**	1,742,672
Net assets		**1,271,261**	4,738,296
Capital and reserves			
Share capital	*22*	**472,866**	472,629
Reserves		**798,395**	4,265,667
Total equity attributable to equity holders of the Company		**1,271,261**	4,738,296

The financial statements on pages 28 to 87 were approved and authorised for issue by the Board of Directors on 16 April 2009 and are signed on its behalf by:

Cao Zhong
Director

Liu Yongshun
Director

Consolidated Statement of Changes in Equity

For the year ended 31 December 2008

	Attributable to equity shareholders of the Company								
	Share Capital	**Share Premium**	**Special Reserve**	**Investment Revaluation Reserve**	**Exchange Reserve**	**Share Option Reserve**	**Net Unrealised (Gain)/Loss Reserve**	**Retained Profits/ (Accumulated Losses)**	**Total**
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
At 1 January 2008	472,629	1,987,747	(14,980)	1,817,762	1,350	214,889	–	258,899	4,738,296
Fair value change in available-for-sale investments	–	–	–	(179,793)	–	–	–	–	(179,793)
Share of change in equity of an associate	–	–	–	–	4,936	–	(15,331)	–	(10,395)
Transfer to profit or loss on disposal of available-for-sale investments	–	–	–	(36,061)	–	–	–	–	(36,061)
Currency translation differences from foreign operations	–	–	–	–	14,918	–	–	–	14,918
Net income directly recognised in equity	–	–	–	(215,854)	19,854	–	(15,331)	–	(211,331)
Loss for the year	–	–	–	–	–	–	–	(1,252,329)	(1,252,329)
Total recognised income and expenses for the year	–	–	–	(215,854)	19,854	–	(15,331)	(1,252,329)	(1,463,660)
Issue of shares upon exercise of warrants	237	473	–	–	–	–	–	–	710
Equity-settled share option expenses	–	–	–	–	–	53,700	–	–	53,700
Lapse of equity – settled share option	–	–	–	–	–	(5,962)	–	5,962	–
Change in equity of an associate on previous held interest	–	–	–	(41,594)	(85,790)	–	–	133,072	5,688
Reversed previously recognised changes in fair value of investment held for trading	–	–	–	–	–	–	–	(461,565)	(461,565)
Reversed previously recognised changes in fair value of available-for-sale investments	–	–	–	(1,601,908)	–	–	–	–	(1,601,908)
At 31 December 2008	472,866	1,988,220	(14,980)	(41,594)	(64,586)	262,627	(15,331)	(1,315,961)	1,271,261

Consolidated Statement of Changes in Equity

For the year ended 31 December 2008

	Attributable to equity shareholders of the Company								
	Share Capital HK$'000	Share Premium HK$'000	Special Reserve HK$'000	Investment Revaluation Reserve HK$'000	Exchange Reserve HK$'000	Share Option Reserve HK$'000	Net Unrealised (Gain)/Loss Reserve HK$'000	Retained Profits/ (Accumulated Losses) HK$'000	Total HK$'000
At 1 January 2007	125,900	105,470	(14,980)	–	–	–	–	(86,414)	129,976
Fair value change in available-for-sale investments	–	–	–	1,817,762	–	–	–	–	1,817,762
Currency translation differences	–	–	–	–	1,350	–	–	–	1,350
Net income directly recognised in equity	–	–	–	1,817,762	1,350	–	–	–	1,819,112
Profit for the year	–	–	–	–	–	–	–	345,313	345,313
Total recognised income and expenses for the year	–	–	–	1,817,762	1,350	–	–	345,313	2,164,425
Issue of right shares, net of expenses	125,900	248,778	–	–	–	–	–	–	374,678
Issue of placing shares for cash, net of expenses	186,500	1,456,976	–	–	–	–	–	–	1,643,476
Issue of shares upon exercise of warrants	5,565	11,131	–	–	–	–	–	–	16,696
Issue of shares for acquisition of available-for-sale investments	28,764	165,392	–	–	–	–	–	–	194,156
Equity-settled share option expenses	–	–	–	–	–	214,889	–	–	214,889
At 31 December 2007	472,629	1,987,747	(14,980)	1,817,762	1,350	214,889	–	258,899	4,738,296

Consolidated Cash Flow Statement

For the year ended 31 December 2008

	Notes	2008 HK$'000	2007 HK$'000
Operating activities			
(Loss)/profit before taxation		(1,251,713)	345,313
Adjustments for:			
Other interest		12	6,118
Interest on margin financing account		663	5,491
Depreciation		732	179
Provision for doubtful debts		50,000	–
Equity-settled share option expenses		53,700	214,889
Fair value change of trading securities		468,862	(566,796)
Impairment loss on interest in an associate		466,553	–
Impairment losses on available-for-sale investments		241,495	–
Loss on deemed disposal of partial interest in an associate		7,544	–
Loss on disposal of property, plant and equipment		1	–
Gain on disposal of a subsidiary		–	(1,536)
Gain on disposal of trading securities		(35,079)	–
Gain on disposal of available-for-sale investments		(23,011)	–
Share of profits of an associate		(2,435)	–
Interest income		(7,640)	(14,360)
Operating cash flows before movements in working capital		(30,316)	(10,702)
Increase in trade and other receivables		(287,436)	(224,836)
Increase in other payables		6,105	3,686
Cash used in operations		(311,647)	(231,852)
Hong Kong profits tax paid		–	(13)
Hong Kong profits tax refund		–	50
Overseas tax paid		(516)	–
Net cash used in operating activities		(312,163)	(231,815)

Consolidated Cash Flow Statement

For the year ended 31 December 2008

	Notes	2008 HK$'000	2007 HK$'000
Investing activities			
Purchase of property, plant and equipment		**(136)**	(2,377)
Currency realignment of property, plant and equipment		**(49)**	–
Proceeds from disposal of property, plant and equipment		**7**	–
Purchase of trading securities		**(645,583)**	(21,122)
Proceeds from disposal of trading securities		**231,444**	–
Purchase of available-for-sale investments		**–**	(961,508)
Proceeds from disposal of available-for-sale investments		**47,106**	–
Investment in an associate		**(22,848)**	–
Disposal of a subsidiary	*6*	**–**	777
Increase in pledged bank deposits		**(79,478)**	(428)
Interest received		**7,640**	14,360
Net cash used in investing activities		**(461,897)**	(970,298)
Financing activities			
Issue of rights shares, net of expenses		**–**	374,678
Issue of placing shares, net of expenses		**–**	1,643,476
Issue of share upon exercise of warrants		**710**	16,696
Interest paid		**(16)**	(11,609)
Increase in margin financing loan		**158,588**	–
Repayment of margin financing loan		**–**	(139,815)
Increase of bills payable		**35,934**	–
Net cash from financing activities		**195,216**	1,883,426
Net (decrease)/increase in cash and cash equivalents		**(578,844)**	681,313
Effect of foreign exchange rate change		**14,918**	1,350
Cash and cash equivalents at 1 January		**694,945**	12,282
Cash and cash equivalents at 31 December	*19*	**131,019**	694,945

1 CORPORATE INFORMATION

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

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

The consolidated financial statements are presented in Hong Kong dollars ("HK$"), which is the Company's functional and presentation currency. All values are rounded to the nearest thousand except when otherwise indicated.

2 SIGNIFICANT ACCOUNTING POLICIES

(a) Statement of compliance

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

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

(b) Basis of preparation of the financial statements

The consolidated financial statements for the year ended 31 December 2008 comprise the Company and its subsidiaries.

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

2 SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(c) Subsidiaries and minority interests

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

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

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

Where losses applicable to the minority exceed the minority's interest in the equity of a subsidiary, the excess, and any further losses applicable to the minority, are charged against the Group's interest except to the extent that the minority has a binding obligation to, and is able to, make additional investment to cover the losses.

(d) Interest in Associates

An associate is an entity over which the investor has significant influence as defined in HKAS 28 and that is neither a subsidiary nor an interest in a joint venture.

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

2 SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(d) Interest in Associates *(Continued)*

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

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

When a group entity transacts with an associate of the Group, unrealised gains and losses are eliminated to the extent of the Group's interest in the relevant associate.

For acquisition of associates which involved successive share purchases for which the investment was previously accounted for at fair value with change in fair value included in profit or loss or equity, cumulative changes in fair value of previously held ownership interests are reversed through profit or loss, retained profits and equity respectively. The investee's profit or loss, changes in the investee's retained profits and other equity balances after each exchange transaction are included in the profit or loss, retained profits or the relevant reserves respectively to the extent that they relate to the previously held ownership interests.

(e) Property, plant and equipment

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

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

–	Leasehold improvement, furniture and fixtures	over the lease terms – 5 years
–	Office equipment	5 years
–	Computer	5 years
–	Motor vehicles	5 years

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

2 SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

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

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. The gain or loss arising on derecognition of the asset is included in the income statement in the year in which the item is derecognised.

(f) Financial Instruments

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

Financial assets

The Group's financial assets are classified into one of the four categories, including financial assets at fair value through profit or loss ("FVTPL"), loans and receivables, held-to-maturity investments and available-for-sale financial assets. All regular way purchases and sales of financial assets are recognised and derecognised on the trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the period generally established by regulation or convention in the marketplace.

Effective interest method

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

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

2 SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(f) Financial Instruments *(Continued)*

Financial assets at fair value through profit or loss

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

Available-for-sale financial assets

Available-for-sale financial assets are non-derivatives that are either designated as available-for-sale investments or not classified under any of the other categories.

At each balance sheet date subsequent to initial recognition, available-for-sale financial assets are measured at fair value. Unrealised gains and losses (including transaction costs on acquisition) arising from changes in the fair value are recognised in fair value reserve. When the financial assets are sold, the difference between the net sale proceeds and the carrying value, and the accumulated fair value adjustments in the investment revaluation reserve are treated as gains or losses on disposal.

For available-for-sale equity investments that do not have a quoted market price in an active market and whose fair value cannot be reliably measured, such investment are measured at cost less any identified impairment losses at each balance sheet date subsequent to initial recognition.

Loans and receivables

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

Impairment of financial assets

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

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

2 SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(f) Financial Instruments *(Continued)*

Impairment of financial assets (Continued)

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

– significant financial difficulty of the issuer or counterparty; or

– default or delinquency in interest or principal payments; or

– it becoming probable that the borrower will enter bankruptcy or financial re-organisation.

For certain categories of financial asset, such as trade receivables, assets that are assessed not to be impaired individually are subsequently assessed for impairment on a collective basis. Objective evidence of impairment for a portfolio of receivable could include the Group's past experience of collecting payments.

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

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

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

2 SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(f) Financial Instruments *(Continued)*

Impairment of financial assets (Continued)

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

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

Financial liabilities and equity

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

An equity instrument is any contract that evidences a residual interest in the assets of the group after deducting all of its liabilities.

Effective interest method

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

Interest expense is recognised on an effective interest basis other than those financial liabilities designated as at FVTPL, of which the interest expenses is included in net gains or losses.

Financial liabilities other than at fair value through profit or loss

Financial liabilities (including trade and other payables, bank and other borrowings) are initially recognised at fair value and thereafter stated at amortised cost using the effective interest rate method unless the effect of discounting would be immaterial, in which case they are stated at cost.

2 SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(f) Financial Instruments *(Continued)*

Financial guarantee contracts

A financial guarantee contract is a contract that requires the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due in accordance with the original or modified terms of a debt instrument. A financial guarantee contract is recognised initially as a liability at fair value, adjusted for transaction costs that are directly attributable to the issue of the financial guarantee contract. Subsequently, the liability is measured at the higher of the best estimate of the expenditure required to settle the present obligation at the balance sheet date and the amount recognised less cumulative amortisation.

Derecognition

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

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

(g) Impairment of assets

At each balance sheet date, the Group reviews the carrying amounts of its non-financial assets to determine whether there is any indication that those assets have suffered an impairment loss. If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. Impairment loss is recognised as an expense immediately.

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

2 SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(h) Employee benefits

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

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

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

(ii) Retirement benefit costs

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

In addition, the Group's contributions to a local municipal government retirement scheme in the People's Republic of China (the "PRC") are expensed when employees have rendered service entitling them to the contributions while the local municipal government in the PRC undertakes to assume the retirement benefit obligations of all existing and future retirees of the qualified staff in the PRC.

(iii) Share-based payments

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

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

2 SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(h) Employee benefits *(Continued)*

(iii) Share-based payments (Continued)

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

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

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

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

(i) Income tax

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

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

2 SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(i) Income tax *(Continued)*

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

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

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

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised, based on tax rates that have been enacted or substantively enacted by the balance sheet date. Deferred tax is charged or credited to profit or loss, except when it relates to items charged or credited directly to equity, in which case the deferred tax is also dealt with in equity.

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

(j) Provisions

Provisions are recognised when the Group has a present obligation as a result of a past event, and it is probable that the Group will be required to settle that obligation. Provision are measured at the director's best estimate of the expenditure required to settle the obligation at the balance sheet date, and are discounted to present value where the effect is material.

2 SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(k) Revenue recognition

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

Sales of goods are recognised when goods are delivered and title has passed.

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

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

(l) Foreign currencies

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

Exchange differences arising on the settlement of monetary items, and on the translation of monetary items, are recognised in profit or loss in the period in which they arise, except for exchange differences arising on monetary item that forms parts of the Company's net investment in a foreign operation, in which case, such exchange differences are recognised in equity in the consolidated financial statements. Exchange differences arising on the retranslation of non-monetary items carried at fair value are included in profit or loss for the period except for differences arising on the retranslation of non-monetary items in respect of which gains and losses are recognised directly in equity, in which case, the exchange differences are also recognised directly in equity.

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

2 SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(l) Foreign currencies *(Continued)*

Goodwill and fair value adjustments on identifiable assets acquired arising on an acquisition of a foreign operation on or after 1 January 2006 are treated as assets and liabilities of that foreign operation and translated at the rate of exchange prevailing at the balance sheet date. Exchange differences arising are recognised in the translation reserve.

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

(m) Borrowing costs

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

(n) Leases

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

(o) Related parties

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

(i) directly, or indirectly through one or more intermediaries, the party:

- control, is controlled by, or is under common control with, the Group;
- has an interest in the company that gives it significant influence over the Group; or
- has joint control over the Group

2 SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(o) Related parties *(Continued)*

(ii) the party is a member of key management personnel of the Company or its parent company;

(iii) the party is a close member of the family of any individual referred to in (i) and (ii);

(iv) the party is an entity that is controlled, jointly controlled or significantly influenced by or for which significant voting power in such entities resides with, directly or indirectly, the individual referred to in (ii) or (iii);

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

(p) Segment reporting

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

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

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

Segment capital expenditure is the total cost incurred during the year 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.

2 SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(q) Discontinued operations

A discontinued operation is a component of the Group's business, the operations and cash flow of which can be clearly distinguished from the rest of the Group and which represents a separate major line of business or geographical area of operations, or is part of a single co-ordinated plan to dispose a separate major line of business or geographical area of operations, or is a subsidiary acquired exclusively with a view to resale.

Classification as a discontinued operation occurs upon disposal or when the operation meets the criteria to be classified as held for sale, if earlier. It also occurs when the operation is abandoned.

Where an operation is classified as discontinued, a single amount is presented on the face of the income statement, which comprises:

– the post-tax profit or loss of the discontinued operation; and

– the post-tax gain or loss recognised on the measurement to fair value less costs to sell, or on the disposal, of the assets or disposal group(s) constituting the discontinued operation.

3 ADOPTION OF NEW AND REVISED STANDARDS

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

HKAS 39 and HKFRS 7 (Amendments)	Reclassification of financial assets
HK(IFRIC) – INT 11	HKFRS 2: Group and treasury share transactions
HK(IFRIC) – INT 12	Service concession arrangements
HK(IFRIC) – INT 14	Minimum funding requirements and their interaction

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

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

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

HKAS 1 (Revised)	Presentation of financial statements[1]
HKAS 23 (Revised)	Borrowing costs[1]
HKAS 27 (Revised)	Consolidated and separate financial statements[3]
HKAS 32 and 1 (Amendments)	Puttable financial instruments and obligation arising on liquidation[1]
HKAS 39 (Amendment)	Eligible hedged items[3]
HKFRS 1 and HKAS 27 (Amendments)	Cost of an investment in a subsidiary, jointly controlled entity or associate[1]
HKFRS 2 (Amendment)	Share-based payment – vesting conditions and cancellations[1]
HKFRS 3 (Revised)	Business combinations[3]
HKFRS 7 (Amendment)	Improving disclosures about financial instruments[1]
HKFRS 8	Operating segments[1]
HK(IFRIC) – INT 9 and HKAS 39 (Amendment)	Embedded derivatives[5]
HK(IFRIC) – INT 13	Customer loyalty programmes[2]
HK(IFRIC) – INT 15	Agreements for the construction of real estate[1]
HK(IFRIC) – INT 16	Hedges of a net investment in a foreign operation[4]
HK(IFRIC) – INT 17	Distribution of non-cash assets to owners[3]
HK(IFRIC) – INT 18	Transfer of assets from customers[6]

[1] *Effective for annual periods beginning on or after 1 January 2009*
[2] *Effective for annual periods beginning on or after 1 July 2008*
[3] *Effective for annual periods beginning on or after 1 July 2009*
[4] *Effective for annual periods beginning on or after 1 October 2008*
[5] *Effective for annual periods ending on or after 30 June 2009*
[6] *Effective for transfer on or after 1 July 2009*

The directors of the Company anticipate that the application of the new and revised HKFRSs are unlikely to have a significant impact on the Group's results of operations and financial position.

4 REVENUE

	2008 HK$'000	2007 HK$'000 (reclassified)
Continuing operations		
Revenue from sales of base metals	298,613	–
Discontinued operation		
Revenue from sales of fabric products and other merchandises	–	24,751
	298,613	24,751

The comparative figures for the year 2007 have been reclassified to conform with current year presentation.

The operation of sales of fabric products and other merchandises has been reclassified as discontinued operation *(note 7)*.

5 SEGMENTAL INFORMATION

Primary reporting format – business segments

As at 31 December 2008, the Group comprises the following main business segments:

(i) trading in base metals; and

(ii) trading and investment of listed securities

The Group also involved in the business of trading in fabric products and other merchandises which was discontinued during the year ended 31 December 2008 *(note 7)*.

5 SEGMENTAL INFORMATION *(Continued)*

Primary reporting format – business segments *(Continued)*

The following tables represent revenue and (loss)/profit information on each of the above business segments for the years ended 31 December 2007 and 2008, and certain assets and liabilities information regarding business segments as at 31 December 2007 and 2008.

For the year ended 31 December 2008

	Continuing operations			Discontinued operation	
	Trading in base metals	Trading and investment of listed securities	Total	Trading in fabric products and other merchandises	Consolidated
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Revenue	298,613	–	298,613	–	298,613
Gross sales proceeds from trading and investment in listed securities	–	231,444	231,444	–	231,444
Segment result	9,671	(408,582)	(398,911)	675	(398,236)
Share of profit of an associate					2,435
Provision for doubtful debts	(50,000)	–	(50,000)	–	(50,000)
Impairment loss of available-for-sale investments					(241,495)
Loss on deemed disposal of partial interests in an associate					(7,544)
Impairment loss on interest in an associate					(466,553)
Unallocated corporate expenses					(89,645)
Finance costs					(675)
Loss before taxation					(1,251,713)
Income tax expense					(616)
Loss for the year					(1,252,329)

5 SEGMENTAL INFORMATION *(Continued)*

Primary reporting format – business segments *(Continued)*

For the year ended 31 December 2008 (Continued)

	Continuing operations			Discontinued operation	
	Trading in base metals	Trading and investment of listed securities	Total	Trading in fabric products and other merchandises	Consolidated
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Segment assets	375,919	198,649	574,568	–	574,568
Interest in associates					591,817
Unallocated corporate assets					317,313
Consolidated total assets					1,483,698
Segment liabilities	42,135	161,490	203,625	–	203,625
Unallocated corporate liabilities					8,812
Consolidated total liabilities					212,437

5 SEGMENTAL INFORMATION *(Continued)*

Primary reporting format – business segments *(Continued)*

For the year ended 31 December 2007

	Continuing operations			Discontinued operation	
	Trading in base metals	**Trading and investment of listed securities**	**Total**	**Trading in fabric products and other merchandises**	**Consolidated**
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Revenue	–	–	–	24,751	24,751
Gross sales proceeds from trading and investment in listed securities	–	40,597	40,597	–	40,597
Segment result	(8)	585,437	585,429	1,508	586,937
Unallocated corporate expenses					(231,551)
Gain on disposal of a subsidiary					1,536
Finance costs					(11,609)
Profit before taxation					345,313
Income tax expense					–
Profit for the year					345,313

5 SEGMENTAL INFORMATION *(Continued)*

Primary reporting format – business segments *(Continued)*

For the year ended 31 December 2007 (Continued)

	Continuing operations			Discontinued operation	
	Trading in base metals	Trading and investment of listed securities	Total	Trading in fabric products and other merchandises	Consolidated
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Segment assets	226,368	3,812,668	4,039,036	5,448	4,044,484
Unallocated corporate assets					704,864
Consolidated total assets					4,749,348
Segment liabilities	5	2,195	2,200	5	2,205
Unallocated corporate liabilities					8,847
Consolidated total liabilities					11,052

5 SEGMENTAL INFORMATION *(Continued)*

Secondary reporting format – geographical segments

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

	2008	2007
	HK$'000	HK$'000
Hong Kong and PRC	**231,354**	7,240
South East Asia	**67,259**	988
United States of America	–	5,789
Africa	–	10,734
	298,613	24,751

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

	2008	2007
	HK$'000	HK$'000
Hong Kong and PRC	**432,456**	411,003
Australia	**142,112**	3,628,045
United States of America	–	3,033
Africa	–	2,403
	574,568	4,044,484

Additions of property, plant and equipment to the amount of HK$135,134 for the year ended 31 December 2008 (2007: HK$2,377,000) are all located in Hong Kong and PRC.

6 GAIN ON DISPOSAL OF A SUBSIDIARY

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

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

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

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

7 DISCONTINUED OPERATION

The Group ceased the business operation of trading in fabric and other merchandises in year 2008.

The results and cash flows of the discontinued operation being included in the consolidated income statement and cash flow statement are as follows. The comparative profit and cash flows from discontinued operation have been re-presented to include those operations classified as discontinued in current year.

	2008 **HK$'000**	2007 HK$'000
Profit for the year from discontinued operation		
Turnover	–	24,751
Cost of sales	–	(24,055)
Gross profit	–	696
Other income	**677**	872
Distribution costs	–	(48)
Administrative expenses	**(2)**	(12)
Finance costs	–	(269)
Profit before taxation	**675**	1,239
Income tax expense	–	–
Profit for the year from discontinued operation	**675**	1,239
Cash flows from discontinued operation		
Net cash flows from/(used in) operating activities	**(8)**	(1,116)
Net cash flows from investing activities	**683**	648
Net cash flows	**675**	(468)

8 FINANCE COSTS

	2008 **HK$'000**	2007 HK$'000
Interest on other loans	–	5,849
Interest on bank borrowings	**12**	–
Interest on margin financing	**663**	5,491
	675	11,340

9 (LOSS)/PROFIT BEFORE TAXATION

(Loss)/profit before taxation has been arrived at after charging/(crediting) the following:

	Continuing operations		Discontinued operation		Consolidated	
	2008	2007	**2008**	2007	**2008**	2007
	HK$'000	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000
Auditor's remuneration	**340**	325	**–**	5	**340**	330
Depreciation for property, plant and equipment	**732**	179	**–**	–	**732**	179
Exchange (gain)/loss, (net)	**(3,413)**	1,885	**39**	169	**(3,374)**	2,054
Legal and professional fees	**12,771**	5,449	**–**	5	**12,771**	5,454
Loss on disposal of property, plant and equipment	**1**	–	**–**	–	**1**	–
Consultancy fee						
– settled by cash	**1,597**	6,886	**–**	–	**1,597**	6,886
– equity-settled share option expenses	**–**	21,165	**–**	–	**–**	21,165
Total consultancy fee	**1,597**	28,051	**–**	–	**1,597**	28,051
Staff costs, including directors' emoluments						
– salaries and allowance	**17,048**	8,041	**–**	–	**17,048**	8,041
– equity-settled share option expenses	**53,700**	193,724	**–**	–	**53,700**	193,724
– staff quarter	**308**	111	**–**	–	**308**	111
– retirement benefits scheme contributions, net of nil forfeited contributions	**480**	96	**–**	–	**480**	96
Total staff costs	**71,536**	201,972	**–**	–	**71,536**	201,972

10 INCOME TAX EXPENSE

	Continuing operations		Discontinued operation		Consolidated	
	2008	2007	**2008**	2007	**2008**	2007
	HK$'000	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000
Current tax:						
Hong Kong profits tax	**–**	–	**–**	–	**–**	–
PRC Enterprise Income Tax	**616**	–	**–**	–	**616**	–
	616	–	**–**	–	**616**	–

No provision for Hong Kong Profits Tax has been made for both years as the Group had no assessable profit.

PRC subsidiaries are subject to PRC Enterprise Income Tax at 25%.

The tax charge for the year can be reconciled to the (loss)/profit before taxation per the consolidated income statement as follow:

	2008	2007
	HK$'000	HK$'000
(Loss)/profit before taxation		
– Continuing operations	**(1,252,388)**	344,074
– Discontinued operation	**675**	1,239
	(1,251,713)	345,313
Tax at Hong Kong Profits Tax rate of 16.5% (2007: 17.5%)	**(206,533)**	60,430
Tax effect of non-deductible expenses	**209,500**	38,683
Tax effect of non-taxable income	**(10,225)**	(105,198)
Tax effect of deferred assets not recognised	**8,213**	6,085
Utilisation of deferred assets previously not recognised	**(389)**	–
Effect of different tax rate of subsidiaries operating in other jurisdictions	**209**	–
Others	**(159)**	–
Tax charge for the year	**616**	–

10 INCOME TAX EXPENSE *(Continued)*

At 31 December 2008, the Group had unused tax losses of approximately HK$59,906,000 (2007: HK$44,755,000) available for offset against future profits. No deferred tax asset has been recognised in respect of such losses due to the unpredictability of future profit streams. The tax losses may be carried forward indefinitely.

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

11 DIRECTORS' AND EMPLOYEES' EMOLUMENTS

An analysis of remuneration paid and payable to directors of the Company for the year ended 31 December 2008 and 2007 is set as follows:

	Fee	Salaries, Allowances and Benefits in Kind	Share Option Benefits	Retirement Scheme Contribution	2008 Total
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Executive directors					
Mr. Cao Zhong *(note a)*	–	1,220	–	–	1,220
Mr. Liu Yongshun *(note b)*	–	2,822	38,980	–	41,802
Ms. Chong Sok Un *(note c)*	–	1,220	–	–	1,220
Mr. Zhou Luyong *(note b)*	–	1,950	5,385	–	7,335
Mr. Chen Zhaoqiang *(note d)*	–	2,037	9,335	–	11,372
Mr. Yue Jialin	–	–	–	–	–
Independent non-executive directors					
Mr. Wong Wing Kuen, Albert	170	–	–	–	170
Mr. Chang Chu Fai, Johnson Francis *(note i)*	170	–	–	–	170
Mr. Alan Stephen Jones *(note j)*	170	–	–	–	170
Mr. Robert Moyse Willcocks *(note j)*	170	–	–	–	170
	680	9,249	53,700	–	63,629

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

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

Notes:

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

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

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

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

Notes: (Continued)

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

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

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

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

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

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

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

During the year ended 31 December 2008, Mr. Yue Jialin waived his emoluments to the amount of HK$120,000 (2007: HK$120,000). The waived emoluments were excluded in the above disclosure.

Apart from the above, there was no arrangement under which a director waived or agreed to waive any remuneration during the years ended 31 December 2008 and 2007.

During the year ended 31 December 2007, certain directors were granted share options, in respect of their services to the Group, under the share option schemes of the Company, further details of which are set out in note 23 to the financial statements. The fair value of such options, which has been amortised to the income statement, was determined as at the date of the grant and included in the above directors' remuneration disclosures. No share options were granted to the directors in 2008.

Of the five individuals with the highest emoluments in the Group, all (2007: all) are directors of the Company whose emoluments are included in the disclosure set out above.

Other than the granting of share options to certain directors during the year ended 31 December 2007, no emoluments were paid by the Group to any of the directors or the five highest paid individuals, as an inducement to join or upon joining the Group or as compensation for loss of office during the years ended 31 December 2008 and 2007.

12 DIVIDENDS

No dividends had been paid or declared by the Company during the year (2007: nil).

13 (LOSS)/EARNINGS PER SHARE

(a) Basic loss/earnings per share

The calculation of basic loss/earnings per share is based on the loss for the year of HK$1,252,329,000 (2007: profit of HK$345,313,000) and the weighted average number of 4,727,569,372 (2007: 3,532,282,202) ordinary shares in issue during the year.

(b) Diluted loss/earnings per share

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

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

	2008	2007
Weighted average number of ordinary shares for the purpose of basic loss/earnings per share	**4,727,569,372**	3,532,282,202
Effect of dilutive potential ordinary shares:		
– warrants	**113,373,772**	145,452,627
– share options	–	–
Weighted average number of ordinary shares for the purpose of diluted loss/earnings per share	**4,840,943,144**	3,677,734,829

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

14 PROPERTY, PLANT AND EQUIPMENT

	Leasehold Improvement, Furniture and Fixtures	Office Equipment	Computer	Motor Vehicle	Total
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Cost					
Additions and at 31 December 2007	1,289	79	456	553	2,377
Additions	–	5	131	–	136
Disposals	–	–	(10)	–	(10)
Currency realignment	–	3	15	31	49
At 31 December 2008	**1,289**	**87**	**592**	**584**	**2,552**
Depreciation and impairment					
Charge for the year and at 31 December 2007	151	2	26	–	179
Charge for the year	485	16	120	111	732
Eliminated on disposals	–	–	(2)	–	(2)
At 31 December 2008	**636**	**18**	**144**	**111**	**909**
Carrying amounts					
At 31 December 2008	**653**	**69**	**448**	**473**	**1,643**
At 31 December 2007	1,138	77	430	553	2,198

15 AVAILABLE-FOR-SALE INVESTMENTS

	2008	2007
	HK$'000	HK$'000
Listed equity securities, in Hong Kong, at fair value	**43,145**	177,760
Listed equity securities, in overseas, at fair value	**41,440**	2,815,666
	84,585	2,993,426

16 INTEREST IN ASSOCIATES

	2008	2007
	HK$'000	HK$'000
Cost of investments in associates		
– Listed in Australia	**1,045,338**	–
– Unlisted	**22,848**	–
Decrease in share of net assets of associate upon deemed disposal of partial interests in an associate	**(7,544)**	–
Share of post acquisition profits, net of dividend received	**2,435**	–
Share of post acquisition change of retained earnings and reserves	**76,147**	–
Impairment loss on interest in an associate	**(466,553)**	–
Exchange difference	**(80,854)**	–
	591,817	–
Fair value of listed investments	**392,330**	–

Details of the Group's associate at 31 December 2008 are as follow:

Name of entity	Place of incorporation and principal place of operation	Class of share held	Proportion of nominal value of issued capital/registered capital held	Proportion of voting power held	Principal activities
平港(上海)貿易有限公司 ("平港貿易")	People's Republic of China	N/A	40%	40%	Wholesales, import and export, agency service and relevant service for coal, coke, material for metallurgy, mineral products, chemical engineering products, mechanical and electrical equipment and spare parts, steel and steel products, construction material and related products and technology.
Mount Gibson Iron Limited ("MGX")	Australia	Ordinary	17.95% *(note)*	17.95%	Mining of hematite deposits at Tallering Peak and Koolan Island; development of hematite mining operations at Extension Hill; and exploration of hematite deposits in Western Australia

Note:

Prior to 1 December 2008, the Group acquired equity interest in MGX through various subsidiaries for trading and long-term investment purpose. The Group considered that given the conditions as stipulated in Hong Kong Accounting Standard – Investments in Associates ("HKAS 28"), MGX was not an associate as defined in HKAS 28, the interest of its shareholdings can only be accounted for other than an associate. A certain portion of the equity interest in MGX was accounted for as trading securities and the rest portion was accounted for as available-for-sale investment. On 1 December 2008, following the appointment of the Group's chairman to the board of MGX, MGX was then deemed as an associate as defined in HKAS 28. Accordingly, MGX was then treated as an associate of the Group. On 1 December 2008, the cumulative fair value changes of the Group's 20.41% equity interest in MGX was accounted for as explained in note 2(d).

16 INTEREST IN ASSOCIATES *(Continued)*

On 31 December 2008, a placing transaction of 110,000,000 shares was completed by MGX. Though, the Group's interest was diluted to approximately 17.95%, the Group still considers MGX as an associate as defined in HKAS 28. MGX is continued to be accounted for as an associate of the Group. The Group's interest before the placement was 20.41%. A deemed disposal of the interest in associate was recognised and a loss of HK$7,544,000 was recorded in profit or loss.

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

	2008	2007
	HK$'000	HK$'000
Total assets	**5,609,242**	–
Total liabilities	**2,382,403**	–
Net assets	**3,226,839**	–
Share of net assets of associates	**591,817**	–
Revenue	**1,236,635**	–
Profit since acquisition of relevant associates	**111,932**	–
Share of results of associates for the period since acquisition	**2,435**	–

17 TRADE AND OTHER RECEIVABLES

The Group allows an average credit period of 0 – 90 days to its trade customers. The Group seeks to maintain strict control over its outstanding receivables. Overdue balances are reviewed regularly by senior management.

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

	2008	2007
	HK$'000	HK$'000
Trade receivables		
0 to 90 days	**35,933**	4,559
91 to 365 days	**–**	611
	35,933	5,170
Other receivables	**110**	646
Purchase deposits	**168,896**	226,368
Deposit for underwritten right issue of an associate	**260,985**	–
Other deposits and prepayment	**4,808**	1,112
	470,732	233,296

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

	2008	2007
	HK$'000	HK$'000
Neither past due nor impaired:		
Current	**35,933**	–
Past due but not impaired:		
0 to 30 days	**–**	–
31 to 60 days	**–**	4,559
61 to 90 days	**–**	611
	35,933	5,170

Receivables that were past due but not impaired relate to customers that have good track record with the Group. The Group did not hold any collateral over these balances.

18 TRADING SECURITIES

	2008	2007
	HK$'000	HK$'000
Trading securities, at fair value		
Listed equity securities, in Hong Kong	**13,225**	2,578
Listed equity securities, in overseas	**100,673**	812,379
	113,898	814,957

Fair values are determined with reference to quoted market bid prices.

19 CASH AND CASH EQUIVALENTS

	2008	2007
	HK$'000	HK$'000
Pledged bank deposits	**90,004**	10,526
Cash at bank and in hand	**130,943**	690,644
Cash held in securities accounts maintained in a securities company	**76**	4,301
	221,023	705,471
Less: Pledged bank deposits	**(90,004)**	(10,526)
Cash and cash equivalents	**131,019**	694,945

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

Cash and cash equivalents of HK$76,772,050 (2007: HK$1,718,700) are denominated in RMB. RMB is not a freely convertible currency and the remittance of funds out of the PRC is subject to the exchange restriction imposed by the PRC government.

20 BILLS PAYABLE

The bills payable are due within one year with interest rates ranging from 1.75% to 2.5% per annum.

Certain assets of the Group have been pledged to secure the trade finance facilities of the Group *(see note 29)*.

21 MARGIN FINANCING

The margin loan facility was secured by investment in a listed associate, part of the available-for-sale investments and trading securities with carrying amount of approximately HK$473,223,000 as at 31 December 2008 (2007: HK$3,628,045,000).

22 SHARE CAPITAL

(a) Authorised and issued share capital

	2008		2007	
	Number of shares	**Amount HK$'000**	Number of shares	Amount HK$'000
Ordinary shares of HK$0.10 each				
Authorised:				
At 1 January	**8,000,000,000**	**800,000**	2,000,000,000	200,000
Increase during the year	**–**	**–**	6,000,000,000	600,000
At 31 December	**8,000,000,000**	**800,000**	8,000,000,000	800,000
Issued and fully paid:				
At 1 January	**4,726,291,055**	**472,629**	1,259,000,000	125,900
Issue of rights shares	**–**	**–**	1,259,000,000	125,900
Issue of shares under placement	**–**	**–**	1,865,000,000	186,500
Issue of shares upon exercise of warrants	**2,368,000**	**237**	55,653,550	5,565
Issue of shares as consideration for acquisition of available-for-sale investment	**–**	**–**	287,637,505	28,764
At 31 December	**4,728,659,055**	**472,866**	4,726,291,055	472,629

22 SHARE CAPITAL *(Continued)*

(b) Capital management

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

In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, adjust its debt level, return capital to shareholders or issue new shares. No changes were made in the objectives, policies or processes during the years ended 31 December 2008 and 2007.

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

During 2008, the Group's strategy was to maintain a reasonable gearing ratio. The gearing ratios at 31 December 2008 and 2007 were as follows:

	2008	2007
	HK$'000	HK$'000
Total borrowings	**196,977**	1,797
Less: pledged bank deposits *(note 19)*	**90,004**	10,526
cash and cash equivalents *(note 19)*	**131,019**	694,945
Net cash	**(24,046)**	(703,674)
Equity *(note)*	**1,271,261**	4,738,296
Net debt to equity ratio	**N/A**	N/A

Note: Equity includes all capital and reserves of the Group.

23 SHARE OPTIONS SCHEME

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

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

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

23 SHARE OPTIONS SCHEME *(Continued)*

No share options was offered or accepted under the Scheme during the year ended 31 December 2008. Details of the share options outstanding as at 31 December 2008 under the Scheme are as follows:

Grantee	Date of Grant	Exercise Period	Exercise Price per Share	Outstanding as at 1 January 2008	No. of Options Lapsed During the Year	Outstanding as at 31 December 2008	Closing Price immediate Before Date of Grant
			HK$				HK$
Directors							
Mr. Cao Zhong	29 May 2007	29 May 2007 to 28 May 2010 *(note 1)*	1.20	33,000,000	–	33,000,000	1.09
	15 August 2007	15 August 2007 to 5 July 2010 *(note 2)*	1.50	100,000,000	–	100,000,000	1.02
Mr. Liu Yongshun	27 July 2007	27 July 2007 to 28 May 2010 *(note 1 and 3)*	1.20	150,000,000	–	150,000,000	1.45
Mr. Zhou Luyong	29 May 2007	29 May .2007 to 28 May 2010 *(note 1)*	1.20	33,000,000	–	33,000,000	1.09
Ms. Chong Sok Un	15 August 2007	15 August 2007 to 5 July 2010 *(note 4)*	1.50	110,000,000	–	110,000,000	1.02
Mr. Chen Zhaoqiang	6 July 2007	6 July 2007 to 5 July 2010 *(note 1)*	1.50	33,000,000	–	33,000,000	1.47
Mr. Wong Wing Kuen, Albert	6 July 2007	6 July 2007 to 5 July 2010	1.50	3,000,000	–	3,000,000	1.47
Mr. Tsui Robert Che Kwong *(note 5)*	6 July 2007	6 July 2007 to 5 July 2010	1.50	3,000,000	(3,000,000)	–	1.47
Mr. Chang Chu Fai, Johnson Francis	6 July 2007	6 July 2007 to 5 July 2010	1.50	2,000,000	–	2,000,000	1.47

23 SHARE OPTIONS SCHEME *(Continued)*

Grantee	Date of Grant	Exercise Period	Exercise Price per Share HK$	Outstanding as at 1 January 2008	No. of Options Lapsed During the Year	Outstanding as at 31 December 2008	Closing Price immediate Before Date of Grant HK$
Others							
Employees *(note 6)*	6 July 2007	6 July 2007 to 5 July 2010	1.50	9,000,000	(8,000,000)	1,000,000	1.47
Consultant	6 July 2007	6 July 2007 to 5 July 2010	1.50	10,000,000	–	10,000,000	1.47
Consultant	3 October 2007	3 October 2007 to 2 October 2010	1.40	25,000,000	–	25,000,000	1.22
				511,000,000	(11,000,000)	500,000,000	

During the year, no options were exercised or cancelled.

Note:

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

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

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

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

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

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

23 SHARE OPTIONS SCHEME *(Continued)*

Note: (Continued)

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

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

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

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

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

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

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

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

6. Included in the share options granted to employees is total number of 3,000,000 options granted to Ms. Tang Wan Yin, spouse of Mr. Lau Yau Cheung, as an employee of the Group. With the resignation of Ms. Tang in May 2008, the share options granted was lapsed accordingly. With the resignation of other employee of the company, another 5,000,000 options was lapsed during the year ended 31 December 2008.

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

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

23 SHARE OPTIONS SCHEME *(Continued)*

Note: (Continued)

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

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

10. The Group recognised total expenses of approximately HK$53,700,000 for the year ended 31 December 2008 (2007: HK$214,889,000) in relation to share options granted by the Company. Besides, the Group recognised the reversal of expenses from share option reserve of approximately HK$5,961,600 to retained earning for the 11,000,000 share options being lapsed during the year ended 31 December 2008.

24 WARRANTS

On 5 February 2007, the Company issued a total of 251,800,000 bonus warrants (the "Warrants"), as a result of the rights issue completed on 1 February 2007, with an aggregate subscription amount of HK$75,540,000. Each of the Warrants entitled the warrant-holder to subscribe for one ordinary share of the Company of HK$0.10 each at the initial subscription price of HK$0.30 (subject to adjustment (if any) during the period from 5 February 2007 until 4 February 2010 (both dates inclusive). During the year, 2,368,000 Warrants were exercised for 2,368,000 ordinary shares (2007: 55,653,550 Warrants were exercised for 55,653,550 ordinary shares) of HK$0.10 each at a price of HK$0.30. As at 31 December 2008, there were 193,778,450 Warrants (2007: 196,146,450 Warrants) outstanding.

25 MAJOR NON-CASH TRANSACTIONS

During the year ended 31 December 2007, 287,637,505 new shares of the Company were issued in exchange for 862,912,520 shares of China Primary Resources Holdings Limited ("CPR"), a company listed on the Growth Enterprise Market of The Stock Exchange of Hong Kong Limited, with nominal value of HK$0.00125 each. Total consideration, based on the market price of the CPR's shares at the date of exchange which was HK$0.225 per share together with the stamp duty paid, was HK$194,653,000.

26 FINANCIAL INSTRUMENTS

(a) Significant accounting policies

Details of the significant accounting policies and methods adopted, including the criteria for recognition, the basis of measurement and the basis on which income and expenses are recognised, in respect of each class of financial asset and financial liability are disclosed in note 2(f).

26 FINANCIAL INSTRUMENTS *(Continued)*

(b) Categories of financial instruments

	2008 HK$'000	2007 HK$'000
Financial assets		
Trading securities	113,898	814,957
Available-for-sale investments	84,585	2,993,426
Loans and receivables (including cash and cash equivalents)	257,066	700,761
	455,549	4,509,144
Financial liabilities		
Amortised cost	211,590	10,485

(c) Financial risk management objectives

The management monitors and manages the financial risks relating to the operations of the Group. These risks include market risk (including currency risk, interest rate risk and price risk), credit risk and liquidity risk. The management manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.

There has been no change to the Group's risk exposure relating to financial instruments or the manner in which it manages and measures the risks.

(d) Foreign currency risk management

Several subsidiaries of the Company have foreign currency sales and purchases, which expose the Group to foreign currency risk. The Company has no material foreign currency transactions which expose the Company to foreign currency risk.

26 FINANCIAL INSTRUMENTS *(Continued)*

(d) Foreign currency risk management *(Continued)*

The carrying amounts of the Group's foreign currency denominated monetary assets and monetary liabilities at the reporting dated are as follows:

	Assets		**Liabilities**	
	2008	2007	**2008**	2007
	HK$'000	HK$'000	**HK$'000**	HK$'000
Chinese Renminbi	**76,231**	–	**628**	–
Australian dollars	**142,140**	816,544	**–**	41

Sensitivity analysis

The Group is mainly exposed to the effect of fluctuation in Chinese Renminbi and Australian dollars.

The following table details the Group's sensitivity to a 2% and 10% increase and decrease in Hong Kong dollars against Chinese Renminbi and Australian dollars respectively. 2% and 10% are the sensitivity rates used when reporting foreign currency risk internally to key management personnel and represents managements' assessment of the possible change in foreign exchange rates. The sensitivity analysis includes outstanding foreign currency denominated monetary items and adjusts their translation at the period end for a 2% and 10% change in foreign currency rates. A positive number indicates an increase in profit or decrease in loss where the functional currencies of the relevant group entities weakens against the relevant foreign currencies. For a strengthening of the functional currencies against the relevant foreign currencies, there would be an equal and opposite impact on the profit or loss.

	Chinese Renminbi		**Australian dollars**	
	2008	2007	**2008**	2007
	HK$'000	HK$'000	**HK$'000**	HK$'000
Sensitivity rate	**2%**	N/A	**10%**	7%
Profit or loss	**1,525**	N/A	**10,070**	56,868
Equity	**–**	N/A	**4,144**	290

In management's opinion, the sensitivity analysis is only an estimation and not representative of the inherent foreign exchange risk as the year end exposure does not reflect the exposure during the year.

26 FINANCIAL INSTRUMENTS *(Continued)*

(e) Interest rate risk management

The Group is exposed to cash flow interest rate risk in relation to variable-rate borrowings and bank deposits. The Group currently does not have any interest rate hedging policy. The directors monitor the Group's exposure on an ongoing basis and will consider hedging interest rate risk should the need arise.

Sensitivity analysis

The sensitivity analysis below have been determined based on the exposure to interest rates for non-derivative instruments including bank balances and borrowings, at the balance sheet date and the stipulated change taking place at the beginning of the financial year and held constant throughout the reporting period in the case of instruments that have floating rates. A 140 basis points (2007: 50 basis points) increase or decrease is used when reporting interest rate risk internally to key management personnel and represents management's assessment of the possible change in interest rate. As a result of the volatile financial market, the management adjusted the sensitivity rate from 50 basis points to 140 basis points in the current year for the purpose of analysing interest rate risk.

If interest rates had been 140 basis points (2007: 50 basis point) higher/lower and all other variables were held constant, the Group's:

– loss for the year ended 31 December 2008 would increase/decrease by approximately HK$1,472,000 (2007: profit for the year would decrease/increase by HK$3 million). This is mainly attributable to Group's exposure to interest rate on its variable rate bank balances and borrowings.

(f) Price risk management

The Group is exposed to equity price risk through its investment in listed equity securities. The management manages this exposure by maintaining a portfolio of investments with different risk and return profiles. The Group's equity price risk is mainly concentrated on equity securities operating in resources sector quoted in the Stock Exchange of Hong Kong and Australia.

26 FINANCIAL INSTRUMENTS *(Continued)*

(f) Price risk management *(Continued)*

Sensitivity analysis

The sensitivity analysis below have been determined based on the exposure to equity price risk at the reporting date. For sensitivity analysis purpose, the sensitivity rate is increased to 10% in the current year as a result of the volatile financial market.

If equity price had been 10% higher/lower (2007: 5% higher/lower):

– post-tax loss for the year ended 31 December 2008 would decrease/increase by HK$9,510,000 (profit for the year ended 31 December 2007 would increase/decrease by HK$40,748,000). This is mainly due to the changes in fair value of trading securities; and

– other equity reserve would increase/decrease by HK$8,459,000 (2007: increase/decreased by HK$149,671,000) as a result of the changes in fair value of available-for-sale investments.

(g) Credit risk management

The Group is exposed to credit risk, which is the risk that a counterparty will be unable to pay amounts in full when due. It arises primarily from the Group's trade and other receivables and bank balances.

The Group's maximum exposure to credit risk in the event of the counterparties failure to perform their obligations as at 31 December 2008 in relation to each class of recognised financial assets is the carrying amount of those assets as stated in the consolidated balance sheet after deducting any impairment allowance.

In order to minimise the credit risk, the management of the Group reviews that recoverable amount of each individual debtor at each balance sheet date to ensure that adequate impairment losses are made for irrecoverable amounts. The creditworthiness of these debtors is considered by reviewing their financial strength prior to finalisation of any contract and transaction. In this regard, the directors of the Group consider that the Group's credit risk is significantly reduced.

The credit risk on liquid funds is limited because the counterparties are banks with high credit rating assigned by international credit-rating agencies.

26 FINANCIAL INSTRUMENTS *(Continued)*

(g) Credit risk management *(Continued)*

The Group's exposure to credit risk is influenced mainly by the individual characteristics of each customer. At the balance sheet date, the Group has a certain level of concentrations of credit risk as 100% (2007: 44%) and 100% (2007: 100%) of the total trade receivables was due from the Group's largest customer and the five largest customers respectively.

Except for the financial guarantees given by the Company for certain bank facilities of its subsidiaries, the Group does not provide any other guarantee which would expose the Group or the Company to credit risk.

Further quantitative disclosures in respect of the Group's exposure to credit risk arising from trade and other receivables are set out in note 17.

(h) Liquidity risk management

In the management of the liquidity risk, the Group monitors and maintains a level of cash and cash equivalents deemed adequate by the management to finance the Group's operations and mitigate the effects of fluctuations in cash flows. The management manages liquidity risk by maintaining adequate reserves, banking facilities and reserve borrowing facilities, by continuously monitoring forecast and actual cash flows and matching the maturity profiles of financial assets and liabilities.

As at 31 December 2008, the Group has available unutilised trade finance facilities and margin facilities of approximately HK$442,066,000 (2007: HK$10,000,000) and HK$201,956,000 (2007: HK$500,203,000) respectively.

Liquidity tables

The following tables details the Group's remaining contractual maturity for its non-derivative financial liabilities. The tables have been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Group can be required to pay. Such non-derivative financial liabilities outstanding at the balance sheet date are considered as if outstanding for whole year. The table includes both interest and principal cash flows.

26 FINANCIAL INSTRUMENTS *(Continued)*

(h) Liquidity risk management *(Continued)*

As at 31 December 2008

	Within one year or on demand HK$'000	Total contractual undiscounted cash flow HK$'000	Carrying amount HK$'000
Other payables	14,613	14,613	14,613
Bills payable	35,942	35,942	35,934
Margin financing	161,043	161,043	161,043
	211,598	211,598	211,590

As at 31 December 2007

	Within one year or on demand HK$'000	Total contractual undiscounted cash flow HK$'000	Carrying amount HK$'000
Trade and other payables	8,688	8,688	8,688
Margin financing	1,797	1,797	1,797
	10,485	10,485	10,485

(i) Fair value of financial instruments

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

– the fair value of financial assets and financial liabilities with standards terms and conditions and traded in active liquid markets are determined with reference to quoted market bid prices and ask price respectively; and

26 FINANCIAL INSTRUMENTS *(Continued)*

(i) Fair value of financial instruments *(Continued)*

– the fair value of other financial assets and liabilities are determined in accordance with generally accepted pricing models based on discounted cash flow analysis using prices or rates from observable current market transactions as inputs.

The directors consider that the carrying amounts of the Group's other financial asset and financial liabilities recorded at amortised cost in the consolidated financial statements approximate their fair values.

27 COMMITMENT

(a) Operating lease – the Group as lessee

	2008 **HK$'000**	2007 HK$'000
Minimum lease payments under operating leases in respect of rented premises during the year	**3,225**	1,584

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

	2008 **HK$'000**	2007 HK$'000
Within one year	**1,933**	2,004
After one year but within five years	**740**	2,651
	2,673	4,655

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

27 COMMITMENT *(Continued)*

(b) Capital Commitment

On 2 November 2008, the Company entered into the legal binding Heads of Agreement with Mount Gibson Iron Limited ("MGX") pursuant to which the Company (through its subsidiaries) committing to take up its full entitlement under the MGX's Right Issue which would be conducted as 1 for 5 renounceable rights issue to existing shareholders at an issue price of A$0.60 (equivalent to approximately HK$3.09). The aggregate subscription price committed to be paid by the Group was A$19,697,777 (equivalent to approximately HK$105,471,175). The amount was paid on 2 January 2009 and the shares were allotted on 12 January 2009.

Under the same Heads of Agreement, the Company (or its nominee) and MGX would enter into an Underwriting Agreement for underwriting of up to 82,900,000 shares in MGX not taken up by shareholders of MGX in the Right Issue. The aggregate subscription price to be paid by the Company (or its nominee) was A$49,740,000 (equivalent to approximately HK$260,918,000). As at year end date, the full amount had been deposited into an interest bearing escrow account holding to the order of the Company and MGX jointly. The 82,900,000 shares were allotted on 12 January 2009 to a subsidiary of the Company.

28 MATERIAL RELATED PARTY TRANSACTIONS

During the year ended 31 December 2008, the Group entered into purchase transactions with an associate for the amount of USD7,366,680 (equivalent to HK$57,460,104).

Compensation of key management personnel

Remuneration for key management personnel, including amounts paid to the Company's directors and the highest paid employees as disclosed in note 11 is as follows:

	2008	2007
	HK$'000	HK$'000
Short-term employee benefits	**9,249**	6,213
Post-employment benefits	**–**	37
Share-based payment	**53,700**	183,292
	62,949	189,542

29 PLEDGE OF ASSETS

	2008 HK$'000	2007 HK$'000
(a) Margin loan facilities secured by investment in a listed associate, available-for-sale investments and trading securities	473,223	3,628,045
(b) Trade finance facilities of HK$10 million and US$60 million (2007: HK$10 million) granted by banks and secured by bank deposits of the Group	90,004	10,526
	563,227	3,638,571

30 RETIREMENT BENEFITS SCHEME

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

The total cost charged to the consolidated income statement of HK$52,683 (2007: HK$96,100) represents contributions payable to the scheme by the Group at rates specified in the rules of the scheme.

At the 31 December 2007, there was approximately HK$50,000 forfeited contribution, which arose upon employees leaving the retirement benefits scheme and which was available to reduce the contribution payables in the future years.

In addition, the Group's contribution to local municipal government retirement scheme in the PRC are expensed as fall due at the rates specified in the rules of the schemes while the local municipal government in the PRC undertakes to assume the retirement benefit obligations of all existing and future retirees of the qualified staff in the PRC.

31 CRITICAL ACCOUNTING JUDGMENT AND ESTIMATES

In the process of applying the Group's accounting policies, the Group's management is required to make judgments and estimates about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates are based on past experiences, expectations of the future and other information that are considered to be relevant. Actual results may differ from these estimates.

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

The key sources of estimation uncertainty and critical judgments that may significantly affect the amounts recognised in the financial statements are disclosed below:

Equity-settled share option expenses

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

Classification of financial assets

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

Estimated impairment on interests in associates

Internal and external sources of information are reviewed to identify indications that interests in associate may be impaired. Appropriate impairment for estimated irrecoverable amounts are recognised in profit or loss when there is objective evidence that such assets are impaired.

In determining whether any impairment loss on its interests in associate is recognised, the Directors takes into consideration the financial situation and the future business development of the associate.

32 CONTINGENT LIABILITIES

As at 31 December 2008, the Company had provided a corporate guarantee of US$60,000,000 (2007: nil), equivalent to approximately HK$468,000,000 to a bank in respect of trade finance facilities granted to a subsidiary of the Company. At the balance sheet date, the trade finance facilities were utilised by the subsidiary for approximately HK$35,934,000.

In additions, the Company had provided a corporate guarantee of HK$350,000,000 (2007: HK$nil) to a securities company in respect of the margin loan facility granted to a subsidiary of the Company. At the balance sheet date, the margin loan facility was utilised by the subsidiary for approximately HK$161,043,000.

33 POST BALANCE SHEET EVENTS

Subsequent to the year-end-date, the subscriptions of 32,829,630 new shares in respect of the Shareholding Commitment and 82,900,000 new shares in respect of the Underwriting Commitment in MGX were all taken up by the Group on 12 January 2009 at an aggregate consideration of A$69,437,777 (equivalent to approximately HK$366,389,175) which were funded by the Group's internal resources and borrowings. As a result, the Group's interest in MGX increased to 279,877,774 shares, representing approximately 26.03% of the issued share capital of MGX.

34 PARTICULARS OF SUBSIDIARIES

Name of company	Place of incorporation/ establishment and operation	Particulars of issued and paid up capital	Proportion of ownership interest: Group's effective interest	Held by the company	Held by a subsidiary	Principal activities
Asia Cheer Trading Limited	Hong Kong	HK$1 ordinary share	100%	100%		Trading in fabric products and other merchandises and investment holding
APAC Resources Strategic Holdings Limited	British Virgin Islands	US$1 ordinary share	100%	100%		Investment holding
First Landmark Limited	British Virgin Islands	US$1 ordinary share	100%	100%		Investment holding
Sino Chance Trading Limited	Hong Kong	HK$1 ordinary share	100%	100%		Trading in base metals

34 PARTICULARS OF SUBSIDIARIES *(Continued)*

Name of company	Place of incorporation/ establishment and operation	Particulars of issued and paid up capital	Proportion of ownership interest Group's effective interest	Held by the company	Held by a subsidiary	Principal activities
Sky Joy Management Limited	Hong Kong	HK$1 ordinary share	100%	100%		Provision of management services
Net Success Investments Limited	British Virgin Islands	US$1 ordinary share	100%	100%		Investment holding
Fortune Desire Investments Limited	British Virgin Islands	US$1 ordinary share	100%	100%		Investment holding
Mount Sun Investments Limited	British Virgin Islands	US$1 ordinary shares	100%	100%		Investment holding
Super Grand Investments Limited	British Virgin Islands	US$1 ordinary shares	100%	100%		Investment holding
亞太資源(青島)有限公司	People's Republic of China	US$29,800,000	100%		100%	Trading of mineral resources
瑞域(上海)投資諮詢有限公司	People's Republic of China	US$3,600,000	100%	100%		Provision of consultancy service in corporate management, metallurgy technology, investment and development in mineral resources

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

Financial Summary

RESULT

	Year ended 31 December				
	2008	2007	2006	2005	2004
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Revenue	**298,613**	24,751	19,920	68,393	22,305
(Loss)/profit before taxation	**(1,251,713)**	345,313	25,220	6,539	(36,268)
Income tax expense	**(616)**	–	(238)	(38)	(31)
(Loss)/profit after taxation	**(1,252,329)**	345,313	24,982	6,501	(36,299)
Minority interests	–	–	–	–	–
(Loss)/profit for the year	**(1,252,329)**	345,313	24,982	6,501	(36,299)

ASSETS AND LIABILITIES

	As at 31 December				
	2008	2007	2006	2005	2004
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Total assets	**1,483,698**	4,749,348	279,373	43,003	57,528
Total liabilities	**(212,437)**	(11,052)	(149,397)	(21,122)	(42,148)
Minority interests	–	–	–	–	–
Shareholders' funds	**1,271,261**	4,738,296	129,976	21,881	15,380