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*This announcement, for which the directors of China Asean Resources Limited collectively and individually accept full responsibility, includes particulars given in compliance with the Rules Governing the Listing of Securities on the Growth Enterprise Market of the Stock Exchange of Hong Kong Limited for the purpose of giving information with regard to China Asean Resources Limited. The directors, having made all reasonable enquiries, confirm that, to the best of their knowledge and beliefs 1. the information contained in this announcement is accurate and complete in all material respects and not misleading; 2. there are no other matters the omission of which would make any statement in this announcement misleading; and 3. all opinions expressed in this announcement have been arrived at after due and careful consideration and are founded on bases and assumptions that are fair and reasonable.*



## **China Asean Resources Limited**

*(Formerly known as “Medical China Limited”)*

**神州東盟資源有限公司**

*(前稱「神州醫療科技有限公司」\*)*

*(Incorporated in Bermuda with limited liability)*

**(Stock Code: 8186)**

### **ANNUAL RESULTS FOR THE YEAR ENDED 31 DECEMBER 2007**

#### **CHARACTERISTICS OF THE GROWTH ENTERPRISE MARKET (THE “GEM”) OF THE STOCK EXCHANGE OF HONG KONG LIMITED (THE “STOCK EXCHANGE”)**

**GEM has been established as a market designed to accommodate companies to which a high investment risk may be attached. In particular, companies may list on GEM with neither a track record of profitability nor any obligation to forecast future profitability. Furthermore, there may be risks arising out of the emerging nature of companies listed on GEM and the business sectors or countries in which the companies operate. Prospective investors should be aware of the potential risks of investing in such companies and should make the decision to invest only after due and careful consideration. The greater risk profile and other characteristics of GEM mean that it is a market more suited to professional and other sophisticated investors.**

**Given the emerging nature of companies listed on GEM, there is a risk that securities traded on GEM may be more susceptible to high market volatility than securities traded on the Main Board and no assurance is given that there will be a liquid market in the securities traded on GEM.**

**The principal means of information dissemination on GEM is publication on the Internet website operated by the Stock Exchange. Listed companies are not generally required to issue paid announcements in gazetted newspapers. Accordingly, prospective investors should note that they need to have access to the GEM website in order to obtain up-to-date information on GEM-listed issuers.**

\* *For identification purposes only*

## HIGHLIGHTS FOR THE YEAR

- The Board is pleased to announce that all resolutions set out in the Notice of Special General Meeting (the “SGM”) contained in the Circular dated 7 September 2007 were duly passed by the Shareholders (or Independent Shareholders, as the case may be) on 2 October 2007.
- Subsequent to the SGM, the Company increased its share capital by the allotment of 233,000,000 Top-up Shares and 400,000,000 Consideration Shares on 22 October 2007, and 70,000,000 Convertible Shares on 26 October 2007. The share capital of the Company was increased to 1,705,000,000 shares.
- The proceeds from the newly issued shares were used for the acquisition of the entire equity interest of (Cambodia) Tong Min Group Engineering Co., Ltd. (“(Cambodia) Tong Min”). Following the completion of the acquisition of (Cambodia) Tong Min in October 2007, the Group expanded its business into natural resources business in Cambodia and is expected to receive the economic benefit derived from the initial clearing up of the forest and the subsequent rubber plantation for the coming next 70 years.
- On 2 November 2007, the Company changed its name from Medical China Limited to China Asean Resources Limited.
- Turnover for the year ended 31 December 2007 amounted to approximately HK\$38,443,000, representing an increase of 9.9% as compared to that of the corresponding year in 2006.
- The net loss attributable to equity holders of the Company amounted to approximately HK\$20,114,000 (2006: HK\$29,378,000), results in a loss per share of 1.94 Hong Kong cents (2006: loss per share of 3.52 Hong Kong cents).
- The directors do not recommend the payment of final dividend for the year (2006: Nil).
- On 14 November 2007, the Company entered into a non-legally binding Memorandum of Understanding (“MOU”) for the acquisition of the entire equity interest of Agri-Industrial Crop Development (Cambodia) Co., Ltd.. Further to the MOU and on 9 January 2008, the Company entered into the In-Principle Agreement for the Acquisition.
- Reference is made to the Company’s announcements on 14 November 2007, 9 January 2008, 14 March 2008 and 18 March 2008. Unless otherwise defined herein, terms used in this result announcement shall have the same meanings as those defined in the announcements as referred.

## FINAL RESULTS

The board of directors (the “Board”) of China Asean Resources Limited (the “Company”), formerly known as Medical China Limited, herein announces the audited consolidated results of the Company and its subsidiaries (collectively referred to as the “Group”) for the year ended 31 December 2007, together with the comparative audited consolidated results for 2006, as follows:

### CONSOLIDATED INCOME STATEMENT

	<i>Notes</i>	<b>2007</b> <b>HK\$'000</b>	2006 <i>HK\$'000</i>
<b>Turnover</b>	4	<b>38,443</b>	34,979
Cost of services/sales		<b>(18,789)</b>	(14,080)
<b>Gross profit</b>		<b>19,654</b>	20,899
Other revenue	6	<b>4,114</b>	2,135
Selling and distribution expenses		<b>(11,790)</b>	(6,939)
Administrative expenses		<b>(23,303)</b>	(10,239)
Impairment loss recognised in respect of:			
Biological assets		<b>(6,785)</b>	–
Inventories		–	(710)
Intangible assets		–	(29,667)
Other operating expenses		<b>(1,645)</b>	(1,951)
<b>Loss from operations</b>		<b>(19,755)</b>	(26,472)
Finance costs	7(a)	<b>(244)</b>	(271)
<b>Loss before taxation</b>	7	<b>(19,999)</b>	(26,743)
Taxation	8	<b>(24)</b>	(211)
<b>Loss for the year</b>		<b><u>(20,023)</u></b>	<b><u>(26,954)</u></b>
<b>Attributable to:</b>			
Equity holders of the Company	10	<b>(20,114)</b>	(29,378)
Minority interests	10	<b>91</b>	2,424
		<b><u>(20,023)</u></b>	<b><u>(26,954)</u></b>
<b>Loss per share (<i>Hong Kong cents</i>)</b>			
– Basic	9	<b><u>(1.94)</u></b>	<b><u>(3.52)</u></b>

## CONSOLIDATED BALANCE SHEET

	<i>Notes</i>	<b>2007</b>		2006	
		<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
<b>Non-current assets</b>					
Property, plant and equipment		<b>7,379</b>		7,473	
Biological assets	<i>11</i>	<b>88</b>		2,426	
Construction in progress		<b>18,189</b>		6,447	
Interests in leasehold land held for own use under operating leases		<b>2,563</b>		2,509	
Intangible assets	<i>12</i>	<b>287,161</b>		28,090	
			<b>315,380</b>		46,945
<b>Current assets</b>					
Inventories		<b>6,019</b>		5,234	
Trade and other receivables	<i>13</i>	<b>54,016</b>		12,422	
Deposit with banks		<b>–</b>		57,928	
Cash at bank and on hand		<b>99,400</b>		12,029	
		<b>159,435</b>		87,613	
<b>Current liabilities</b>					
Trade and other payables	<i>14</i>	<b>69,391</b>		30,075	
Bank loan		<b>–</b>		3,484	
Current taxation		<b>284</b>		240	
		<b>69,675</b>		33,799	
<b>Net current assets</b>			<b>89,760</b>		53,814
<b>NET ASSETS</b>			<b>405,140</b>		100,759
<b>CAPITAL AND RESERVES</b>					
Share capital		<b>17,050</b>		8,350	
Reserves	<i>10</i>	<b>381,215</b>		86,070	
<b>Total equity attributable to equity holders of the Company</b>			<b>398,265</b>		94,420
<b>Minority interests</b>	<i>10</i>		<b>6,875</b>		6,339
<b>TOTAL EQUITY</b>			<b>405,140</b>		100,759

## 1. BACKGROUND OF THE COMPANY

The Company was incorporated in Bermuda on 15 August 2001 as an exempted company with limited liability under the Companies Act of Bermuda. On 2 November 2007, the Company changed its name from Medical China Limited to China Asean Resources Limited.

The Company acts as an investment holding company and the Group is principally engaged in the provision of medical equipment and other services, sales of medical accessories and medical equipment in the People's Republic of China ("PRC"). Through an acquisition of a subsidiary on 22 October 2007, the Group expanded its business into natural resources business in the Kingdom of Cambodia ("Cambodia").

The Company is a public limited liability company and its shares are listed on the Growth Enterprise Market ("GEM") of The Stock Exchange of Hong Kong Limited (the "Stock Exchange").

## 2. CHANGES IN ACCOUNTING POLICIES

### (a) Adoption of New and Revised Hong Kong Financial Reporting Standards

The Hong Kong Institute of Certified Public Accountants ("HKICPA") has issued a number of new and revised Hong Kong Financial Reporting Standards ("HKFRSs"), which is a collective term that includes all applicable individual Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards ("HKASs") and Interpretations that are first effective or available for early adoption for the current accounting period of the Group and the Company.

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

As a result of the adoption of HKFRS 7, the financial statements include expanded disclosure about the significance of the Group's financial instruments and the nature and extent of risks arising from those instruments, compared with the information previously required to be disclosed by HKAS 32, *Financial instruments: Disclosure and presentation*.

The amendment to HKAS 1 introduces additional disclosure requirements to provide information about the level of capital and the Group's and the Company's objectives, policies and processes for managing capital.

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

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

### (b) Possible impact of amendments, new standards and interpretations issued but not yet effective for the year ended 31 December 2007

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

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

### 3. SIGNIFICANT ACCOUNTING POLICIES

#### (a) Statement of compliance

The financial statements have been prepared in accordance with HKFRSs issued by the HKICPA, accounting principles generally accepted in Hong Kong and the disclosure requirements of the Hong Kong Companies Ordinance. The financial statements also comply with the applicable disclosure provisions of the Rules Governing the Listing of Securities on GEM of the Stock Exchange.

#### (b) Basis of preparation of the financial statements

The financial statements have been prepared under the historical cost convention, as modified by the revaluation of financial assets and financial liabilities at fair value values through the income statement.

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

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

#### (c) Basis of consolidation

The consolidated financial statements of the Group include the financial statements of the Company and its subsidiaries made up to 31 December each year.

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 profits but only to the extent that there is no evidence of impairment.

Capital reserves arising on consolidation, which represents the deficit of cost over fair values attributed to the net assets of the subsidiaries acquired, are credited directly to reserves on consolidation.

### 4. TURNOVER

Turnover represents service fees arising from the provision of medical equipment services and sales of related accessories, net of respective taxes; the sale value of medical equipment, net of value-added tax; and service fees arising from the provision of medical research and development services, net of business tax.

Pursuant to various agreements with hospitals in the People's Republic of China (the "PRC"), the Group agrees to locate certain medical equipment at the relevant hospitals and, in return, share the medical service fees arising from the utilisation of the medical equipment after deducting the related direct expenses.

Turnover recognised during the year is analysed as follows:

	2007 <i>HK\$'000</i>	2006 <i>HK\$'000</i>
Medical equipment service fees and sales of related accessories	112	5,669
Sales of medical equipment	38,243	27,994
Research and development service fees	88	1,316
	<u>38,443</u>	<u>34,979</u>

## 5. SEGMENT INFORMATION

### (a) Business segments

	Medical services		Sales of medical equipment		Research and development		Natural resources business		Unallocated		Consolidated	
	2007	2006	2007	2006	2007	2006	2007	2006	2007	2006	2007	2006
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Revenue from external customers	<u>112</u>	<u>5,669</u>	<u>38,243</u>	<u>27,994</u>	<u>88</u>	<u>1,316</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>38,443</u>	<u>34,979</u>
Segment result	(770)	1,669	(1,036)	6,204	(1,153)	(30,467)	(5,501)	-	-	-	(8,460)	(22,594)
Unallocated operating income and expenses											<u>(11,295)</u>	<u>(3,878)</u>
Loss from operations											<u>(19,755)</u>	<u>(26,472)</u>
Finance costs											<u>(244)</u>	<u>(271)</u>
Taxation											<u>(24)</u>	<u>(211)</u>
Loss for the year											<u>(20,023)</u>	<u>(26,954)</u>
Attributable to:												
Equity holders of the Company											<u>(20,114)</u>	<u>(29,378)</u>
Minority interests											<u>91</u>	<u>2,424</u>
											<u>(20,023)</u>	<u>(26,954)</u>
Depreciation for the year	83	378	606	367	242	237	-	-	113	253	1,044	1,235
Impairment losses for the year:												
Biological assets	-	-	-	-	-	-	-	-	6,785	-	6,785	-
Inventories	-	710	-	-	-	-	-	-	-	-	-	710
Intangible assets	-	-	-	-	-	29,667	-	-	-	-	-	29,667
Bad debts written off	109	-	972	727	7	29	-	-	-	-	1,088	756
Amortisation of intangible assets:												
Forest exploitation right	-	-	-	-	-	-	3,757	-	-	-	3,757	-
Others	-	-	364	346	-	-	-	-	-	-	364	346
Amortisation of prepaid lease payments	-	-	41	39	-	-	-	-	82	-	123	39
Segments assets	9,069	60,027	31,277	26,324	39,008	31,466	279,337	-	-	-	358,691	117,817
Unallocated assets											<u>116,124</u>	<u>16,741</u>
Total assets											<u>474,815</u>	<u>134,558</u>
Segment liabilities	(2,628)	(2,122)	(11,633)	(8,265)	(745)	(615)	(27,334)	-	-	-	(42,340)	(11,002)
Unallocated liabilities											<u>(27,335)</u>	<u>(22,797)</u>
Total liabilities											<u>(69,675)</u>	<u>(33,799)</u>
Capital expenditure incurred during the year	<u>-</u>	<u>5</u>	<u>6,906</u>	<u>392</u>	<u>-</u>	<u>-</u>	<u>263,126</u>	<u>-</u>	<u>9,181</u>	<u>7,434</u>	<u>279,213</u>	<u>7,831</u>

(b) Geographical segments

	The PRC		Russia		Others		Consolidated	
	2007	2006	2007	2006	2007	2006	2007	2006
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Revenue from external customers	<u>17,366</u>	<u>23,765</u>	<u>6,767</u>	<u>203</u>	<u>14,310</u>	<u>11,011</u>	<u>38,443</u>	<u>34,979</u>
	The PRC		Hong Kong		Cambodia		Consolidated	
	2007	2006	2007	2006	2007	2006	2007	2006
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Segment assets	<u>112,506</u>	<u>134,345</u>	<u>82,972</u>	<u>213</u>	<u>279,337</u>	<u>-</u>	<u>474,815</u>	<u>134,558</u>

6. OTHER REVENUE

	2007	2006
	HK\$'000	HK\$'000
Interest income	2,279	1,207
Foreign exchange loss	-	(1)
Miscellaneous	<u>1,835</u>	<u>929</u>
	<u>4,114</u>	<u>2,135</u>

7. LOSS BEFORE TAXATION

Loss before taxation is arrived at after charging:

	2007	2006
	HK\$'000	HK\$'000
(a) Finance costs:		
Interest expense on bank loan	155	271
Interest expense on bonds	<u>89</u>	<u>-</u>
	<u>244</u>	<u>271</u>
(b) Staff costs:		
Staff costs (including directors' remuneration)		
Wages and salaries	8,657	6,098
Staff retirement benefits	<u>795</u>	<u>17</u>
	<u>9,452</u>	<u>6,115</u>
Average number of employees during the year (2007: 227; 2006: 198)		
(c) Other items:		
Cost of inventories	18,437	14,192
Depreciation	1,044	1,235
Bad debts written off	1,088	756
Auditors' remuneration		
Audit services	1,059	693
Other services	344	34
Operating lease charges in respect of office premises	415	547
Amortisation of prepaid lease payments	123	39
Amortisation of intangible assets:		
Forest exploitation right	3,757	-
Others	364	346
Research and development costs	1,630	1,941
Impairment losses recognised in respect of:		
Biological assets	6,785	-
Inventories	-	710
Intangible assets	<u>-</u>	<u>29,667</u>

## 8. TAXATION

- (a) Taxation in the consolidated income statement represents:

	2007 <i>HK\$'000</i>	2006 <i>HK\$'000</i>
Current tax – PRC Tax for the year	<u>24</u>	<u>211</u>

- (i) Hong Kong Profits Tax

No provision for Hong Kong Profits Tax has been made as the Group did not have assessable profits chargeable to Hong Kong Profits Tax during the year.

- (ii) PRC Income Tax

The Company's subsidiary, Tat Lung Medical Treatment (Shenzhen) Ltd. ("Tat Lung Treatment"), located in the Shenzhen Special Economic Zone ("SSEZ") in the PRC, is subject to PRC Income Tax at the reduced rate of 15% (2006: 15%). Another subsidiary, Sinnowa Medical Science & Technology Company Ltd. ("Sinnowa"), is subject to PRC income tax of 33% (2006: 33%). According to the relevant income tax rules and regulations in the PRC, Tat Lung Treatment and Sinnowa obtained approval from the state tax bureau that they are entitled to a 100% relief from PRC Income Tax in the first and second years and 50% relief for the third to fifth years, commencing from the first profitable year after the offset of deductible losses incurred in prior years, if any.

No provision for PRC Income Tax has been made for the Company's other subsidiaries, China Best Drugs Research (Nanjing) Ltd. ("China Best"), China Best Pharmaceutical (Nanjing) Company Ltd. ("CB Pharmaceutical") and Guilin Simei Biotechnology Ltd. ("Guilin Simei") as they did not have assessable profits for the year determined in accordance with the relevant income tax rules and regulations in the PRC.

- (iii) Cambodia Tax on Profit

No provision for Cambodia Tax on Profit has been made for the Company's subsidiary, (Cambodia) Tong Min as it did not have assessable profits for the year determined in accordance with the relevant tax rules and regulations in Cambodia.

- (b) Reconciliation between taxation and loss before taxation at applicable tax rates:

	2007		2006	
	<i>HK\$'000</i>	%	<i>HK\$'000</i>	%
Loss before taxation	<u>(19,999)</u>		<u>(26,743)</u>	
Notional tax on loss before taxation, calculated at the rates applicable to the countries concerned	(4,984)	24.9	(3,425)	12.8
Tax effect of non-deductible expenses	5,118	(25.6)	6,116	(22.9)
Tax effect of concession period	(110)	0.6	(2,480)	9.3
Taxation for the year	<u>24</u>	<u>(0.1)</u>	<u>211</u>	<u>(0.8)</u>

The tax rate applicable to the Group's operations in Hong Kong is 17.5% (2006: 17.5%). Taxation for overseas subsidiaries is charged at the appropriate current rates of taxation ruling in the relevant countries. The applicable income tax rate for Cambodia is 20%. The applicable income tax rate for the Group's PRC operations is 33% (2006: 33%) except for certain subsidiaries which are located in the SSEZ in the PRC. The applicable income tax rate for these subsidiaries in SSEZ is 15% (2006: 15%). These tax rates are taken into account in the preparation of the Group's tax reconciliation.

- (c) No provision for deferred taxation is deemed necessary as the Group does not have any material deductible or taxable temporary differences (2006: HK\$Nil).

## 9. LOSS PER SHARE

### (a) Basic loss per share

The calculation of basic loss per share for the year ended 31 December 2007 is based on the loss attributable to equity holders of the Company of HK\$20,114,000 (2006: loss of HK\$29,378,000) divided by the weighted average number of 1,035,035,616 (2006: 835,000,000) ordinary shares in issue during the respective years.

### (b) Diluted loss per share

No diluted loss per share for the year ended 31 December 2007 and 2006 have been presented because there were no potential dilutive ordinary shares in existence during the respective years.

## 10. RESERVES

Movements in the reserves of the Group during the year were as follows:

	Share premium HK\$'000	Contributed surplus HK\$'000	Exchange reserve HK\$'000	Retained profits HK\$'000	Sub total HK\$'000	Minority interest HK\$'000	Total HK\$'000
At 1 January 2006	70,733	5,265	2,724	33,382	112,104	3,734	115,838
Currency translation differences	-	-	3,344	-	3,344	181	3,525
Loss for the year	-	-	-	(29,378)	(29,378)	2,424	(26,954)
At 31 December 2006	<u>70,733</u>	<u>5,265</u>	<u>6,068</u>	<u>4,004</u>	<u>86,070</u>	<u>6,339</u>	<u>92,409</u>
At 1 January 2007	70,733	5,265	6,068	4,004	86,070	6,339	92,409
Issue of shares	71,200	-	-	-	71,200	-	71,200
Conversion of shares	12,460	-	-	-	12,460	-	12,460
New share placement	113,560	-	-	-	113,560	-	113,560
Top-up placement	121,160	-	-	-	121,160	-	121,160
Premium reduced upon issue of shares	(9,330)	-	-	-	(9,330)	-	(9,330)
Currency translation differences	-	-	6,209	-	6,209	445	6,654
Loss for the year	-	-	-	(20,114)	(20,114)	91	(20,023)
At 31 December 2007	<u>379,783</u>	<u>5,265</u>	<u>12,277</u>	<u>(16,110)</u>	<u>381,215</u>	<u>6,875</u>	<u>388,090</u>

- (a) The application of the share premium account is governed by Bye-Law 140(A) of the Company's Bye-Laws and the Companies Act 1981 of Bermuda ("Companies Act").
- (b) Pursuant to a reorganization in 2001, the Company became the holding company of the Group. The excess of the consolidated net assets represented by the shares acquired over the nominal value of the shares issued by the Company in exchange under the reorganization in 2001 was transferred to contributed surplus. Contributed surplus is available for distribution to shareholders subject to the provisions of section 54 of the Companies Act.
- (c) The exchange reserve has been set up and will be dealt with in accordance with the accounting policy adopted for foreign currency translations.
- (d) At 31 December 2007 and 2006, the Company had no reserves available for distribution to shareholders.

## 11. BIOLOGICAL ASSETS

	<i>HK\$'000</i>
<b>Cost/Valuation</b>	
At 1 January 2006	–
Additions	2,426
	<hr/>
At 31 December 2006	2,426
	<hr/>
At 1 January 2007	2,426
Additions	4,534
Impairment loss	(6,785)
Exchange adjustments	(87)
	<hr/>
<b>At 31 December 2007</b>	<b><u><u>88</u></u></b>

Biological assets represented the trees in plantation forest and are stated at fair values less estimated point-of-sale costs and impairment losses, if any. The trees in plantation forest represented the growing of Osmanthus Frangans, commonly referred to as Tea Olive trees (桂花樹) in Guilin, China. The Group experienced losses for its plantation development due to the poor climate condition. The drought condition resulted in losses, in particular, the young plants. With the recent heavy snow storms affecting Central and Southern China, further damages are expected after the balance sheet date. The Board reassessed the plantation development plan and is of the opinion that impairment loss of HK\$6,785,000 should be recognised for the year.

## 12. INTANGIBLE ASSETS

	<b>Forest exploitation right</b>	<b>Medical research projects</b>	<b>Others</b>	<b>Total</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
<b>Cost</b>				
At 1 January 2006	–	83,940	2,413	86,353
Exchange adjustments	–	67	55	122
	<hr/>	<hr/>	<hr/>	<hr/>
At 31 December 2006	–	84,007	2,468	86,475
Additions	262,960	–	–	262,960
Exchange adjustments	–	145	180	325
	<hr/>	<hr/>	<hr/>	<hr/>
<b>At 31 December 2007</b>	<b><u>262,960</u></b>	<b><u>84,152</u></b>	<b><u>2,648</u></b>	<b><u>349,760</u></b>
<b>Accumulated amortisation</b>				
At 1 January 2006	–	27,625	745	28,370
Impairment loss	–	29,667	–	29,667
Exchange adjustments	–	–	3	3
Charge for the year	–	–	345	345
	<hr/>	<hr/>	<hr/>	<hr/>
At 31 December 2006	–	57,292	1,093	58,385
Exchange adjustments	–	–	93	93
Charge for the year	3,757	–	364	4,121
	<hr/>	<hr/>	<hr/>	<hr/>
<b>At 31 December 2007</b>	<b><u>3,757</u></b>	<b><u>57,292</u></b>	<b><u>1,550</u></b>	<b><u>62,599</u></b>
<b>Net book value</b>				
<b>At 31 December 2007</b>	<b><u><u>259,203</u></u></b>	<b><u><u>26,860</u></u></b>	<b><u><u>1,098</u></u></b>	<b><u><u>287,161</u></u></b>
At 31 December 2006	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>
	–	26,715	1,375	28,090

### Forest exploitation right

The Group acquired an exclusive right to exploit the forest located in Kratie District, Kratie Province, Cambodia (the “Forest”) for a period of 70 years during the year ended 31 December 2007. The forest exploitation right is stated at cost less accumulated amortisation and impairment losses.

Amortisation of forest exploitation right is charged to the income statement on the straight-line basis over the assets’ estimated useful lives of 70 years. At 31 December 2007, the directors of the Company reviewed the carrying value of the forest exploitation right, taking into account an independent valuation report prepared by a professional valuer. Based on the assessment and the valuation report, the directors are of the opinion that there are currently no indications that the value of the forest exploitation right may be impaired.

### Medical research projects

In 2003, the Group acquired certain in-process medical research projects. The acquisition cost was allocated to each individual medical research project based on its estimated fair value at the acquisition date, after having taking into account an independent valuation of these medical research projects.

At 31 December 2006, the directors of the Company reviewed the carrying value of these medical research projects individually, taking into account an updated independent valuation report, the future development resources required, the stage of completion and the risks surrounding the successful development and commercialisation of the projects. Whilst there is inherent uncertainty over the outcome of these projects, based on their assessment, the directors consider that an impairment loss of HK\$29,667,000 is required for the year ended 31 December 2006.

At 31 December 2007, the directors of the Company reassessed the carrying value of the remaining project, by using the same methodology as described above. Based on the reassessment, the directors consider that there is currently no indication that the remaining project may be impaired and therefore, no impairment loss in respect of this project has been made for the year ended 31 December 2007.

## 13. TRADE AND OTHER RECEIVABLES

	2007 <i>HK\$’000</i>	2006 <i>HK\$’000</i>
Trade debtors	4,370	4,243
Other receivables, deposits and prepayments	49,646	8,179
	<u>54,016</u>	<u>12,422</u>

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

Included in trade and other receivables are trade debtors (net of impairment losses for bad and doubtful debts) with the following aging analysis as at the balance sheet date:

	2007 <i>HK\$’000</i>	2006 <i>HK\$’000</i>
Within 3 months from the date of billing	3,518	1,771
3 to 6 months from the date of billing	322	1,496
6 to 12 months from the date of billing	530	976
	<u>4,370</u>	<u>4,243</u>

Trade debts are normally due within 90 days from the date of billing.

#### 14. TRADE AND OTHER PAYABLES

	2007 <i>HK\$'000</i>	2006 <i>HK\$'000</i>
Trade payables	3,854	2,630
Other payables and accrued liabilities	65,537	27,445
	<u>69,391</u>	<u>30,075</u>

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

Included in trade and other payables are trade creditors with the following aging analysis as at the balance sheet date:

	2007 <i>HK\$'000</i>	2006 <i>HK\$'000</i>
Due within 3 months or on demand	2,183	1,097
Due after 3 months but within 6 months	620	123
Due after 6 months but within 1 year	1,051	1,410
	<u>3,854</u>	<u>2,630</u>

#### 15. ACQUISITION OF A SUBSIDIARY

On 22 October 2007, China Cambodia Resources Limited, one of the wholly-owned subsidiaries of the Group, acquired the entire equity interest of (Cambodia) Tong Min for a total consideration of HK\$208,360,000. The fair values of the net assets acquired were as follows:

	Book value <i>HK\$'000</i>	Fair value adjustment <i>HK\$'000</i>	Fair value to the Group <i>HK\$'000</i>
Intangible assets – Forest exploitation right	–	208,360	208,360
Amount due from directors	39	(39)	–
Net assets acquired	<u>39</u>	<u>208,321</u>	<u>208,360</u>

*HK\$'000*

Satisfied by:

Cash	50,000
Bonds	70,000
Convertible bonds (conversion price HK\$0.188)	13,160
Consideration shares (issue price HK\$0.188)	75,200
Total consideration	<u>208,360</u>

#### 16. FINAL DIVIDEND

No dividend has been paid or declared by the Company since its incorporation. The directors do not recommend the payment of final dividend for the year ended 31 December 2007 (2006: Nil).

## **17. SUBSEQUENT EVENTS**

On 14 November 2007, the Company entered into a non-legally binding Memorandum of Understanding (“MOU”) for the acquisition of the entire equity interest of Agri-Industrial Crop Development (Cambodia) Co., Ltd. (the “Acquisition”). Further to the MOU and on 9 January 2008, the Company entered into the In-Principle Agreement for the Acquisition.

Reference is made to the Company’s announcements on 14 November 2007, 9 January 2008, 14 March 2008 and 18 March 2008. Unless otherwise defined herein, terms used in this result announcement shall have the same meanings as those defined in the announcements as referred.

## **MANAGEMENT DISCUSSION AND ANALYSIS**

### **FINANCIAL REVIEW**

The Group’s annual turnover for the year ended 31 December 2007 amounted to approximately HK\$38,443,000, representing an increase of 9.9% as compared with the corresponding year in 2006. For the year ended 31 December 2007, the Group’s sustained a loss attributable to equity holders of the Company of approximately HK\$20,114,000 (2006: HK\$29,378,000). Included in the loss for the year were the provision on loss impairment of the plantation development in Guilin, China of HK\$6,785,000, expenses incurred in placement of new shares and the acquisition of (Cambodia) Tong Min of HK\$3,238,000 and the initial amortization charge of the forest exploitation right in Cambodia of HK\$3,757,000.

The operating expenses for the year ended 31 December 2007 decreased by 12.1% to HK\$43,523,000 from HK\$49,506,000 as compared with that of the corresponding period last year.

Other revenue for the year ended 31 December 2007 amounted to approximately HK\$4,114,000, representing an increase of 92.7% as compared with the corresponding period last year. The increase was mainly attributable to an increase in interest income for the year.

The basic loss per share for the year ended 31 December 2007 was 1.94 Hong Kong cents (2006: 3.52 Hong Kong cents).

At 31 December 2007, there is no outstanding bank loan of the Group (2006: HK\$3,484,000).

### **CAPITAL STRUCTURE**

As at 31 December 2007, the total number of issued ordinary shares and the issued share capital of the Company were 1,705,000,000 (2006: 835,000,000) and HK\$17,050,000 (2006: HK\$8,350,000) respectively. During the year, the Company increased its issued share capital by the allotment of 167,000,000 New Placement Shares, 233,000,000 Top-up Shares, 400,000,000 Consideration Shares and 70,000,000 Conversion Shares.

### **CAPITAL MANAGEMENT**

The Group’s primary objectives when managing capital are to safeguard the Group’s ability to continue as a going concern, so that it can continue to provide returns for shareholders and benefits for other stakeholders, by pricing products and services commensurately with the level of risk and by securing access to finance at a reasonable cost.

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

Consistent with industry practice, the Group monitors its capital structure on the basis of gearing ratio. For this purpose the Group defines gearing ratio as total indebtedness by adjusted capital. Total indebtedness includes bank overdrafts, bank loans, finance lease liabilities, bonds and other interest bearing securities. Adjusted capital comprises all components of equity and redeemable preference shares, other than amounts recognized in equity relating to cash flow hedges, less unaccrued proposed dividends.

During 2007, the Group's strategy, which was unchanged from 2006, was to maintain the gearing ratio at 0% to 100%. In order to maintain or adjust the ratio, the Group may adjust the amount of dividends paid to shareholders, issue new shares, repurchase of shares, raise new debt financing or sell assets to reduce debt.

Our gearing ratio was 0% and 3.7% as at 31 December 2007 and 31 December 2006, respectively. The improving gearing ratio in the financial year under review was due to the full repayment of bank loan and change of loan term with China Merchant Bank. Under the new banking facility, the Group was granted general banking facility of HK\$4,806,000, payable on demand, with interest at market prevailing rate as fixed by the People's Bank of China from time to time and 10% of interest so charged. The facility was secured by buildings and leasehold land assets of the Group in the balance sheet with an aggregate carrying value of HK\$6,974,000 at 31 December 2007 (2006: HK\$6,750,000). The change of term provides greater flexibility of the Group in managing the liquidity and interest expenses. Undrawn facility as at 31 December 2007 amounted to HK\$4,806,000 compared to HK\$1,068,000 as at 31 December 2006.

## **FINANCIAL RESOURCES, BORROWINGS, BANKING FACILITIES AND LIQUIDITY**

As at 31 December 2007, the Group had total assets of approximately HK\$474,815,000 (2006: HK\$134,558,000) which were financed by current liabilities of approximately HK\$69,675,000 (2006: HK\$33,799,000) and equity attributable to equity holders of the Company of approximately HK\$398,265,000 (2006: HK\$94,420,000).

The current assets of the Group amounted to approximately HK\$159,435,000 (2006: HK\$87,613,000) of which approximately HK\$99,400,000 (2006: HK\$12,029,000) were cash and bank deposits. The current liabilities of the Group amounted to approximately HK\$69,675,000 (2006: HK\$33,799,000) of which approximately HK\$69,391,000 (2006: HK\$30,075,000) were trade and other payables and HK\$284,000 (2006: HK\$240,000) was provision for income tax. There is no outstanding bank loan of the Group at 31 December 2007 (2006: HK\$3,484,000). During the year, the Group negotiated new banking facility from China Merchant Bank, was granted general banking facility of HK\$4,806,000, payable on demand, with interest charged at market prevailing rate as fixed by the People's Bank of China from time to time and 10% of interest so charged. The facility was secured by the Group's buildings and leasehold land assets of the Group in the balance sheet with an aggregate carrying value of HK\$6,974,000 at 31 December 2007 (2006: HK\$6,750,000).

The Group generally finances its operations with internally generated resources. The Group's policy is to place surplus fund with banks on deposits with maturity within one year.

The net assets value per share as at 31 December 2007 was HK\$0.24 (2006: HK\$0.12).

## **CAPITAL COMMITMENT, SIGNIFICANT INVESTMENTS AND MATERIAL ACQUISITIONS AND DISPOSALS**

During the year ended 31 December 2007, the Company acquired the entire share capital of (Cambodia) Tong Min with the approval by independent shareholders in the SGM on 2 October 2007. Following completion of the Acquisition of (Cambodia) Tong Min in October 2007, the Group has expanded into the forestry business in Cambodia and is expected to receive the economic benefit derived from the initial clearing up of the forest and the subsequent rubber plantation for 70 years from 2007.

On 9 January 2008, the Group entered into the non-binding In-Principle Agreement with the Vendor. Pursuant to which, the Group may acquire the entire share capital of Agri-Industrial Crop with total consideration of the Acquisition will be not more than HK\$300 million and will be satisfied by way of cash (to be financed by the internal resources of the Group), bond and new Shares to be issued by the Company, which, if so issued, will be issued at an issue price of HK\$0.60 per share, being the weighted average of the prices of the placing of the Shares conducted by the Company in July 2007, or a combination of any of the above, subject to finalisation of the valuation report prepared by the Independent Valuer.

Agri-Industrial Crop is an investment company incorporated in Cambodia and its principal business scopes are exploitation of the Second Forest (including forest clearing and processing of salvage logs into wood products) and rubber tree plantation for the subsequent latex production therein. The Second Forest is adjacent to the First Forest currently owned by the Group and has a site area of approximately 9,555 hectares (equivalent to approximately 95.55 million sq.m.).

There was no disposals of subsidiaries and affiliated companies during the year.

As at 31 December 2007, the Group had outstanding capital commitment of approximately HK\$13,693,000 (2006: HK\$17,123,000).

## **FOREIGN EXCHANGE EXPOSURE AND HEDGING INSTRUMENTS**

The Group operates mainly in Hong Kong, Cambodia and the PRC and is exposed to foreign exchange risk arising from various currency exposures, primarily with respect to the Chinese Renminbi and the United States dollars. Foreign exchange risk arises from future commercial transactions, recognized assets and liabilities and net investments in foreign operations.

The Group does not hedge its foreign currency risks with Chinese Renminbi. However, management monitors the foreign exchange exposure and will consider hedging significant foreign currency exposure should the need arise.

The Group does not hedge its foreign currency risks with United States dollars as the rate of exchange between Hong Kong dollars and the United States dollars is pegged and fixed within a range. Permanent changes in foreign exchange rates would have an impact on consolidated financial statements.

As at 31 December 2007, the Group had no outstanding hedging instruments (2006: HK\$Nil).

## **EMPLOYEES' INFORMATION AND BENEFIT SCHEME FOR THE EMPLOYEES**

As at 31 December 2007, the Group has 227 (2006: 198) employees. The total amounts of employees remuneration, including that of the directors, for the years ended 31 December 2007 and 2006 were approximately HK\$9,452,000 and HK\$6,115,000 respectively.

In addition to the Share Option Scheme had conditional approved and adopted by the Company on 14 September 2001, the Group also provides a mandatory provident fund scheme for its staff in Hong Kong in compliance with requirements under the Mandatory Provident Fund Scheme Ordinance and pays retirement fund to its employees in the PRC according to the relevant regulation of PRC.

Pursuant to the relevant labor rules and regulations in the PRC, the PRC subsidiaries of the Group participates in a defined contribution retirement benefit scheme (the "Scheme") organized by the municipal government whereby the subsidiaries are required to contribute to the Scheme to fund the retirement benefits of the eligible employees. The government of the PRC is responsible for the entire pension obligations payable to retired employees. The Group is not liable to any retirement benefits payment beyond the contributions to the Scheme.

## **CONTINGENT LIABILITIES**

As at 31 December 2007, the Group and the Company did not have any material outstanding contingent liabilities.

## **BUSINESS REVIEW**

### **ACQUISITION OF (CAMBODIA) TONG MIN**

Since the acquisition of (Cambodia) Tong Min in October 2007, the Group made significant progress in the development of the concession area measuring 9,965 hectares in Kratie Province, Cambodia. Access roads connecting the concession area and National Highway No. 7 were completed at the time of this report, as well as supporting infrastructure such as worker's accommodation, fresh water wells and a timber yard.

### **DEVELOPMENT OF THE MARKET AND APPLICATION OF RFAS IN THE PRC**

The Group's RFAS radio frequency treatment business experienced a reduction in revenue as the number of co-operation contracts with the PRC hospitals declined. The promotion of the Group's "Multi-bullet, multi-hold drug injection system" in PRC hospitals progressed slower than expected. All these affected the Group's revenue and profit for the year.

### **MANUFACTURING AND SALES OF MEDICAL EQUIPMENT**

The sales of medical equipment made good progress during the year. Sales of medical equipment increased by 36.6% to HK\$38,243,000 as compared to the previous year. The sale increase had a positive effect to the Group's revenue. The Board expects sales will continue to increase in the year 2008, as the Group expands and strengthens its sales and after sales service teams. However, there will be downward pressure on the unit selling price due to the strong market competition and the weakening of the US dollar against RMB.

## **RESEARCH, DEVELOPMENT AND SALES OF DRUGS**

After due evaluation of the current conditions in the PRC pharmaceutical market, in particular, the tightening of drug approval requirements by the State Food and Drug Administration (“SFDA”), the Group decided to focus its research and development efforts on a Category One anti-cancer product. During the year, testing of clinical trial sample batches was completed by the provincial SFDA. The National Centre for Drug Evaluation has received the test report and completed the drug’s technical assessment. Submission documents seeking approval to commence clinical trials are being prepared.

## **MANUFACTURING AND SALES OF DRUGS AND MEDICINES**

The construction of a new factory building and its annexure designed to manufacture drugs and medicines in Nanjing have been completed. Production machineries and air control system are in the process of being installed.

## **PLANTATION DEVELOPMENT IN GUILIN**

Last year, the Group experienced losses for its plantation development in Guilin, China due to the poor climate condition. The drought condition resulted in losses, in particular, of young plants. With the recent heavy snow storms in Southern and Central China, there were further damages. The Board reassessed the plantation development plan and made provision of impairment loss of HK\$6,785,000 for the year.

## **OUTLOOK**

Following the acquisition of (Cambodia) Tong Min in October 2007, clearing of the forest area commenced in February 2008, and the first sawn timber production line was commissioned in March 2008. The Directors anticipate that an annual sawn timber processing capacity of approximately 25,000 cubic metres will be in place by the third quarter of 2008. Machinery orders for a wood flooring material factory with an annual capacity of 50,000 cubic metres have also been placed and production is expected to commence in the second half of 2008.

Concurrent with its logging progress, the Group has secured purchase orders for the sale of sawn timbers and wood flooring materials totaling US\$32 million (equivalent to approximately HK\$249.6million) for delivery in 2008 and 2009. The Directors are confident of procuring additional purchase orders as the Group ramp up its production volume.

The Group has reached in-principal agreement to acquire a second concession area measuring approximately 9,555 hectares, which is contiguous to the first concession area. The Directors believe that the acquisition of the second concession area will create substantial synergistic value in logging, wood processing, transportation and logistics, and rubber plantation. The Directors also believe the acquisition will strengthen the Group’s market position in the natural resources industry in Cambodia, and improve the Group’s business profile and financial performance in the future.

The Group will continue developing its existing medical and pharmaceutical businesses and forecast that sales of medical equipment will further increase in the coming year. In the drug development business, we will seek approval to commence Phase I clinical trial for our principal product this year. In Nanjing, we will finish the fitting out and installation of machineries and seek GMP clearance from the SFDA. In Guilin, the Group will continue to support the plantation development for long term investment purpose.

## OTHER INFORMATION

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

As at 31 December 2007, the interests and short positions of the directors and the chief executive of the Company in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (“SFO”)) as recorded in the register required to be kept under Section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the minimum standards of dealings by directors as referred to in Rules 5.46 to 5.67 of the GEM Listing Rules were as follows:

Interests in the Company's shares:

Name	Number of ordinary shares of HK\$0.01 each (the “Shares”) in the share capital of the Company held	Nature of interests	Percentage of interest
Dr. Li Nga Kuk, James	32,800,000	Personal	1.92%
Mr. Li Wo Hing	32,800,000	Personal	1.92%
	193,360,000	Corporate ( <i>Note</i> )	11.34%
	4,000,000	(Share option granted but not yet exercised)	
	<u>230,160,000</u>		<u>13.26%</u>
Mr. Li Tai To, Titus	16,400,000	Personal	0.96%

*Note:* People Market Management Limited (“PMM”), holding 193,360,000 shares, is owned as to 70.58% by Mr. Li Wo Hing. On 12 October 2007, the Company granted 4,000,000 shares under the Option Scheme to Mr. Li with approval of all independent non-executive directors. Up to the date of this report, no option has been exercised by Mr. Li.

Save as disclosed above, as at 31 December 2007, none of the directors or the chief executive of the Company had any interests or short positions in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which were required, pursuant to Section 352 of the SFO, to be entered in the register referred to therein or were required, pursuant to Rules 5.46 to 5.67 of the GEM Listing Rules relating to the minimum standards of dealings by directors, to be notified to the Company and the Stock Exchange.

### SHARE OPTION SCHEME

Pursuant to a written resolution passed by all the shareholders of the Company on 14 December 2001, the Company had conditionally approved and adopted a share option scheme (the “Share Option Scheme”).

The principal terms of the Share Option Scheme are set out in the Company's prospectus dated 19 December 2001.

Pursuant to a resolution passed at a meeting of all independent directors on 12 October 2007, the Group granted share option of 40,000,000 shares to a director and employees of the Group under the Share Option Scheme. As at 31 December 2007, no share option was exercised.

## **DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBT SECURITIES**

On 14 December 2001, the Company had conditionally approved and adopted a Share Option Scheme pursuant to which any employees and directors of the Company and its subsidiaries may be granted options to subscribe for shares of the Company under the Share Option Scheme.

On 12 October 2007, the Group granted share option of 4,000,000 shares to a director, Mr. Li Wo Hing. Pursuant to Clause 11.1 of the Share Option Scheme and the GEM Listing Rule 23.04(1), Share Options granted under the Scheme to Mr. Li Wo Hing must be approved by all the independent non-executive directors of the Company.

Save as disclosed above, at no time during the year was the Company or any of its subsidiaries or its holding company a party to any arrangement to enable the directors or the chief executive of the Company or any of their respective associates, including spouses or children under eighteen years of age, to acquire benefits by means of the acquisition of shares in or debentures of the Company or any other body corporate.

## **INTERESTS DISCLOSABLE UNDER THE SFO AND SUBSTANTIAL SHAREHOLDERS**

At 31 December 2007, so far as is known to any of the directors or the chief executive of the Company, the following persons (other than a director or the chief executive of the Company) had an interest or short positions in the shares or underlying shares of the Company as recorded in the register required to be kept under Section 336 of the SFO:

<b>Name of substantial shareholder</b>	<b>Number of shares held</b>	<b>Capacity</b>	<b>Percentage of interests</b>
1. Zhang Jie	266,666,667	Beneficial owner	15.64%
2. PMM ( <i>note</i> )	193,360,000	Beneficial owner	11.34%
3. Pen Sophal	133,333,333	Beneficial owner	7.82%
4. UBS AG	103,190,000	Beneficial owner	6.05%
5. Keywise Greater China Master Fund	87,650,000	Beneficial owner	5.14%

*Note* : As at 31 December 2007, PMM owned 193,360,000 shares, representing approximately 11.34% of the issued share capital of the Company. The issued share capital of PMM is owned as to 70.58% by Mr. Li Wo Hing, as to 19.61% by Dr. Li Nga Kuk, James and as to 9.81% by Mr. Li Tai To, Titus. Mr. Li Wo Hing's indirect interest in the 193,360,000 shares through PMM are also disclosed in the paragraph headed "Directors' and Chief Executive's Interests and Short Positions in Shares, Underlying Shares and Debentures".

Save as disclosed above, as at 31 December 2007, so far as is known to any of the directors or the chief executive of the Company, no other person (other than a director or the chief executive of the Company) had an interest or short position in the shares or underlying shares of the Company as recorded in the register required to be kept under Section 336 of the SFO.

#### **DIRECTORS' INTEREST IN CONTRACTS**

No contract, commitment or agreement of significance in relation to the Company's business, to which the Company or any of its subsidiaries was a party and in which any of the directors of the Company had a material interest, either directly or indirectly, subsisted during the year ended 31 December 2007.

#### **PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S LISTED SECURITIES**

During the year ended 31 December 2007, neither the Company nor any of its subsidiaries purchased, redeemed or sold any of the Company's listed securities.

#### **COMPETING INTERESTS**

None of the directors, the management shareholders or substantial shareholders of the Company or any of their respective associates (as defined in the GEM Listing Rules) has engaged in any businesses that compete or may compete with the business of the Group or has any other conflicts of interests with the Group.

#### **CODE ON CORPORATE GOVERNANCE PRACTICES**

The board of Directors are committed to achieving and maintaining high standards of corporate governance in managing the business and affairs of the Group guided by the principles and best practices as set out in the Hong Kong Code on Corporate Governance (the "Code") in Appendix 15 of the GEM Listing Rules of the Stock Exchange of Hong Kong Limited and developments of recognized best governance practices. These practices are instilled throughout the Group's operations. Further details are set out in the Corporate Governance Report.

In the opinion of the Board, the Company has complied with the Code and adopted the required standards on dealings as set out in Rules 5.48 to 5.67 of the GEM Listing Rules as the code of conduct regarding directors' transactions in securities of the Company throughout the year ended 31 December 2007. Having made specific enquiry of all directors of the Company, the Company's directors confirmed that they have complied with such code of conduct and required standards of dealings throughout the year ended 31 December 2007.

## **AUDIT COMMITTEE**

The Audit Committee was established with written terms of reference in compliance with Rules 5.28 to 5.33 of the GEM Listing Rules. The Audit Committee's primary duties include reviewing Company's annual reports and quarterly financial reports and providing advice and comments thereon to the Board. The Audit Committee is also responsible for reviewing and supervising the Company's financial reporting and internal control procedures.

The Audit Committee comprises the three independent non-executive directors, namely, Messrs. Fan Wan Tat, Tam Wai Leung, Joseph and Chan Kim Chung, Daniel, and has held 4 meetings during the year under review.

The Audit Committee has reviewed the Company's audited annual report for the year ended 31 December 2007, which was of the opinion that the preparation of such results complied with the applicable accounting standards and requirements and that adequate disclosure have been made.

By order of the Board  
**Li Nga Kuk, James**  
*Chairman*

Hong Kong, 19 March 2008