China Mining Resources Group Limited
中國礦業資源集團有限公司*

(Formerly known as INNOMAXX Biotechnology Group Limited)
(Incorporated in Bermuda with limited liability)

(Stock Code: 340)

2007 Annual Report

*For identification purpose only

CONTENTS

CORPORATE INFORMATION

DIRECTORS

Executive Directors:

Cai Yuan *(Chairman)*
You Xian Sheng *(Deputy Chairman and Chief Executive Officer)*
Wang Hui
Yeung Kwok Kuen *(Chief Financial Officer)*
Chen Shou Wu *(Chief Investment Officer)*

Non-executive Directors:

Wu King Shiu Kelvin
Lam Ming Yung
Chan Siu Tat

Independent Non-executive Directors:

Chan Sze Hon
Chu Kang Nam
Goh Choo Hwee
Lin Xiang Min

COMPANY SECRETARY

Leung Lai Ming

QUALIFIED ACCOUNTANT

Yeung Kwok Kuen

REGISTERED OFFICE

Clarendon House
2 Church Street
Hamilton HM 11
Bermuda

HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS

Room 1306, 13th Floor
Bank of America Tower
12 Harcourt Road
Admiralty
Hong Kong

AUDITORS

KPMG
8th Floor, Prince's Building
10 Chater Road
Central
Hong Kong

PRINCIPAL SHARE REGISTRAR

Butterfield Fund Services (Bermuda) Limited
Rosebank Centre
11 Bermudiana Road
Pembroke HM 08
Bermuda

HONG KONG BRANCH SHARE REGISTRAR

Computershare Hong Kong Investor Services Limited
46th Floor, Hopewell Centre
183 Queen's Road East
Hong Kong

PRINCIPAL BANKERS

Industrial and Commercial Bank of China (Asia) Limited
Wing Hang Bank Limited
Hang Seng Bank

STOCK CODE

00340

COMPANY WEBSITE

www.chinaminingresources.com

CHAIRMAN'S STATEMENT

I am pleased to present to our shareholders, the annual report of China Mining Resources Group Limited (the "Company") together with its subsidiaries (the "Group") for the year ended 31 December 2007.

RESULTS

The year ended 31 December 2007 was a remarkable one for the Group as we saw a significant and positive change. The Group reported a consolidated turnover of HK$696,416,000 (2006: HK$17,366,000) and gross profit of HK$195,299,000 (2006: HK$9,306,000) from continuing operations, representing an increase of 3,910.2% and 1,998.6% respectively as compared with last year. The increase was mainly attributable to the consolidation of results of Harbin Songjiang Copper (Group) Company Limited ("Harbin Songjiang") and its subsidiaries ("Harbin Songjiang Group") for the period from 6 July 2007 to 31 December 2007 ("Post-acquisition Period") since the acquisition of a 75.08% equity interest in Harbin Songjiang (the "Acquisition") was completed on 5 July 2007. The negative goodwill of HK$281,622,000 arising from the Acquisition was recognized as other net income, whereas staff costs of HK$137,291,000 arising from granting of share options to key employees of the Group was recognized as expenses and fair value adjustment on inventory of HK$217,013,000 arising from the Acquisition was recorded as cost of sales. The Group's profit attributable to shareholders was HK$212,297,000 (2006: loss HK$8,244,000).

REVIEW OF OPERATIONS

Harbin Songjiang

Harbin Songjiang is based in Harbin, Heilongjiang Province, the People's Republic of China and specializes in the mining and processing of molybdenum, copper and zinc of which molybdenum accounts for the majority of its production and earnings. Molybdenum is a metal which has an exceptionally high melting point (approximately 2,625°C) and is principally used as an alloy agent in steel cast iron and super alloy to enhance hardness, strength, toughness and resistance to wear and corrosion. Due to limited number of substitutes for molybdenum in steel, alloying and other chemicals application, molybdenum remains a highly competitive commodity. The completion of the Acquisition during the year provided the Group with an immediate revenue stream and cash. During the Post-acquisition Period, Harbin Songjiang Group contributed HK$674,955,000 and HK$97,834,000 to the Group's turnover and profit for the year respectively for the year ended 31 December 2007.

REVIEW OF OPERATIONS *(CONTINUED)*

Harbin Songjiang *(CONTINUED)*

For additional information of shareholders, full year financial information of Harbin Songjiang Group is illustrated as follow:

	2007	2006
	RMB'000	*RMB'000*
Turnover	**932,034**	801,518
Cost of sales	**(259,481)**	(230,062)
Gross profit	**672,553**	571,456
Other revenue	**22,130**	18,458
Other net income	**6,388**	1,277
Selling expenses	**(9,478)**	(10,198)
Administrative expenses	**(90,022)**	(65,928)
Profit from operations	**601,571**	515,065
Finance costs	**(21,866)**	(15,569)
Share of profit of associate	**—**	104
Profit before taxation	**579,705**	499,600
Income tax	**(178,349)**	(168,135)
Profit for the year	**401,356**	331,465
Attributable to:		
Equity owners of Harbin Songjiang	**403,463**	328,218
Minority interests	**(2,107)**	3,247
Profit for the year	**401,356**	331,465

The above financial information regarding to Harbin Songjiang Group were extracted from the unaudited financial statements of Harbin Songjiang for the year ended 31 December 2007, which were prepared by the directors of the Company. The preparation of these financial statements is the sole responsibility of the directors of the Company. These financial statements have been reviewed by the Company's auditors pursuant to Hong Kong Standards on Review Engagements 2400 "Engagements to review financial statements". However, it should be noted that the review is substantially less in scope than an audit and thus provide less assurance than an audit.

REVIEW OF OPERATIONS *(CONTINUED)*

Harbin Songjiang *(CONTINUED)*

Turnover

The turnover of Harbin Songjiang Group for 2007 was RMB932,034,000 (2006: RMB801,518,000) representing an increase of RMB130,516,000 or 16.3% when compared with last year. The increase was mainly attributable to the growth in sales volume of ferro molybdenum of 564 tonnes or 29.4% (from 1,920 tonnes in 2006 to 2,484 tonnes in 2007) and the increase in average selling prices. The average selling prices for ferro molybdenum, copper and zinc for 2007 were RMB285,853 per tonne, RMB46,125 per tonne and RMB15,378 per tonne (2006: RMB265,182 per tonne, RMB42,071 per tonne and RMB10,633 per tonne) respectively.

Moreover, the increase was partially offset by the decrease in sales volume of copper and zinc from 4,826 tonnes and 4,778 tonnes respectively in 2006 to 3,354 tonnes and 2,826 tonnes respectively in 2007 due to aging of the mine.

Cost of Sales and Gross Profit

The cost of sales of Harbin Songjiang Group increased from RMB230,062,000 in 2006 to RMB259,481,000 in 2007. Gross profit margin remained steady at 72.2% in 2007 (2006: 71.3%). This was primarily due to 1) the increase in average selling prices in ferro molybdenum, copper and zinc as mentioned in turnover section above; 2) the increase was offset by a levy of an 10% export tariff on ferro molybdenum which took effect from 1 November 2006; and 3) increase in amortisation of mining rights in respect of consideration for transferring mining licences from state-owned to privately-owned upon the Acquisition.

Rutile Mining

The rutile mine owned by the Group covers an area of two square kilometers with an estimated exploitation potential of approximately 1.9 million tonnes. Rutile is the natural raw material for production of titanium. Titaniumn has a wide range of applications including aerospace, military, industrial and consumer products (such as eye glasses, golf clubs and ski equipments). A processing plant with an annual processing capacity of 1.5 million tonnes of ore and a production plant with an annual production capacity of 42,000 tonnes of titanium tetrachloride were under construction and therefore have not yet to contribute revenue to the Group during the year.

Being hampered by the bad weather as well as additional time consumed in handling relocation of domestic residences, the completion of the project was delayed. We will endeavor to get the project completed as soon as possible and anticipate that the plants will start production by 2009. In addition, as stated in note 39 to the financial statements, there are disputes between two former shareholders of Top Rank International Group Limited, which owns 90% equity interest in Shanxi Shenli Aerospace Titanium Company Limited, the company which holds the rutile mine. Based on advice from the Company's PRC legal adviser, there will be no effect to the Group's ownership and operations of the mine. Moreover, the litigations have already bought obsession to shareholders and investors of the Company, therefore we will explore options to best utilize our rutile assets.

REVIEW OF OPERATIONS *(CONTINUED)*

Umbilical Cord Blood Storage

During the year, revenue from the umbilical cord blood storage service amounted to HK$21,461,000 (2006: HK$17,366,000), representing an increase of 23.6% as compared to last year.

LIQUIDITY, FINANCIAL RESOURCES AND CAPITAL STRUCTURE

As at 31 December 2007, the Group had total assets and net assets amounted to HK$7,439,339,000 (2006: HK$2,172,179,000) and HK$5,653,034,000 (2006: HK$1,932,420,000) respectively. The current ratio was 2.2, as compared to 2.2 as of last year end.

The Group had bank balances and cash, amounted to HK$1,247,594,000 (2006: HK$449,087,000), most of which were denominated in Renminbi and Hong Kong dollars. At the balance sheet date, the Group had i) borrowings from minority shareholders of HK$150,500,000 (2006: HK$150,500,000) which were all interest-free, ii) bank borrowings of HK$212,800,000 (2006: HK$Nil) which were interest-bearing at floating rates with reference to the prevailing borrowing rate quoted by the People's Bank of China and iii) other loans of HK$5,643,000 (2006: HK$Nil), of which HK$1,067,000 was interest-free and HK$4,576,000 was interest-bearing at 2.55% per annum. The gearing ratio, as a ratio of total borrowings to shareholders' fund was 9.2% (2006: 13.4%).

FOREIGN EXCHANGE RISK MANAGEMENT

As part of the Group's assets and liabilities are denominated in Renminbi, in order to minimize the foreign currency risk, the Group aims to utilize the fund for transactions that are denominated in the same currency.

SHARE CAPITAL

The Company placed 1,305,872,000 new shares of the Company to independent investors at HK$1.88 per placing share on 29 June 2007.

As at 31 December 2007, the Company had 6,026,652,853 shares in issue with total shareholders' fund of the Group amounting to approximately HK$3,992,892,000.

MATERIAL ACQUISITIONS AND DISPOSALS OF SUBSIDIARIES AND ASSOCIATED COMPANIES

During the year, the group acquired the entire equity interest in Wuhai Derun Ferroalloy Limited Liability Company ("Wuhai Derun") from an independent third party for a consideration of RMB10,800,000 satisfied in cash. Wuhai Derun owns a factory building, a leasehold land and certain plant and equipment at the date of acquisition. Wuhai Derun did not have any business operations at the date of acquisition and the underlying set of assets acquired is planned to produce materials for supplying to Inner Mongolia Zhongrun Magnesium Co., Ltd., a subsidiary of the Company which is under construction of a magnesium smelting plant. The acquired company did not have any revenue and expenses since acquisition.

Save as disclosed above for the acquisition of Harbin Songjiang Group and the acquisition of Wuhai Derun, there were no material acquisitions or disposals of subsidiaries during the year.

CONTINGENT LIABILITIES

Certain bank loans of the Group as at 31 December 2007 were guaranteed by a third party. In return, a subsidiary of the Group have provided guarantees for banking facilities up to $53,333,000 (equivalent to RMB50,000,000) and certain bank loans totalling HK$53,333,000 (equivalent to RMB50,000,000) respectively in favour of the same third party.

Save as disclosed above, the Group has no other contingent liabilities as at 31 December 2007.

EMPLOYEES AND REMUNERATION POLICIES

As at 31 December 2007, the Group had approximately 40 and 2,800 employees in Hong Kong and Mainland China respectively.

Employees are remunerated at a competitive level and are rewarded according to their performance. Our Group's remuneration packages include medical scheme, group insurance, mandatory provident fund for Hong Kong employees, social insurance packages for Mainland China employees, performance bonus, share option scheme and discounted share subscription.

According to the share option scheme adopted by the Company on 26 June 2002, share options may be granted to directors, employees and other eligible participants of the Group to subscribe for shares in the Company in accordance with the terms and conditions stipulated therein.

PROSPECTS

The Group will continue to focus on adopting a dynamic strategy to meet the changing market needs, proactively seeking for beneficial and synergistic acquisition opportunities, and aspire to become a leading player in the mining sector in Asia.

The Group successfully integrated the operations of Harbin Songjiang Group in 2007 and bought to the Group a team of experts in the mining industry which strengthened our operational capabilities as well as execution ability for potential forthcoming potential acquisitions. The Group strategically continues to increase its natural resources assets and production capabilities to enhance our position in the mining industry.

With cash on hand of over HK$1.2 billion and a low gearing ratio of 9.2%, the Group is capable and will continue to look for attractive mining acquisition targets. We aim to become one of the leading miners in Asia through organic growth as well as mergers and acquisitions and deliver increasing returns to our shareholders.

APPRECIATION

On behalf of the Board, I would like to take this opportunity to express my appreciation to the continuous support of our shareholders and hard work and dedication of all our staff over the past year.

By Order of the Board
China Mining Resources Group Limited

Cai Yuan
Chairman
Hong Kong, 11 April 2008

BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

EXECUTIVE DIRECTORS

CAI Yuan

Mr. Cai Yuan ("Mr. Cai"), aged 43, was appointed as an executive director of the Company on 2 August 2005 and was elected as chairman of the board of directors of the Company (the "Board") on 28 November 2005.

Mr. Cai holds a master degree in Philosophy from the Xiamen University. Mr. Cai has worked in the provincial government of PRC on macro-economic management and also as senior management in some large enterprises in PRC.

Mr. Cai is also a director of the subsidiaries of the Company.

YOU Xian Sheng

Dr. You Xian Sheng ("Dr. You"), aged 53, was appointed as an executive director, chief executive officer and the deputy chairman of the Company on 31 January 2008.

Dr. You graduated from Chengdu Geological College (成都地質學院) in 1977. Dr. You has also obtained a master's degree in Economics from Nankai University (南開大學) and a doctorate degree in Industrial Economics from Fudan University (復旦大學). Dr. You has been engaged in geological survey related work for almost 20 years. In 1972, Dr. Wu joined Geology and Petroleum Team (地質石油隊) of Fujian Province and has become brigade leader of 2nd Hydro-geology Brigade (第二水文地質大隊) of Fujian Province and the general manager of Fujian Geo-engineering Investigation Corporation. In 1992, Dr. You was appointed as deputy commissioner (副專員) and commissioner of the administrative office (行政公署) of Longyan District, Fujian Province, the mayor of the People's Government of Longyan City (龍岩市人民政府), Fujian Province and was later appointed as the chairman of Department of Electronic Industry (電子工業廳廳長) and the chairman of Department of Information Industry (信息產業廳廳長) of Fujian Province. Prior to joining the Company, Dr. You was the chairman of the board of directors and the managing director of Fujian Haihong Science & Technology Development Co., Ltd (福建海宏科技發展有限公司).

WANG Hui

Mr. Wang Hui ("Mr. Wang"), aged 48, was appointed as an executive director of the Company on 5 July 2007. Mr. Wang is also the deputy managing director of Harbin Songjiang, a subsidiary of the Company.

Mr. Wang graduated from Harbin Normal University in 1984 and is a senior economist. Mr. Wang has been the chief advisor of Harbin Songjiang since April 2002 and mainly assisted Harbin Songjiang in assessing and procuring exploration and mining projects, evaluating scale of mining operations and improving corporate governance of the then state-owned enterprise. In November 2005, Mr. Wang extended his responsibilities in Harbin Songjiang to formulation and execution of Harbin Songjiang's overall business strategies and policies and spearheading the growth of Harbin Songjiang's business.

BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

EXECUTIVE DIRECTORS *(CONTINUED)*

YEUNG Kwok Kuen

Mr. Yeung Kwok Kuen (“Mr. Yeung”), aged 35, was appointed as an executive director of the Company on 17 January 2007. Mr. Yeung is also the qualified accountant and chief financial officer of the Company.

Mr. Yeung graduated from The Chinese University of Hong Kong with a bachelor degree in Professional Accountancy and obtained a master degree in Corporate Finance from The Hong Kong Polytechnic University. He is a fellow member of the Hong Kong Institute of Certified Public Accountants and a fellow member of The Association of Chartered Certified Accountants. Mr. Yeung has over twelve years of experience in handling accounting and finance matters. From 2004 to 2006, Mr. Yeung was the chief financial officer of a trading and manufacturing group and prior to this, Mr. Yeung was the manager of an international accounting firm.

CHEN Shou Wu

Mr. Chen Shou Wu (“Mr. Chen”), aged 44, was appointed as an executive director of the Company on 21 December 2007. Mr. Chen is also the executive vice president and the chief investment officer of the Company.

Mr Chen graduated from Jilin University (吉林大學), the PRC with a bachelor’s degree in Mineral Resources Exploration in 1985 and a master’s degree of Geological Science in 1988. He has also obtained a master’s degree in Business Administration from Richard Ivey Business School of University of Western Ontario in Canada in 2003. Mr. Chen has been the executive vice president and chief investment officer of the Company since 17 September 2007.

Prior to joining the Company, Mr. Chen worked for the Standard Bank as the senior vice president in the mining and metals division. For the period from 2003 to 2007, Mr. Chen has worked for Kingsway Group, an investment banking firm, as a senior mining analyst, Golden China Management Inc., a venture capital firm, as a business development manager, and Golden China Resources Corporation (GCX Ñ Toronto Stock Exchange), a public company listed on the Toronto Stock Exchange which is engaged in the mining business, as a merchant banking manager. Mr. Chen has over 10 years of experience in the precious metals sector in the PRC. He was the council member of China Gold Society (中國黃金學會) and a research professor in the Shenyang Institute of Geology and Mineral Resources of the Ministry of Land and Resources (國土資源部) of the PRC.

BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

NON-EXECUTIVE DIRECTORS

WU King Shiu Kelvin

Mr. Wu King Shiu Kelvin ("Mr. Wu"), aged 38, was appointed as an executive director of the Company on 11 June 2007 and was redesignated as non-executive director of the Company effective from 31 January 2008.

Mr. Wu graduated from The Chinese University of Hong Kong with a bachelor degree in Business Administration. He has also obtained a postgraduate research certificate from Osaka University of Foreign Studies. He has about twelve years of experience in the finance and investment industry during which he worked for a number of international investment banks. In this respect, Mr. Wu has extensive experience in lead managing initial public offers and advising on mergers and acquisitions of mining and resources related companies. Mr. Wu focuses his role to reviewing mergers and acquisitions opportunities for the Company. Mr. Wu is currently the principal partner of AID Partners Capital Limited.

LAM Ming Yung

Mr. Lam Ming Yung ("Mr. Lam"), aged 44, was appointed as an independent non-executive director of the Company on 8 January 2007 and was re-designated as a non-executive director of the Company effective from 8 February 2007.

Mr. Lam graduated from the School of Law of Shanghai Eastern Chinese College of Politics and Jurisprudence in 1986 and was awarded the degree of Bachelor of Law. Mr. Lam started practising law in 1987 in Fujian Province in the PRC, and moved to Hong Kong in mid-1993. He was registered as a foreign lawyer with the Law Society of Hong Kong in 1995, and is now practicing as a Chief PRC Consultant Corporate Finance in the Hong Kong office of Sidley Austin. Mr. Lam is an independent non-executive director of China Agrotech Holdings Limited and Hualing Holdings Limited, both being companies whose shares are listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange"). Mr. Lam is also an independent non-executive director of China Lifestyle Food and Beverages Group Limited, a company listed on Singapore Exchange Limited.

CHAN Siu Tat

Mr. Chan Siu Tat ("Mr. Chan"), aged 37, was appointed as an independent non-executive director of the Company on 17 November 2006 and was redesignated as a non-executive director of the Company effective from 5 December 2007.

Mr. Chan graduated from The Hong Kong University of Science and Technology with a major in Accounting. He is a Certified Public Accountant (Practising) of the Hong Kong Institute of Certified Public Accountants and a fellow member of The Association of Chartered Certified Accountants. Mr. Chan was an executive director and chief financial officer of the China Fire Safety Enterprise Group Limited, whose shares are listed on the Growth Enterprise Market of the Stock Exchange and was responsible for treasury and financial planning from April 2002 to August 2006. Mr. Chan is currently the chief investment officer of AID Partners Capital Limited of which Mr. Wu King Shiu Kelvin, a non-executive director of the Company, is the principal partner. Prior to working in corporations, Mr. Chan had approximately five years of auditing experience with an international accounting firm.

BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

INDEPENDENT NON-EXECUTIVE DIRECTORS

CHAN Sze Hon

Mr. Chan Sze Hon ("Mr. Chan"), aged 34, was appointed as an independent non-executive director of the Company on 5 December 2007.

Mr. Chan holds a Bachelor of Arts Degree in Accountancy from City University of Hong Kong and a master degree in Corporate Finance from The Hong Kong Polytechnic University. He is a Certified Public Accountant (Practising) of the Hong Kong Institute of Certified Public Accountants and a fellow member of The Association of Chartered Certified Accountants. Mr. Chan has 12 years of experience in accounting and financial management and had worked for an international accounting firm in Hong Kong for over 8 years. He is currently an executive director of Greater China Holdings Limited, whose shares are listed on the Main Board of the Stock Exchange. Mr. Chan is also an independent non-executive director of Blu Spa Holdings Limited and Era Information & Entertainment Limited, whose shares are listed on the Growth Enterprise Market of the Stock Exchange.

CHU Kang Nam

Mr. Chu Kang Nam ("Mr. Chu"), aged 51, was appointed as an independent non-executive director of the Company on 16 May 2007.

Mr. Chu graduated from Xiamen University with a Bachelor of Arts degree, and thereafter, has lectured at the Xiamen University. Mr. Chu has worked in government departments of the Fujian province of the PRC for the period from June 1984 to November 1989, responsible for research and management positions in economics and foreign trade areas. Mr. Chu has also assumed senior management positions at various trading and retail companies since 1989. In September 1995, he was employed as a research analyst at the Fujian Provincial Government Development Research Centre. Mr. Chu has over 20 years of management and operation experience in the areas of economics and trading. Mr. Chu is an independent director of Gushan Environmental Energy Limited, a company whose shares are listed on the New York Stock Exchange.

GOH Choo Hwee

Mr. Goh Choo Hwee ("Mr. Goh"), aged 36, was appointed as an independent non-executive director of the Company on 5 December 2007.

Mr. Goh graduated from the University of Hong Kong with Postgraduate Certificate in Laws in 1995. Mr. Goh has become a member of the Law Society of Hong Kong and has been a practicing solicitor in Hong Kong since 1997 and is currently a partner at Tsun & Partners, Solicitors, a corporate and commercial law firm in Hong Kong. Mr. Goh has 10 years of experience in PRC-related, corporate and securities practice. Mr. Goh is also a council member of the China Electronic Commerce Association which is dedicated to developing information technology and electronic commerce. During the period from August 2005 to April 2007, Mr. Goh was the company secretary of Zhong Hua International Holdings Limited, whose shares are listed on the Main Board of the Stock Exchange.

INDEPENDENT NON-EXECUTIVE DIRECTORS *(CONTINUED)*

LIN Xiang Min

Mr. Lin Xiang Min ("Mr. Lin"), aged 60, was appointed as an independent non-executive director of the Company on 31 January 2008.

Mr. Lin is a specialist in production safety of mining industry (礦業安全生產). He graduated from Shandong University of Science and Technology with a major in Mining Engineering (山東科技大學) in 1975. Mr. Lin was a professor of the College of Environment and Resources (環境與資源學院) of Fuzhou University (福州大學) for 32 years. During his time with Fuzhou University, Mr. Lin has conducted research and taught subjects mainly in the areas of mining, mine safety and ventilation, industrial fire and explosion prevention, etc. Mr. Lin is currently a specialist of the specialist team in coal mine safety (煤礦安全生產專家組) of Fujian Province. Mr. Lin was awarded the honor of "中華百名管理創新傑出人物" in 2006.

SENIOR MANAGEMENT

YIN Guangyuan

Mr. Yin Guangyuan ("Mr. Yin"), aged 44, general manager of Harbin Songjiang, a subsidiary of the Company. He graduated from Heilongjiang People's Police School (黑龍江省人民警察學校) in 1982 and graduated from Chinese People's Public Security University (中國公安大學) with a major in Law in 1986. Mr. Yin was appointed as the chairman (處長) of Songjiang Copper Group in 2001, the deputy general manager of Harbin Songjiang in 2005, and has been working at the present position since 2007. Mr. Yin is currently responsible for the overall administration and operation management of Harbin Songjiang Group.

QIAO Hongbo

Qiao Hongbo ("Mr. Qiao"), aged 43, deputy general manager of Harbin Songjiang, a subsidiary of the Company. Mr. Qiao graduated from Inner Mongolia University of Science and Technology with a major in Mining in 1987 and is a senior mining engineer. Mr. Qiao joined Songjiang Copper Mine in 1987 and was appointed as the deputy mine manager of Acheng Xiaoling Iron & Zinc Mine in 1996, the principal of the production division and the deputy general manager assistant of Songjiang Copper Group and the deputy investigation manager of 松江鉬業公司 in 1998, and has been working at the present position since 2000. Mr. Qiao has twenty years of working experience in mining sites and is an expert in project management and mining project techniques, possessing extensive experience in geology mining, mining sites' management and construction. He is proficient in project management procedures and skill innovation, and was awarded with Heilongjiang Technology Advancement Third Tier Award in Metallurgy System (黑龍江冶金系統科技進步三等獎). Mr. Qiao is currently responsible for the project management and technical supervision of Harbin Songjiang Group.

SENIOR MANAGEMENT *(CONTINUED)*

SU Qingyu

Mr. Su Qingyu ("Mr. Su"), aged 54, deputy general manager of Harbin Songjiang, a subsidiary of the Company. Mr. Su graduated from Harbin Institute of Technology with a major in Engineering in 1996 and is a senior engineering technician. Mr. Su joined the repair factory of Songjiang Copper Mine in 1970 and was appointed as the head of installation team in 1991, the mine manager of Acheng Xiaoling Iron & Zinc Mine in 1995, the mine manager of Acheng Wudaoling Molybdenum Mine（阿城五道嶺鉬礦）in 1998, the manager of 哈爾濱冶金機械製造有限公司 in 2000, and has been working at the present position since 2005. Mr. Su has 37 years of experience in mining, and is an expert in mine development and management. He is currently responsible for the project construction of Harbin Songjiang Group.

QU Yanchun

Qu Yanchun ("Mr. Qu"), aged 36, deputy general manager of Harbin Songjiang, a subsidiary of the Company. Mr. Qu graduated from the Department of Economics and Trading of Heilongjiang Institute of Science in 1994, and is a Chinese Certified Public Accountant and Certified Public Valuer. Mr. Qu was appointed as the officer of the financial division of Songjiang Copper Group in 1996, the director of financial division of Songjiang Copper Group in 1999, the assistant to general manager and director of financial division of Harbin Songjiang in 2004, and has been working at the present position since 2007. Mu Qu has thirteen years of experience in financial management and is currently responsible for the financial management of Harbin Songjiang Group.

LEUNG Lai Ming

Ms. Leung Lai Ming ("Ms. Leung"), aged 31, is the company secretary and the accounting manager of the Company.

Ms. Leung graduated from The Hong Kong Polytechnic University with a bachelor degree in Accountancy. Ms. Leung is an associate member of the Hong Kong Institute of Certified Public Accountants, a fellow member of The Association of Chartered Certified Accountants and an associate member of the Hong Kong Institute of Chartered Secretaries. Ms. Leung has nine years of experience in handling auditing and accounting matters. Ms. Leung joined the Company in July 2007.

CORPORATE GOVERNANCE REPORT

CORPORATE GOVERNANCE PRACTICES

The Company has a policy of seeking to comply with established best practice in corporate governance. The Board believes that good corporate governance is crucial to improve the efficiency and performance of the Group and to safeguard the interests of its shareholders. For the year ended 31 December 2007, the Company has applied the principles of the Code on Corporate Governance Practices as set out in Appendix 14 of the Listing Rules (the "Code") and complied with all the applicable code provisions of the Code, except for the deviation from the Code Provision A.4.1 as one of the independent non-executive directors was not appointed for a specific term, the reason being that such director is subject to retirement by rotation at each annual general meeting under the Bye-laws of the Company. As such, the Company considers that sufficient measures have been taken to ensure the Company has good corporate governance practices.

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. The Company has made specific enquiry of all directors regarding any non-compliance with the Model Code during the year ended 31 December 2007, and they all confirmed that they had fully complied with the required standard set out in the Model Code.

BOARD OF DIRECTORS

Composition

Directors of the Company during the year and up to the date of this report are as follows:

Executive Directors:

Cai Yuan, *Chairman*	
Luk Kin Peter Joseph, *Deputy Chairman and Chief Executive Officer*	(resigned on 6 July 2007)
Dong Wenxue, *Vice Chairman and Chief Executive Officer*	(appointed on 5 July 2007 and resigned on 31 January 2008)
You Xian Sheng, *Deputy Chairman and Chief Executive Officer*	(appointed on 31 January 2008)
Wang Hui	(appointed on 5 July 2007)
Yeung Kwok Kuen, *Chief Financial Officer*	(appointed on 17 January 2007)
Chen Shou Wu, *Chief Investment Officer*	(appointed on 21 December 2007)

BOARD OF DIRECTORS *(CONTINUED)*

Non-executive Directors:

Wu King Shiu Kelvin	(appointed on 11 June 2007 as an executive director of the Company and re-designated as a non-executive director of the Company on 31 January 2008)
Lam Ming Yung	(appointed on 8 January 2007 as an independent non-executive director of the Company and re-designated as a non-executive director of the Company on 8 February 2007)
Chan Siu Tat	(appointed on 17 November 2006 as an independent non-executive director of the Company and re-designated as a non-executive director of the Company on 5 December 2007)

Independent Non-executive Directors:

Tang Tin Sek	(retired on 16 May 2007)
Lee Kwan Hung	(resigned on 7 February 2007)
Wong Hon Sum	(appointed on 8 January 2007 and resigned on 5 December 2007)
Chan Sze Hon	(appointed on 5 December 2007)
Chu Kang Nam	(appointed on 16 May 2007)
Goh Choo Hwee	(appointed on 5 December 2007)
Lin Xiang Min	(appointed on 31 January 2008)

There is no relationship between members of the Board.

During the year ended 31 December 2007, the Board had at all times at least three independent non-executive directors of the Company and at least one independent non-executive director of the Company who has appropriate professional qualifications or accounting or related financial management expertise.

The principal roles of the Board are to oversee the strategic development, to determine the objectives, strategies and policies of the Group, to monitor and control the financial performance and to ensure effective internal controls and risk management. Implementation of strategies and day-to-day operations are delegated to the management. In order to better understand the respective accountabilities and contributions of the Board and management, the Company has adopted written terms of reference specifying a schedule of matters which should be reserved to the Board and which should be delegated to management.

BOARD OF DIRECTORS *(CONTINUED)*

During the year, a total of thirty-two full Board meetings were held and the attendance records are as follows:

Name of Director	Number of Board Meetings Attended	Attendance Rate
Cai Yuan	31/32	97%
Luk Kin Peter Joseph (resigned on 6 July 2007)	20/20	100%
Dong Wenxue (appointed on 5 July 2007)	7/12	58%
Wang Hui (appointed on 5 July 2007)	11/12	92%
Yeung Kwok Kuen (appointed on 17 January 2007)	31/31	100%
Chen Shou Wu (appointed on 21 December 2007)	0/0	N/A
Wu King Shiu Kelvin (appointed on 11 June 2007)	13/18	72%
Lam Ming Yung (appointed on 8 January 2007)	26/32	81%
Chan Siu Tat	25/32	78%
Tang Tin Sek (retired on 16 May 2007)	11/11	100%
Lee Kwan Hung (resigned on 7 February 2007)	1/2	50%
Wong Hon Sum (appointed on 8 January 2007 and resigned on 5 December 2007)	27/31	87%
Chan Sze Hon (appointed on 5 December 2007)	1/1	100%
Chu Kang Nam (appointed on 16 May 2007)	17/20	85%
Goh Choo Hwee (appointed on 5 December 2007)	0/1	0%

CHAIRMAN AND CHIEF EXECUTIVE OFFICER

Mr. Cai Yuan was appointed as the Chairman of the Company on 28 November 2005. Mr. Dong Wenxue was appointed as the Chief Executive Officer of the Company on 11 July 2007 and resigned on 31 January 2008. Dr. You Xian Sheng was appointed as the Chief Executive Officer of the Company on 31 January 2008.

The roles of Chairman and Chief Executive Officer are clearly defined by written terms of reference adopted by the Company in order to ensure a balance of power and authority, so that power is not concentrated in any one individual. The Chairman and the Chief Executive Officer of the Company are independent and not connected with each other except for being officers of the same company.

NON-EXECUTIVE DIRECTORS

All the independent non-executive directors of the Company and non-executive directors of the Company were appointed for an initial term of one year, except Dr. Tang Tin Sek, the reason being that such director is subject to retirement by rotation at each annual general meeting under the Bye-laws of the Company. As such, the Company considers that sufficient measures have been taken to ensure that the Company has good corporate governance practices. Further, Dr. Tang Tin Sek has retired as an independent non-executive director of the Company on 16 May 2007. Since then, there is no deviation from the Code Provision A4.1. All directors of the Company appointed during the year are subject to re-election by shareholders at the next annual general meeting after their appointment and every Director (including those appointed for a specific term) is subject to retirement by rotation at least once every three years in accordance with the Bye-laws of the Company.

REMUNERATION OF DIRECTORS

The Company established the Remuneration Committee in 2005. The current members of the Remuneration Committee are:

Chan Sze Hon, *Independent Non-executive Director, Chairman of the Remuneration Committee*
Chu Kang Nam, *Independent Non-executive Director*
Goh Choo Hwee, *Independent Non-executive Director*
Yeung Kwok Kuen, *Executive Director*

The Remuneration Committee has adopted terms of reference which are in line with the Code. A copy of the terms of reference is posted on the Company's website.

The Remuneration Committee is primarily responsible for the following duties:

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

2. to consult the chairman of the Board and/or the chief executive officer about their proposals relating to the remuneration of other executive directors and senior management of the Company;

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

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

5. to review and approve the compensation payable to executive directors and senior management of the Company 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;

6. to review and approve compensation arrangements relating to dismissal or removal of directors of the Company 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;

7. to ensure that no director of the Company or any of his associates is involved in deciding his own remuneration; and

8. to deal with any other matters delegated by the Board.

REMUNERATION OF DIRECTORS *(CONTINUED)*

The Remuneration Committee met eleven times during the year to review the remuneration policy and remuneration packages of the executive directors and members of the senior management of the Company, share options granted during the year and approve the service contracts of the executive directors of the Company.

Individual attendance of each member of the Committee is set out below:

Name of Member	Number of Remuneration Committee Meetings Attended	Attendance Rate
Lee Kwan Hung (Resigned as Chairman and member of the Remuneration Committee on 7 February 2007)	1/1	100%
Tang Tin Sek (Resigned as member of the Remuneration Committee on 16 May 2007)	2/2	100%
Luk Kin Peter Joseph (Resigned as member of the Remuneration Committee on 17 May 2007)	3/3	100%
Chan Siu Tat (Appointed as the Chairman of the Remuneration Committee on 8 February 2007 and resigned as member and the Chairman of the Remuneration Committee on 5 December 2007)	6/9	67%
Wong Hon Sum (Appointed as member of the Remuneration Committee on 8 January 2007 and resigned as member of the Remuneration Committee on 5 December 2007)	8/9	89%
Lam Ming Yung (Appointed as member of the Remuneration Committee on 8 January 2007 and resigned as member of the Remuneration Committee on 8 February 2007)	1/1	100%
Chan Sze Hon (Appointed as member and the Chairman of the Remuneration Committee on 5 December 2007)	2/2	100%
Chu Kang Nam (Appointed as member of the Remuneration Committee on 16 May 2007)	7/8	88%
Goh Choo Hwee (Appointed as member of the Remuneration Committee on 5 December 2007)	1/2	50%
Yeung Kwok Kuen (Appointed as member of the Remuneration Committee on 17 May 2007)	8/8	100%

NOMINATION OF DIRECTORS

Directors were nominated by members of the Board during the year to fill casual vacancies or as an addition to the existing Board. The nominations were submitted to the Board for decision with reference to criteria which include the candidates' experience, qualifications, professional knowledge, personal ethics and integrity. During the year, seven Board meetings were held for approving the nomination and appointment of directors of the Company. Each director of the Company appointed during the year is subject to re-election by shareholders of the Company at the next annual general meeting of the Company after his appointment and every director of the Company (including those appointed for a specific term) is subject to retirement by rotation at least once every three years in accordance with the Bye-laws of the Company.

No director of the Company is involved in fixing his own terms of appointment and nominations and no independent non-executive director of the Company is involved in assessing his own independence.

Individual attendance of each member of the Board of Board meetings in relation to the nomination and appointment of directors of the Company is set out below:

Name of Directors	Number of Board Meetings Attended	Attendance Rate
Cai Yuan	6/7	86%
Luk Kin Peter Joseph	5/5	100%
Dong Wenxue	2/2	100%
Wang Hui	2/2	100%
Yeung Kwok Kuen	6/6	100%
Wu King Shiu Kelvin	2/4	50%
Lam Ming Yung	6/7	86%
Chan Siu Tat	5/7	71%
Tang Tin Sek	1/1	100%
Lee Kwan Hung	1/1	100%
Wong Hon Sum	5/6	83%
Chan Sze Hon	1/1	100%
Chu Kang Nam	4/5	80%
Goh Choo Hwee	0/1	0%

AUDITORS' REMUNERATION

For the year ended 31 December 2007, the Group engaged KPMG, auditors of the Company, to perform audit service and non-audit services. The fees were as follows:

Nature of services	Amount *HK$'000*
Audit services in relation to annual result	3,600
Audit services in relation to continuing connected transaction	30
Audit services in relation to a very substantial acquisition	4,560
Review of interim results	370
Non-audit services	856
	9,416

AUDIT COMMITTEE

The Company established the Audit Committee in 1998. The current members of the Audit Committee are:

Chan Sze Hon, *Independent Non-executive Director of the Company, Chairman of the Audit Committee*
(Appointed as member and Chairman of the Audit Committee on 5 December 2007)
Chu Kang Nam, *Independent Non-executive Director of the Company*
(Appointed as member of the Audit Committee on 16 May 2007)
Goh Choo Hwee, *Independent Non-executive Director of the Company*
(Appointed as member of the Audit Committee on 5 December 2007)

The Audit Committee has adopted terms of reference which are in line with the Code. A copy of the terms of reference is posted on the Company's website.

The Audit Committee is primarily responsible for the following duties:

1. to consider the appointment of the external auditors, the audit fee and any questions of resignation or dismissal;

2. to discuss with the external auditors before the audit commences, the nature and scope of the audit, and ensure co-ordination where more than one audit firms are involved;

3. to develop and implement policy on the engagement of an external auditor to supply non-audit services;

4. to review the interim and annual financial statements of the Company before submission to the Board;

5. to discuss problems and reservations arising from the interim and final audits, and any matters the auditors may wish to discuss (in the absence of management of the Company where necessary);

6. to review the external auditors management letter and management's response;

7. to review the Company's statement on internal control systems (where one is included in the annual report) prior to endorsement by the Board;

8. (Where an internal audit function exists) to review the internal audit programme, ensure co-ordination between the internal and external auditors, and ensure that the internal audit function is adequately resourced and appropriately standing within the Company;

9. to consider major findings of internal investigations and management's response; and

10. to consider other topics, as defined by the Board.

AUDIT COMMITTEE *(CONTINUED)*

The Audit Committee reviewed the external auditor's plan for the audit of the Group's accounts, the internal control procedures and the financial reporting systems of the Group during the year. The Audit Committee also made recommendations with respect to the appointment and reappointment of the auditors of the Company. The Audit Committee met four times during the year to review, discuss the Group's annual and interim financial statements and appointment of the auditors of the Company before the same were presented to the Board for approval. Individual attendance of each member of the Committee is set out below:

Name of Member	Number of Audit Committee Meetings Attended	Attendance Rate
Tang Tin Sek (Resigned as member and the Chairman of the Audit Committee on 16 May 2007)	2/2	100%
Lee Kwan Hung (Resigned as member of the Audit Committee on 11 January 2007)	0/0	N/A
Chan Siu Tat (Appointed as the Chairman of the Audit Committee on 17 May 2007 and resigned as member and the Chairman of the Audit Committee on 5 December 2007)	3/4	75%
Wong Hon Sum (Appointed as member of the Audit Committee on 8 January 2007 and resigned as member of the Audit Committee on 5 December 2007)	4/4	100%
Lam Ming Yung (Appointed as member of the Audit Committee on 8 January 2007 and resigned as member of the Audit Committee on 8 February 2007)	0/0	N/A
Chan Sze Hon (Appointed as member and the Chairman of the Audit Committee on 5 December 2007)	0/0	N/A
Chu Kang Nam (Appointed as member of the Audit Committee on 16 May 2007)	2/2	100%
Goh Choo Hwee (Appointed as member of the Audit Committee on 5 December 2007)	0/0	N/A

The financial statements for the year ended 31 December 2007 have been reviewed by the Audit Committee.

INTERNAL CONTROLS

The Board should maintain a sound and effective internal control system to safeguard the shareholders' investment and the Group's assets. The directors of the Company have reviewed the effectiveness of the internal control system of the Group for the year ended 31 December 2007, which covered financial, operational and compliance controls and risk management functions of the Group.

DIRECTORS' RESPONSIBILITY STATEMENT

The directors of the Company acknowledge that it is their responsibility to prepare the accounts for each financial period which give a true and fair view of the state of affairs of the Group and to present a balanced, clear and understandable assessment of the financial results and disclosures of the Group under the Listing Rules and any other rules and statutory requirements.

On behalf of the Board
China Mining Resources Group Limited

Cai Yuan
Chairman

Hong Kong, 11 April 2008

DIRECTORS' REPORT

The directors of the Company submit herewith their annual report together with the audited financial statements for the year ended 31 December 2007.

PRINCIPAL ACTIVITIES

The principal activity of the Company is investment holding. The principal activities and other particulars of the subsidiaries are set out in note 17 to the financial statements.

The analysis of the principal activities and geographical locations of the operations of the Company and its subsidiaries (the "Group") during the financial year are set out in note 12 to the financial statements.

CHANGE OF COMPANY'S NAME

By a special resolution passed by the shareholders of the Company on 8 January 2007, the name of the Company was changed from "INNOMAXX Biotechnology Group Limited" to "China Mining Resources Group Limited" and the Company adopted the Chinese name "中國礦業資源集團有限公司" for identification purpose.

RESULTS AND DIVIDENDS

The results of the Group for the year ended 31 December 2007 and the state of the Company's and the Group's affairs as at that date are set out in the financial statements on pages 37 to 150.

The directors of the Company do not recommend the payment of a dividend in respect of the year ended 31 December 2007.

RESERVES

Movement in the reserves of the Company and the Group during the year are set out in note 31 to the financial statements and the consolidated statement of changes in equity on page 42 of the annual report respectively.

SHARE CAPITAL

Details of the movements in share capital of the Company during the year are set out in note 31(c) to the financial statements.

CONTRIBUTED SURPLUS

The Group's contributed surplus represents the special reserve arising upon the reorganisation of the Group in March 1997.

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

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

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

FIXED ASSETS

Movements in the fixed assets of the Group and Company for the year ended 31 December 2007 are set out in note 13 to the financial statements.

DIRECTORS

The directors of the Company who were in office during the financial year and up to the date of this report were:

Executive Directors

Cai Yuan *(Chairman)*	
Luk Kin Peter Joseph *(Chief Executive Officer)*	(resigned on 6 July 2007)
Dong Wenxue *(Vice Chairman and Chief Executive Officer)*	(appointed on 5 July 2007 and resigned on 31 January 2008)
You Xian Sheng *(Deputy Chairman and Chief Executive Officer)*	(appointed on 31 January 2008)
Wang Hui	(appointed on 5 July 2007)
Yeung Kwok Kuen *(Chief Financial Officer)*	(appointed on 17 January 2007)
Chen Shou Wu *(Chief Investment Officer)*	(appointed on 21 December 2007)

Non-executive Director

Wu King Shiu Kelvin	(appointed on 11 June 2007 as executive director of the Company and re-designated as non-executive director of the Company on 31 January 2008)
Lam Ming Yung	(appointed on 8 January 2007 as independent non-executive director of the Company and re-designated as non-executive director of the Company on 8 February 2007)
Chan Siu Tat	(appointed on 17 November 2006 as independent non-executive director of the Company and re-designated as non-executive director of the Company on 5 December 2007)

DIRECTORS *(CONTINUED)*

Independent Non-executive Directors

Tang Tin Sek	(retired on 16 May 2007)
Lee Kwan Hung	(resigned on 7 February 2007)
Wong Hon Sum	(appointed on 8 January 2007 and resigned on 5 December 2007)
Chan Sze Hon	(appointed on 5 December 2007)
Chu Kang Nam	(appointed on 16 May 2007)
Goh Choo Hwee	(appointed on 5 December 2007)
Lin Xiang Min	(appointed on 31 January 2008)

Pursuant to Bye-law 87(1) of the Bye-laws of the Company, at each annual general meeting one third of the directors of the Company for the time being shall retire from office by rotation. Accordingly, Mr. Yeung Kwok Kuen, Mr. Lam Ming Yung, Mr. Chan Siu Tat and Mr. Chu Kang Nam will retire by rotation at the forthcoming annual general meeting of the Company. Each of Mr. Yeung Kwok Kuen, Mr. Lam Ming Yung and Mr. Chu Kang Nam, being eligible, have offered themselves for re-election. Mr. Chan Siu Tat has indicated that he will not offer himself for re-election to pursue other business interests. Mr. Chan Siu Tat has confirmed that he has no disagreement with the Board and there is no matter relating to his retirement that will need to be brought to the attention of the shareholders of the Company.

In addition, pursuant to Bye-Law 86(2) of the Bye-Laws of the Company, any director of the Company appointed by the board either to fill casual vacancy or as an addition to the Board shall hold office only until the next following annual general meeting of the Company and shall then be eligible for re-election at the meeting. Thus, Dr. You Xian Sheng, Mr. Wang Hui, Mr. Chen Shou Wu, Mr. Wu King Shiu Kelvin, Mr. Chan Sze Hon, Mr. Goh Choo Hwee and Mr. Lin Xiang Min who were appointed as directors of the Company pursuant to Bye-Law 86(2) shall retire at the forthcoming annual general meeting of the Company. Each of Dr. You Xian Sheng, Mr. Wang Hui, Mr. Chen Shou Wu, Mr. Chan Sze Hon, Mr. Goh Choo Hwee and Mr. Lin Xiang Min, being eligible, have offered themselves for re-election as directors of the Company. Mr. Wu King Shiu Kelvin has indicated that he will not offer himself for re-election to pursue other business interests. Mr. Wu King Shiu Kelvin has confirmed that he has no disagreement with the Board and there is no matter relating to his retirement that will need to be brought to the attention of the shareholders of the Company.

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

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

As at 31 December 2007, the interests or short positions of the directors and chief executive of the Company in the shares, underlying shares of equity derivatives and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Future Ordinance (Chapter 571 of the laws of Hong Kong) (the "SFO") which were recorded in the register required to be kept under Section 352 of the SFO, or which were notified to the Company and the Stock Exchange pursuant to the Model Code adopted by the Company were as follows:

Interests in issued shares of the Company (long position)

		Ordinary shares of HK$0.1 each			
Name	**Capacity**	**Personal interests**	**Corporate interests**	**Total number of shares held**	**% of total issued shares**
Directors					
Cai Yuan	Beneficial owner and interest in controlled corporation	8,650,000	500,000,000 *(Note 1)*	508,650,000	8.44%
Dong Wenxue	Beneficial owner	55,440,000 *(Note 2)*	—	55,440,000	0.92%
Wang Hui	Beneficial owner	4,860,000 *(Note 2)*	—	4,860,000	0.08%
Yeung Kwok Kuen	Beneficial owner	20,000,000 *(Note 2)*	—	20,000,000	0.33%
Wu King Shiu Kelvin	Beneficial owner	60,000,000 *(Note 2)*	—	60,000,000	1.00%
Chief executives					
Yin Guangyuan	Beneficial owner	4,640,000 *(Note 2)*	—	4,640,000	0.08%
Qiao Hongbo	Beneficial owner	5,820,000 *(Note 2)*	—	5,820,000	0.10%
Su Qingyu	Beneficial owner	3,312,000 *(Note 2)*	—	3,312,000	0.05%
Qu Yanchun	Beneficial owner	2,998,000 *(Note 2)*	—	2,998,000	0.05%

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

Interests in issued shares of the Company (long position) *(CONTINUED)*

Notes:

1. These shares are held by Greater Increase Investments Limited which is 100% beneficially owned by Mr. Cai Yuan, the Chairman and an executive director of the Company.

2. The relevant directors and chief executives of the Company are interested in such shares pursuant to a subscription agreement dated 13 July 2007 entered into by the Company and the relevant directors and chief executives of the Company (which is yet to be completed) as more particularly described in the announcement of the Company dated 17 July 2007.

Interests in underlying shares of the Company — share options

Name	Number of share options	% of total issued shares
Directors		
Cai Yuan	2,000,000	0.03%
Dong Wenxue	60,000,000	1.00%
Wang Hui	15,000,000	0.25%
Yeung Kwok Kuen	30,000,000	0.50%
Chen Shou Wu	12,000,000	0.20%
Wu King Shiu Kelvin	60,000,000	1.00%
Lam Ming Yung	2,000,000	0.03%
Chan Siu Tat	2,000,000	0.03%
Chu Kang Nam	2,000,000	0.03%
Chief executives		
Yin Guanguan	10,000,000	0.17%
Qiao Hongbo	10,000,000	0.17%
Su Qingyu	10,000,000	0.17%
Qu Yanchun	10,000,000	0.17%

Save as disclosed above, as at 31 December 2007, none of the directors of the Company, chief executives or their respective associates had any other interests or short positions in the 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.

INTERESTS AND SHORT POSITIONS OF SUBSTANTIAL SHAREHOLDERS

So far as is known to any director or chief executive of the Company, as at 31 December 2007, persons (other than directors or chief executives of the Company as disclosed herein) who had interests or short positions in the shares or underlying shares of equity derivatives of the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO or which were recorded in the register required to be kept under Section 336 of the SFO were as follows:

Long position in shares in the capital of the Company

Name of Shareholder	Capacity	Personal interests	Corporate interests	Total number of shares in the capital of the Company	Approximate % of shareholding in the Company
Kwok Man	Beneficial owner and interest in controlled corporation	6,060,000	368,686,000 *(Note 1)*	374,746,000	6.22%
Yeh Tung Ming	Interest in controlled corporation	—	368,686,000 *(Note 2)*	368,686,000	6.12%
Ng Hiu King	Interest in controlled corporation	—	344,108,000 *(Note 3)*	344,108,000	5.71%

Notes:

1. These shares are held by Long Cheer Group Limited which is 100% beneficially owned by Mr. Kwok Man.

2. These shares are held by Fit Plus Limited which is 100% beneficially owned by Mr. Yeh Tung Ming.

3. These shares are held by See Good Group Limited which is 100% beneficially owned by Mr. Ng Hiu King.

SHARE OPTION SCHEMES

Pursuant to ordinary resolutions of the shareholders of the Company passed on 11 March 1997, the Company adopted a share option scheme (the "Old Share Option Scheme"). The Old Share Option Scheme was terminated on 26 June 2002 such that no further options shall be granted under the Old Share Option Scheme but the options granted shall continue to be valid and exercisable in accordance with their terms of issue and, in all other respects, its provisions shall remain in full force and effect. Pursuant to ordinary resolutions of the shareholders of the Company passed on 26 June 2002, the Company adopted another share option scheme (the "New Share Option Scheme").

SHARE OPTION SCHEMES *(CONTINUED)*

Particulars of each share option scheme are set out in note 28(a) to the financial statements. Details of movements in the share options held by directors, chief executives and employees of the Company under the New Share Option Scheme for the year ended 31 December 2007 are as follows:

Summary of main terms of New Share Option Scheme are as follows:

1. The purpose of the New Share Option Scheme is to enable the Company to grant options to selected participants as incentives or rewards for their contributions to the Group.

2. The participants of the New Share Option Scheme are: (i) any director (whether executive or non-executive or independent non-executive), employee (whether full time or part time), officer, consultant, customer, supplier, agent, partner or advisers of or contractor to the Group or an entity in which any member of the Group holds any interest from time to time ("Invested Entity"); (ii) any discretionary trust who discretionary objects include any director (whether executive or non-executive or independent non-executive), employee (whether full time or part time), officer consultant, customer, supplier, agent, partner or adviser of or contractor to the Group or any Invested Entity; and (iii) the option may be granted to any corporation wholly-owned by any person mentioned in (i).

3. As at 11 April 2008, the total number of ordinary shares of HK$0.10 in the capital of the Company ("Shares") available for issue under the New Share Option Scheme was 472,078,085 (including 236,000,000 Shares that have been granted but not yet lapsed or exercised) representing approximately 7.83% of the issued share capital of the Company.

4. Unless otherwise approved by shareholders of the Company in general meeting, the total number of issued Shares issued and which may fall to be issued upon exercise of the options granted under the Scheme to each participant in any 12-month period must not exceed 1% (except for substantial shareholders, as defined in the Listing Rules, or independent non-executive director of the Company, or any of their respective associates, as defined in the Listing Rules, must not exceed 0.1%) of the issued share capital of the Company from time to time.

5. An option shall be exercised in whole or in part in accordance with the terms of the New Share Option Scheme at any time during a period to be notified by the Board to each grantee, provided that no option shall be exercisable later than 10 years after its date of grant.

6. An option shall be accepted by a participant within 30 days from the date of the offer of grant of the option.

7. The subscription price for Shares under the New Share Option Scheme, subject to any adjustment stipulated therein, shall be a price determined by the Board, but shall be at least the highest of (i) the closing price of Shares as stated in the Stock Exchange's daily quotations on the date of grant which must be a business day, (ii) the average closing price of Shares as stated in the Stock Exchange's daily quotations for the five business days immediately preceding the date of grant and (iii) the nominal value of a Share.

8. The New Share Option Scheme shall be valid and effective for a period of 10 years commencing on 26 June 2002.

SHARE OPTION SCHEMES *(CONTINUED)*

Name	Date granted	Period during which options are exercisable	No. of options outstanding at the beginning of the year	No. of options granted during the year	No. of shares acquired on exercise of options during the year	No. of options outstanding at the year end	Exercise price per share	* Market value per share at date of grant of options	* Market value per share on exercise of options
Directors									
Cai Yuan	6 July 2007	*(Note 1)*	—	2,000,000	—	2,000,000	HK$1.82	HK$1.79	—
Dong Wenxue	6 July 2007	*(Note 1 and 5)*	—	60,000,000	—	60,000,000	HK$1.82	HK$1.79	—
Wang Hui	6 July 2007	*(Note 1)*	—	15,000,000	—	15,000,000	HK$1.82	HK$1.79	—
Yeung Kwok Kuen	6 July 2007	*(Note 1)*	—	30,000,000	—	30,000,000	HK$1.82	HK$1.79	—
Chen Shou Wu	25 September 2007	*(Note 2 and 6)*	—	12,000,000	—	12,000,000	HK$1.30	HK$1.22	—
Wu King Shiu Kelvin	6 July 2007	*(Note 1)*	—	60,000,000	—	60,000,000	HK$1.82	HK$1.79	—
Lam Ming Yung	6 July 2007	*(Note 1)*	—	2,000,000	—	2,000,000	HK$1.82	HK$1.79	—
Chan Siu Tat	6 July 2007	*(Note 1)*	—	2,000,000	—	2,000,000	HK$1.82	HK$1.79	—
Chu Kang Nam	6 July 2007	*(Note 1)*	—	2,000,000	—	2,000,000	HK$1.82	HK$1.79	—
				185,000,000		185,000,000			
Chief executives									
Yin Guangyuan	6 July 2007	*(Note 1)*	—	10,000,000	—	10,000,000	HK$1.82	HK$1.79	—
Qiao Hongbo	6 July 2007	*(Note 1)*	—	10,000,000	—	10,000,000	HK$1.82	HK$1.79	—
Su Qingyu	6 July 2007	*(Note 1)*	—	10,000,000	—	10,000,000	HK$1.82	HK$1.79	—
Qu Yanchun	6 July 2007	*(Note 1)*	—	10,000,000	—	10,000,000	HK$1.82	HK$1.79	—
				40,000,000		40,000,000			
Employee	11 July 2007	*(Note 3)*	—	1,000,000	—	1,000,000	HK$1.82	HK$1.72	—
Other *(Note 4)*	6 July 2007	*(Note 1)*	—	2,000,000	—	2,000,000	HK$1.82	HK$1.79	—
				228,000,000		228,000,000			

The options granted to the directors and the chief executives of the Company are registered under the names of the directors and the chief executives of the Company who are also the beneficial owners.

* Being the weighted average closing price of the Company's ordinary shares immediately before the dates on which the options were granted or exercised, as applicable.

SHARE OPTION SCHEMES *(CONTINUED)*

Notes:

1. Exercisable from 6 July 2007 to 5 July 2010.

2. Exercisable from 25 September 2007 to 24 September 2010.

3. Exercisable from 11 July 2007 to 10 July 2010.

4. 2,000,000 share options was granted to Mr. Wong Hon Sum on 6 July 2007. Mr. Wong Hon Sum resigned as a director of the Company on 5 December 2007 and the share options was cancelled on 31 January 2008.

5. 60,000,000 share options was granted to Mr. Dong Wenxue on 6 July 2007. Mr. Dong Wenxue resigned as a director of the Company and was appointed as the chief adviser of the Company on 31 January 2008. According to the New Share Option Scheme, share options granted to a director of the Company do not lapse upon their resignation.

6. Mr. Chen Shou Wu appointed as the director of the Company on 21 December 2007.

Information on the accounting policy for share options granted and the weighted average value per option is provided in note 28(a) to the financial statements respectively.

Apart from the foregoing, at no time during the year was the Company, or any of its holding company, subsidiaries or fellow subsidiaries a party to any arrangement to enable the directors of the Company to acquire benefits by means of the acquisition of shares in or debentures of the Company or any other body corporate.

DIRECTORS' INTERESTS IN CONTRACTS

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

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S SHARES

The Company has not redeemed any of its securities during the year ended 31 December 2007. Neither the Company nor any of its subsidiaries has purchased or sold any of the Company's securities during the year.

CONNECTED TRANSACTION

On 26 April 2007, a master supply agreement was entered into between Harbin Songjiang and its subsidiaries ("Harbin Songjiang Group") and Chi Feng Jin Jian Copper Company Limited（赤峰金劍銅業有限公司）("the Corporate Vendor"), a company incorporated in the PRC with limited liability, holding 40% equity interests in a subsidiary of Harbin Songjiang, Chifeng Songjiang Jinjian Mining Limited（赤峰松江金劍礦業有限責任公司）("the Master Supply Agreement"). The key terms of the Master Supply Agreement are (i) Harbin Songjiang Group has agreed to supply copper concentrates to the Corporate Vendor commencing from the formal date of completion of the acquisition of Harbin Songjiang Group by the Group (the "date of Completion") to 31 December 2009; (ii) the purchase price will be determined between the Corporate Vendor and Harbin Songjiang Group with reference to the market value of copper, gold and silver contents in the copper concentrates, grades of metals and parameters reflecting the treatment and refining charges incurred to produce copper anodes from copper concentrates; (iii) the purchase price will be paid by the Corporate Vendor within 10 days after the end of each month in arrears; and (iv) the supply of copper concentrates (VAT inclusive) for the period from the date of Completion to 31 December 2007 and for the two years ending 31 December 2009 should not exceed RMB139,151,000, RMB243,368,000 and RMB243,368,000 respectively ("aggregate annual caps"). The Master Supply Agreement is non-exclusive on the part of Harbin Songjiang Group and the Corporate Vendor. The Master Supply Agreement was approved by the independent shareholders of the Company in the shareholders' meeting of the Company held on 8 June 2007.

The supply of copper concentrates (VAT inclusive) for the period from the date of Completion to 31 December 2007 was RMB104,036,000 million. Details of the transactions are set out in note 36 to the financial statements.

The independent non-executive directors of the Company had reviewed and confirmed that the transactions entered into by the Group under the Master Supply Agreement were (a) entered into in the ordinary and usual course of business of the Group; (b) entered into on normal commercial terms; (c) in accordance with terms of the Master Supply Agreement which are fair and reasonable so far as the shareholders of the Company are concerned; and (d) did not exceed the aggregate annual caps under the Master Supply Agreement for the year ended 31 December 2007.

The auditors of the Company also confirmed that, based on the work they have performed, the above continuing connected transactions:

(a) have received the approval of the Board;

(b) have been entered into in accordance with the terms of the relevant agreements governing such transactions; and

(c) have not exceeded the maximum annual aggregate annual values of RMB139,151,000 as disclosed in circular of the Company dated 23 May 2007 made by the Company in respect of the continuing connected transaction.

CONNECTED TRANSACTION *(CONTINUED)*

Save as aforesaid, there was no discloseable non-exempted connected transaction or non-exempted continuing connected transaction under the Listing Rules during the year ended 31 December 2007.

Save as aforesaid, none of the "Material related party transactions" as disclosed in note 36 to the financial statements for the year ended 31 December 2007 constituted discloseable non-exempted connected transaction or non-exempted continuing connected transaction under the Listing Rules.

To the extent of the above "Material related party transactions" constituted connected transaction as defined in the Listing Rules, the Company had complied with the relevant requirements under Chapter 14A of the Listing Rules during the year.

MAJOR CUSTOMERS AND SUPPLIERS

The information in respect of the Group's sales and purchases attributable to the major customers and suppliers respectively during the financial year is as follows:

	Percentage of the Group's total	
	Sales	**Purchases**
The largest customer	19%	
Five largest customers in aggregate	67%	
The largest supplier		6%
Five largest suppliers in aggregate		17%

At no time during the year have the directors of the Company, their associates or any shareholders of the Company (which to the knowledge of the directors of the Company owns more than 5% of the Company's share capital) had any interest in these major customers and suppliers.

COMPETING INTEREST

None of the directors of the Company or their respective associates had any interest in a business which competes with or may compete with the business of the Group.

PRE-EMPTIVE RIGHTS

There are no provisions for pre-emptive rights under the Bye-laws of the Company or the laws of Bermuda requiring the Company to offer new shares to the existing shareholders of the Company in proportion to their respective shareholdings if new shares of the Company are issued.

SUFFICIENCY OF PUBLIC FLOAT

Based on the information that is publicly available to the Company and within the knowledge of the directors of the Company as at the date of this annual report, the Company has maintained the prescribed public float under the Listing Rules.

BANK LOANS AND OTHER BORROWINGS

Particulars of bank loans and other borrowings of the Group as at 31 December 2007 are set out in notes 24 to 26 to the financial statements.

FIVE YEARS SUMMARY

A summary of the results and of the assets and liabilities of the Group for the last five financial years is set out on pages 151 and 152 of this annual report.

RETIREMENT SCHEMES

Details of the retirement benefit schemes operated by the Group are set out in note 27 to the financial statements.

CONFIRMATION OF INDEPENDENCE

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

AUDITORS

The financial statements for the year ended 31 December 2007 have been audited by KPMG. KPMG were first appointed as auditors of the Company in January 2007 for the financial year ended 31 December 2006 upon the retirement of Deloitte Touche Tohmatsu, who have acted as auditors of the Company for the preceding two financial years.

KPMG will retire and, being eligible, offer themselves for re-appointment at the forthcoming annual general meeting. A resolution for the re-appointment of KPMG as auditors of the Company is to be proposed at the forthcoming annual general meeting of the Company.

By order of the Board
China Mining Resources Group Limited

Cai Yuan
Chairman

Hong Kong, 11 April 2008

INDEPENDENT AUDITOR'S REPORT

KPMG

Independent auditor's report to the shareholders of
China Mining Resources Group Limited
(Incorporated in Bermuda with limited liability)

We have audited the consolidated financial statements of China Mining Resources Group Limited (the "Company") set out on pages 37 to 150, which comprise the consolidated and company balance sheets as at 31 December 2007, and the consolidated income statement, the consolidated statement of changes in equity and the consolidated cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory notes.

Directors' responsibility for the financial statements

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

Auditor's responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. This report is made solely to you, as a body, in accordance with section 90 of the 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 judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and true and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial statements.

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

Opinion

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

KPMG
Certified Public Accountants
8th Floor, Prince's Building
10 Chater Road
Central, Hong Kong

11 April 2008

CONSOLIDATED INCOME STATEMENT

For the year ended 31 December 2007
(EXPRESSED IN HONG KONG DOLLARS)

	Note	**2007**	2006
		$'000	*$'000*
Continuing operations			
Turnover	*3,12*	**696,416**	17,366
Cost of sales		**(501,117)**	(8,060)
Gross profit		**195,299**	9,306
Other revenue	*4*	**26,039**	4,250
Other net income/(loss)	*4*	**279,519**	(467)
Selling expenses		**(9,850)**	(4,276)
Administrative expenses		**(223,971)**	(20,802)
Impairment loss of goodwill		**—**	(7,400)
Profit/(loss) from operations		**267,036**	(19,389)
Finance costs	*5(a)*	**(15,297)**	(1,169)
Share of losses of jointly controlled entities	*18*	**(39)**	—
Profit/(loss) before taxation	*5*	**251,700**	(20,558)
Income tax	*6(a)*	**(27,308)**	366
Profit/(loss) for the year from continuing operations		**224,392**	(20,192)
Discontinued operations			
Profit for the year from discontinued operations	*9(a)*	**—**	10,950
Profit/(loss) for the year		**224,392**	(9,242)
Attributable to:			
Equity shareholders of the Company	*10*	**212,297**	(8,244)
Minority interests		**12,095**	(998)
Profit/(loss) for the year		**224,392**	(9,242)

CONSOLIDATED INCOME STATEMENT *(CONTINUED)*
For the year ended 31 December 2007
(EXPRESSED IN HONG KONG DOLLARS)

	Note	2007 *$'000*	2006 *$'000*
Earnings/(loss) per share — basic	*11(a)*		
From continuing and discontinued operations		**3.9 cents**	(0.29) cents
From continuing operations		**3.9 cents**	(0.67) cents
From discontinued operations		**N/A**	0.38 cents
Earnings/(loss) per share — diluted	*11(b)*		
From continuing and discontinued operations		**3.9 cents**	(0.29) cents
From continuing operations		**3.9 cents**	(0.67) cents
From discontinued operations		**N/A**	0.38 cents

The notes on pages 46 to 150 form part of these financial statements.

	Note	2007 $'000	2006 $'000
Non-current assets			
Fixed assets	13(a)		
– Property, plant and equipment		**460,609**	4,432
– Interests in leasehold land held for own use under operating leases		**316,658**	—
Intangible assets	14	**4,808,088**	1,694,615
Construction in progress	15	**87,496**	—
Goodwill	16	**8,200**	8,200
Interest in jointly controlled entities	18	**—**	—
Other receivables	20(a)	**92,246**	—
Deferred tax assets	29(b)	**1,514**	366
		5,774,811	1,707,613
Current assets			
Inventories	19	**46,223**	430
Trade and other receivables	20(b)	**370,711**	15,049
Cash and cash equivalents	21	**1,247,594**	449,087
		1,664,528	464,566
Current liabilities			
Trade and other payables	22	**256,130**	22,517
Deferred income	23(a)	**53,814**	34,839
Bank loans	25	**127,467**	—
Other loans	26	**1,067**	—
Loans from minority shareholders	24	**150,500**	150,500
Current taxation	29(a)	**184,261**	—
		773,239	207,856
Net current assets		**891,289**	256,710
Total assets less current liabilities		**6,666,100**	1,964,323

	Note	2007 *$'000*	2006 *$'000*
Non-current liabilities			
Other payables	*30*	**116,986**	31,903
Deferred income	*23(b)*	**79,976**	—
Bank loans	*25*	**85,333**	—
Other loans	*26*	**4,576**	—
Deferred tax liabilities	*29(b)*	**726,195**	—
		1,013,066	31,903
NET ASSETS		**5,653,034**	1,932,420
CAPITAL AND RESERVES	*31*		
Share capital		**602,665**	472,078
Reserves		**3,390,227**	649,494
Total equity attributable to equity shareholders of the Company		**3,992,892**	1,121,572
Minority interests		**1,660,142**	810,848
TOTAL EQUITY		**5,653,034**	1,932,420

Approved and authorised for issue by the board of directors on 11 April 2008.

Cai Yuan
Director

Yeung Kwok Kuen
Director

The notes on pages 46 to 150 form part of these financial statements.

BALANCE SHEET

At 31 December 2007

(EXPRESSED IN HONG KONG DOLLARS)

	Note	2007 $'000	2006 $'000
Non-current assets			
Property, plant and equipment	*13(b)*	**1,109**	426
Investments in subsidiaries	*17*	**2,735,563**	823,231
Interest in jointly controlled entities	*18*	**39**	—
		2,736,711	823,657
Current assets			
Trade and other receivables	*20*	**49,690**	15,129
Cash and cash equivalents	*21*	**695,932**	266,813
		745,622	281,942
Current liabilities			
Trade and other payables	*22*	**21,578**	5,898
Net current assets		**724,044**	276,044
NET ASSETS		**3,460,755**	1,099,701
CAPITAL AND RESERVES	*31(b)*		
Share capital		**602,665**	472,078
Reserves		**2,858,090**	627,623
TOTAL EQUITY		**3,460,755**	1,099,701

Approved and authorised for issue by the board of directors on 11 April 2008.

Cai Yuan
Director

Yeung Kwok Kuen
Director

The notes on pages 46 to 150 form part of these financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2007
(EXPRESSED IN HONG KONG DOLLARS)

		Attributable to equity shareholders of the Company									
	Note	Share capital *(Note 31(c)(i))* $'000	Share premium *(Note 31(d)(i))* $'000	Contributed surplus *(Note 31(d)(ii))* $'000	Capital reserve *(Note 31(d)(v))* $'000	Exchange reserve *(Note 31(d)(iii))* $'000	Statutory surplus reserve *(Note 31(d)(iv))* $'000	Accumulated losses $'000	Subtotal $'000	Minority interests $'000	Total $'000
At 1 January 2006		246,481	177,179	152,150	2,373	—	—	(350,756)	227,427	—	227,427
Exchange difference on translation of financial statements of subsidiaries outside Hong Kong		—	—	—	—	9,631	—	—	9,631	8,036	17,667
Net loss for the year		—	—	—	—	—	—	(8,244)	(8,244)	(998)	(9,242)
Shares issued under:											
— purchase of net assets	*31(c)(ii)*	108,148	324,444	—	—	—	—	—	432,592	—	432,592
— share placing	*31(c)(iii)*	115,000	345,000	—	—	—	—	—	460,000	—	460,000
— share option scheme	*31(c)(iv)*	2,449	3,842	—	(2,373)	—	—	—	3,918	—	3,918
Share issue expenses		—	(3,752)	—	—	—	—	—	(3,752)	—	(3,752)
Purchase of net assets	*32(b)*	—	—	—	—	—	—	—	—	795,414	795,414
Capital contribution from a minority shareholder		—	—	—	—	—	—	—	—	8,396	8,396
At 31 December 2006		472,078	846,713	152,150	—	9,631	—	(359,000)	1,121,572	810,848	1,932,420

		Attributable to equity shareholders of the Company									
	Note	Share capital *(Note 31(c)(i))* *$'000*	Share premium *(Note 31(d)(i))* *$'000*	Contributed surplus *(Note 31(d)(ii))* *$'000*	Capital reserve *(Note 31(d)(v))* *$'000*	Exchange reserve *(Note 31(d)(iii))* *$'000*	Statutory surplus reserve *(Note 31(d)(iv))* *$'000*	Accumulated losses *$'000*	Subtotal *$'000*	Minority interests *$'000*	Total *$'000*
At 1 January 2007		472,078	846,713	152,150	–	9,631	–	(359,000)	1,121,572	810,848	1,932,420
Exchange difference on translation of financial statements of subsidiaries outside Hong Kong		–	–	–	–	151,602	–	–	151,602	89,451	241,053
Net profit for the year		–	–	–	–	–	–	212,297	212,297	12,095	224,392
Shares issued under share placing	32(c)(iii)	130,587	2,324,452	–	–	–	–	–	2,455,039	–	2,455,039
Share issue expenses	32(c)(iii)	–	(90,594)	–	–	–	–	–	(90,594)	–	(90,594)
Acquisition of subsidiaries	*32(a)(i)*	–	–	–	–	–	–	–	–	750,373	750,373
Equity settled share-based transaction		–	–	–	142,976	–	–	–	142,976	–	142,976
Dividend paid to minority shareholders		–	–	–	–	–	–	–	–	(2,625)	(2,625)
Transfer to statutory surplus reserve		–	–	–	–	–	26,372	(26,372)	–	–	–
At 31 December 2007		602,665	3,080,571	152,150	142,976	161,233	26,372	(173,075)	3,992,892	1,660,142	5,653,034

The notes on pages 46 to 150 form part of these financial statements.

CONSOLIDATED CASH FLOW STATEMENT

For the year ended 31 December 2007
(EXPRESSED IN HONG KONG DOLLARS)

	Note	**2007**	2006
		$'000	*$'000*
Operating activities			
Profit/(loss) before taxation			
— From continuing operations		**251,700**	(20,558)
— From discontinued operations		**—**	12,267
		251,700	(8,291)
Adjustments for:			
— Valuation gain on investment properties		**—**	(15,794)
— Negative goodwill		**(281,622)**	—
— Government grants		**(1,248)**	—
— Amortisation of land lease premium		**3,047**	—
— Amortisation of intangible assets		**85,237**	—
— Depreciation		**13,084**	1,369
— Impairment loss on trade and other receivables		**1,387**	877
— Impairment of goodwill		**—**	7,400
— Finance costs		**15,297**	3,645
— Dividend income from trading securities		**—**	(182)
— Interest income		**(24,782)**	(4,502)
— Share of losses of jointly controlled entities		**39**	—
— Net foreign exchange gain		**(13)**	—
— Net gain/(loss) on disposal of property, plant and equipment		**(3,640)**	18
— Equity-settled share-based payment expenses		**142,976**	—
Operating profit/(loss) before changes in working capital		**201,462**	(15,460)
Decrease/(increase) in inventories		**288,783**	(55)
(Increase)/decrease in trade and other receivables		**(116,605)**	7,601
Decrease in trading securities		**—**	2,268
Increase/(decrease) in trade and other payables		**40,868**	(26,831)
Increase in deferred income		**18,975**	13,330
Cash generated from/(used in) operations		**433,483**	(19,147)
Tax paid			
— PRC income tax paid		**(54,451)**	(568)
Net cash generated from/(used in) operating activities		**379,032**	(19,715)

CONSOLIDATED CASH FLOW STATEMENT *(CONTINUED)*

For the year ended 31 December 2007
(EXPRESSED IN HONG KONG DOLLARS)

	Note	2007 *$'000*	2006 *$'000*
Investing activities			
Payment for interest in jointly controlled entities		**(39)**	—
Proceeds from disposal of a subsidiary		**534**	—
Payment for construction in progress		**(84,474)**	—
Proceeds from disposal of fixed assets		**24,786**	—
Payment for intangible assets		**(53)**	—
Payment for acquisition of subsidiaries, net of cash acquired	*32(a)*	**(1,788,728)**	—
Purchase of net assets, net of cash acquired	*32(b)*	**—**	(215,559)
Payment for purchase of fixed assets		**(44,069)**	(1,836)
Payment for exploration and evaluation assets		**(5,952)**	—
Interest received		**24,782**	4,502
Dividends received from trading securities		**—**	182
Net cash used in investing activities		**(1,873,213)**	(212,711)
Financing activities			
Repayment of amount due from a minority shareholder		**—**	14,204
Proceeds from loans from minority shareholders		**—**	150,500
Capital injection from a minority shareholder		**—**	8,396
Proceeds from shares issued under placing		**2,455,039**	460,000
Proceeds from shares issued under share options scheme		**—**	3,918
Payment of transaction costs on issue of shares		**(90,594)**	(3,752)
Repayment of obligation under a finance lease		**—**	(117)
Repayment of bank loan		**(63,680)**	(32,910)
Proceeds from new other loan		**4,576**	—
Increase in pledged bank deposits		**—**	(9,317)
Decrease in pledged deposits in financial institutions		**—**	8,412
Interest paid		**(8,925)**	(2,479)
Net cash generated from financing activities		**2,296,416**	596,855
Net increase in cash and cash equivalents		**802,235**	364,429
Cash and cash equivalents at 1 January		**449,087**	83,757
Effect of foreign exchange rate changes		**(3,728)**	901
Cash and cash equivalents at 31 December	*21*	**1,247,594**	449,087

The notes on pages 46 to 150 form part of these financial statements.

1. SIGNIFICANT ACCOUNTING POLICIES

(a) Statement of compliance

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

The HKICPA has issued certain new and revised HKFRSs that are first effective or available for early adoption for the current accounting period of the Group and the Company. Note 2 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 2007 comprise the Company and its subsidiaries (together referred to as the "Group") and the Group's interest in jointly controlled entities.

The measurement basis used in the preparation of the financial statements is the historical cost basis. The functional currencies of the Company and its subsidiaries in the People's Republic of China (the "PRC") are Hong Kong dollars and Renminbi respectively. For the purposes of presenting the consolidated financial statements, the Group adopted Hong Kong dollars as its presentation currency.

The preparation of financial statements in conformity with HKFRSs requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets, liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying values of assets and liabilities 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.

1. SIGNIFICANT ACCOUNTING POLICIES *(CONTINUED)*

(b) Basis of preparation of the financial statements *(CONTINUED)*

Judgements made by management in the application of HKFRSs that have significant effect on the financial statements and estimates with a significant risk of material adjustment in the next year are discussed in note 37.

(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 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. If the subsidiary subsequently reports profits, the Group's interest is allocated all such profits until the minority's share of losses previously absorbed by the Group has been recovered.

Loans from holders of minority interests and other contractual obligations towards these holders are presented as financial liabilities in the consolidated balance sheet in accordance with notes 1(o) or (p) depending on the nature of the liability.

In the Company's balance sheet, an investment in a subsidiary is stated at cost less impairment losses (see note 1(l)).

1. SIGNIFICANT ACCOUNTING POLICIES *(CONTINUED)*

(d) Jointly controlled entities

A jointly controlled entity is an entity which operates under a contractual arrangement between the Group or Company and other parties, where the contractual arrangement establishes that the Group or Company and one or more of the other parties share joint control over the economic activity of the entity.

An investment in a jointly controlled entity is accounted for in the consolidated financial statements under the equity method and is initially recorded at cost and adjusted thereafter for the post acquisition change in the Group's share of the jointly controlled entity's net assets, unless it is classified as held for sale. The consolidated income statement includes the Group's share of the post-acquisition, post-tax results of the jointly controlled entities for the year, including any impairment loss on goodwill relating to the investment in jointly controlled entities recognised for the year (see notes 1(e) and (l)).

When the Group's share of losses exceeds its interest in the jointly controlled entity, the Group's interest is reduced to nil and recognition of further losses is discontinued except to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the jointly controlled entity. For this purpose, the Group's interest in the jointly controlled entity is the carrying amount of the investment under the equity method together with the Group's long-term interests that in substance form part of the Group's net investment in the jointly controlled entity.

Unrealised profits and losses resulting from transactions between the Group and its jointly controlled entities are eliminated to the extent of the Group's interest in jointly controlled entity, except where unrealised losses provide evidence of an impairment of the asset transferred, in which case they are recognised immediately in profit or loss.

In the Company's balance sheet, its investments in jointly controlled entities are stated at cost less impairment losses (see note 1(l)).

(e) Goodwill

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

Goodwill is stated at cost less accumulated impairment losses. Goodwill is allocated to cash-generating units and is tested annually for impairment (see note 1(l)).

1. SIGNIFICANT ACCOUNTING POLICIES *(CONTINUED)*

(e) Goodwill *(CONTINUED)*

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

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

(f) Other investments in equity securities

The Group's and the Company's policies for investments in equity securities, other than investments in subsidiaries and jointly controlled entity, are as follows:

Investments in securities held for trading are classified as current assets. Any attributable transaction costs are recognised in profit or loss as incurred. At each balance sheet date the fair value is remeasured, with any resultant gain or loss being recognised in profit or loss.

Investments are recognised/derecognised on the date the Group commits to purchase/sell the investments or they expire.

(g) Investment properties

Investment properties are land and/or buildings which are owned or held under a leasehold interest (see note 1(k)) to earn rental income and/or for capital appreciation. These include land held for a currently undermined future use.

Investment properties are stated in the balance sheet at fair value. Any gain or loss arising from a change in fair value or from the retirement or disposal of an investment property is recognised in profit or loss. Rental income from investment properties is accounted for as described in note 1(u)(iii).

When the Group holds a property interest under an operating lease to earn rental income and/or for capital appreciation, the interest is classified and accounted for as an investment property on a property-by-property basis. Any such property interest which has been classified as an investment property is accounted for as if it were held under a finance lease (see note 1(k)), and the same accounting policies are applied to that interest as are applied to other investment properties leased under finance leases. Lease payments are accounted for as described in note 1(k).

1. SIGNIFICANT ACCOUNTING POLICIES *(CONTINUED)*

(h) Property, plant and equipment

Property, plant and equipment are stated in the consolidated balance sheet at cost less accumulated depreciation and impairment losses (see note 1(l)).

The cost of self-constructed items of property, plant and equipment includes the cost of materials, direct labour, the initial estimate, where relevant, of the costs of dismantling and removing the items and restoring the site on which they are located, and an appropriate proportion of production overheads and borrowing costs (see note 1(w)).

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

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

— Buildings situated on leasehold land are depreciated over the shorter of the unexpired term of lease and their estimated useful lives, being no more than 40 years after the date of completion.

—	Leasehold improvements	5 years or over the unexpired terms of the lease, whichever is shorter
—	Plant and machinery	12 — 14 years
—	Furniture, fixtures and equipment	5 — 10 years
—	Motor vehicles	5 — 10 years

Included in property, plant and equipment are mining shafts located at the mining site. Depreciation is provided to write off the cost of mining shafts using the units of production method based on the proven and probable mineral reserves.

1. SIGNIFICANT ACCOUNTING POLICIES *(CONTINUED)*

(h) Property, plant and equipment *(CONTINUED)*

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

(i) Construction in progress

Construction in progress represents property, plant and equipment under construction and equipment pending installation and is stated at cost less impairment losses (see note 1(l)). Cost comprises direct costs of construction. Capitalisation of these costs ceases and the construction in progress is transferred to property, plant and equipment when substantially all of the activities necessary to prepare the assets for their intended use are complete.

No depreciation is provided in respect of construction in progress until it is substantially completed and ready for its intended use.

(j) Intangible assets (other than goodwill)

(i) Mining rights

Mining rights are stated at cost less accumulated amortisation and impairment losses (see note 1(l)). The mining rights are amortised using the units of production method based on the proven and probable mineral reserves.

(ii) Exploration rights

Exploration rights are stated at cost less accumulated amortisation and impairment losses (see note 1(l)). The exploration rights are amortised on a straight-line basis over the respective periods of the rights.

(iii) Exploration and evaluation assets and mining development assets

Exploration and evaluation assets are stated at cost less impairment losses (see note 1(l)). Exploration and evaluation assets include exploration and development costs.

Exploration and development costs include expenditures incurred in connection with the exploration for and evaluation of mineral resources before the technical feasibility and commercial viability of extracting a mineral resource are demonstrable and expenditures incurred to secure further mineralisation in existing ore bodies and to expand the capacity of a mine. Expenditure during the initial exploration stage is written off as incurred.

1. SIGNIFICANT ACCOUNTING POLICIES *(CONTINUED)*

(j) Intangible assets (other than goodwill) *(CONTINUED)*

(iii) Exploration and evaluation assets and mining development assets (CONTINUED)

When it can be reasonably ascertained that a mining property is capable of commercial production, exploration and development costs capitalised are transferred to mining development assets and amortised using the units of production method based on the proven and probable mineral reserves. If any project is abandoned during the exploration and evaluation stage, the related exploration and evaluation assets are written off to profit or loss.

(k) Leased assets

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

(i) Classification of assets leased to the Group

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

— property held under operating leases that would otherwise meet the definition of an investment property is classified as an investment property on property-by-property basis and, if classified as investment property, is accounted for as if held under a finance lease (see note 1(g)).

(ii) Assets acquired under finance leases

Where the Group acquires the use of assets under finance assets, the amounts representing the fair value of the leased asset, or, if lower, the present value of the minimum lease payments, of such assets are included in fixed assets and the corresponding liabilities, net of finance charges, are recorded as obligations under finance leases. Depreciation is provided at rates which write off the cost of the assets over the term of the relevant lease or, where it is likely the Group will obtain ownership of the asset, the life of the asset, as set out in note 1(h). Impairment losses are accounted for in accordance with the accounting policy as set out in note 1(l). Finance charges implicit in the lease payments are charged to profit or loss over the period of the leases so as to produce an approximately constant periodic rate of charge on the remaining balance of the obligations for each accounting period. Contingent rentals are charged to profit or loss in the accounting period in which they are incurred.

1. SIGNIFICANT ACCOUNTING POLICIES *(CONTINUED)*

(k) Leased assets *(CONTINUED)*

(iii) Operating lease charges

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

The cost of acquiring land held under an operating lease is amortised on a straight-line basis over the period of the lease term.

(l) Impairment of assets

(i) Impairment of trade and other receivables

Current and non-current receivables that are stated at cost or amortised cost are reviewed at each balance sheet date to determine whether there is objective evidence of impairment. Objective evidence of impairment includes observable data that comes to the attention of the Group about one or more of the following loss events:

— significant financial difficulty of the debtor;

— a breach of contract, such as a default or delinquency in interest or principal payments;

— it becoming probable that the debtor will enter bankruptcy or other financial reorganisation; and

— significant changes in the technological, market, economic or legal environment that have an adverse effect on the debtor.

If any such evidence exists, any impairment loss is determined and measured as the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the financial asset's original effective interest rate (i.e. the effective interest rate computed at initial recognition of these assets), where the effect of discounting is material. This assessment is made collectively where financial assets carried at amortised cost share similar risk characteristics, such as similar past due status, and have not been individually assessed as impaired. Future cash flows for financial assets which are assessed for impairment collectively are based on historical loss experience for assets with credit risk characteristics similar to the collective group.

1. SIGNIFICANT ACCOUNTING POLICIES *(CONTINUED)*

(l) Impairment of assets *(CONTINUED)*

(i) Impairment of trade and other receivables *(CONTINUED)*

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

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

(ii) Impairment of other assets

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

— property, plant and equipment;

— pre-paid interests in leasehold land classified as being held under an operating lease;

— intangible assets;

— investments in subsidiaries and jointly controlled entity; and

— goodwill.

If any such indication exists, the asset's recoverable amount is estimated. In addition, for goodwill and intangible assets that are not yet available for use, the recoverable amount is estimated annually whether or not there is any indication of impairment.

1. SIGNIFICANT ACCOUNTING POLICIES *(CONTINUED)*

(l) Impairment of assets *(CONTINUED)*

(ii) Impairment of other assets *(CONTINUED)*

— *Calculation of recoverable amount*

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

— *Recognition of impairment losses*

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

— *Reversals of impairment losses*

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

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

1. SIGNIFICANT ACCOUNTING POLICIES *(CONTINUED)*

(l) Impairment of assets *(CONTINUED)*

(iii) Interim financial reporting and impairment

Under the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited, the Group is required to prepare an interim financial report in compliance with HKAS 34, Interim financial reporting, in respect of the first six months of the financial year. At the end of the interim period, the Group applies the same impairment testing, recognition, and reversal criteria as it would at the end of the financial year (see notes 1(l)(i) and (ii)).

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

(m) Inventories

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

Cost is calculated using the first-in, first-out method and the weighted average cost formula for cord blood storage and mining operations respectively, and comprises all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition.

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

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

(n) Trade and other receivables

Trade and other receivables are initially recognised at fair value and thereafter stated at amortised cost less allowance for impairment losses for bad and doubtful debts (see note 1(l)), except where the receivables are interest-free loans made to related parties without any fixed repayment terms or the effect of discounting would be immaterial. In such cases, the receivables are stated at cost less allowance for impairment losses for bad and doubtful debts (see note 1(l)).

1. SIGNIFICANT ACCOUNTING POLICIES *(CONTINUED)*

(o) Interest-bearing borrowings

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

(p) Trade and other payables

Trade and other payables are initially recognised at fair value. Except for financial guarantee liabilities measured in accordance with note 1(t)(i), trade and other payables are subsequently stated at amortised cost unless the effect of discounting would be immaterial, in which case they are stated at cost.

(q) Cash and cash equivalents

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

(r) Employee benefits

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

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

Contributions to appropriate local retirement schemes pursuant to the relevant labour rules and regulations in the PRC are recognised as an expense in profit or loss as incurred, except to the extent that they are included in the cost of inventories not yet recognised as an expense.

1. SIGNIFICANT ACCOUNTING POLICIES *(CONTINUED)*

(r) Employee benefits *(CONTINUED)*

(ii) Share-based payments

The fair value of share options or other equity instruments granted to employees is recognised as an employee cost with a corresponding increase in a capital reserve within equity. The fair value of share options is measured at the grant date using the Black-Scholes model, taking into account the terms and conditions upon which the options were granted. The fair value of other equity instruments is measured at the grant date based on market prices if available, taking into account the terms and conditions upon which those equity instruments were granted. If market prices are not available, the fair value of equity instruments is estimated using a valuation technique, which is consistent with generally accepted valuation methodologies for pricing financial instruments and incorporate all factors and assumptions that knowledge, willing market participants would consider in setting the price. Where the employees have to meet vesting conditions before becoming unconditionally entitled to the options or equity instruments, the total estimated fair value of the options or equity instruments is spread over the vesting period, taking into account the probability that the options or equity instruments will vest.

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

(iii) Termination benefits

Termination benefits are recognised when, and only when, the Group demonstrably commits itself to terminate employment or to provide benefits as a result of voluntary redundancy by having a detailed formal plan which is without realistic possibility of withdrawal.

1. SIGNIFICANT ACCOUNTING POLICIES *(CONTINUED)*

(s) Income tax

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

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

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

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

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

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

1. SIGNIFICANT ACCOUNTING POLICIES *(CONTINUED)*

(s) Income tax *(CONTINUED)*

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

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

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

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

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

  — the same taxable entity; or

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

(t) Financial guarantees issued, provisions and contingent liabilities

(i) Financial guarantees issued

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

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

1. SIGNIFICANT ACCOUNTING POLICIES *(CONTINUED)*

(t) Financial guarantees issued, provisions and contingent liabilities *(CONTINUED)*

(i) Financial guarantees issued (CONTINUED)

The amount of the guarantee initially recognised as deferred income is amortised in profit or loss over the term of the guarantee as income from financial guarantees issued. In addition, provisions are recognised in accordance with note 1(t)(iii) if and when (i) it becomes probable that the holder of the guarantee will call upon the Group under the guarantee, and (ii) the amount of that claim on the Group is expected to exceed the amount currently carried in trade and other payables in respect of that guarantee i.e. the amount initially recognised, less accumulated amortisation.

(ii) Contingent liabilities acquired in business combinations

Contingent liabilities acquired as part of a business combination are initially recognised at fair value, provided the fair value can be reliably measured. After their initial recognition at fair value, such contingent liabilities are recognised at the higher of the amount initially recognised, less accumulated amortisation where appropriate, and the amount that would be determined in accordance with note 1(t)(iii). Contingent liabilities acquired in a business combination that cannot be reliably fair valued are disclosed in accordance with note 1(t)(iii).

(iii) Other provisions and contingent liabilities

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

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

1. SIGNIFICANT ACCOUNTING POLICIES *(CONTINUED)*

(u) Revenue recognition

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

(i) Sale of goods

Revenue is recognised when the customer has accepted the goods and the related risks and rewards of ownership. Revenue excludes value added tax or other sales taxes and is after deduction of any trade discounts.

(ii) Processing, storage and enrolment fees

Processing and storage fees are recognised when services are rendered. Enrolment fees are recognised upon the signing of the enrolment contract.

(iii) Rental income from operating leases

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

(iv) Dividends

— Dividend income from unlisted investments is recognised when the shareholder's right to receive payment is established.

— Dividend income from listed investments is recognised when the share price of the investment goes ex-dividend.

(v) Interest income

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

1. SIGNIFICANT ACCOUNTING POLICIES *(CONTINUED)*

(v) Translation of foreign currencies

Foreign currency transactions during the year are translated at the foreign exchange rates ruling at the transaction dates. Monetary assets and liabilities denominated in foreign currencies are translated at the foreign exchange rates ruling at the balance sheet date. Exchange gains and losses are recognised in profit or loss.

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

The results of foreign operations are translated into Hong Kong dollars at the exchange rates approximating the foreign exchange rates ruling at the dates of the transactions. Balance sheet items are translated into Hong Kong dollars at the foreign exchange rates ruling at the balance sheet date. The resulting exchange differences are recognised directly in a separate component of equity.

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

(w) 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 an asset which necessarily takes a substantial period of time to get ready for its intended use or sale.

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

1. SIGNIFICANT ACCOUNTING POLICIES *(CONTINUED)*

(x) Discontinued operations

A discontinued operation is a component of the Group's business, the operations and cash flows 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 of 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.

(y) Related parties

For the purposes of these financial statements, a party is considered to be related to the Group if:

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

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

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

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

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

1. SIGNIFICANT ACCOUNTING POLICIES *(CONTINUED)*

(y) Related parties *(CONTINUED)*

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

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

(z) Segment reporting

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

In accordance with the Group's internal financial reporting system, the Group has chosen business segment information as the primary reporting format and geographical segment information as the secondary reporting format for the purposes 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 entities within a single segment. Inter-segment pricing is based on similar terms as those available to other external parties.

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

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

1. SIGNIFICANT ACCOUNTING POLICIES *(CONTINUED)*

(aa) Deferred income

(i) Receipt in advance for the provision of storage services

Receipt in advance for the provision of storage services are recognised as deferred income in the balance sheet. The amount is amortised over the remaining service period.

(ii) Government grants

Government grants are recognised in the balance sheet initially when there is reasonable assurance that they will be received and that the Group will comply with the conditions attaching to them. Grants that compensate the Group for expenses incurred are recognised as revenue in profit or loss on a systematic basis in the same periods in which the expenses are incurred. Grants that compensate the Group for the cost of an asset are recognised in profit or loss as revenue on a systematic basis over the useful life of the asset.

(ab) Equity-settled share-based payment transactions

For equity-settled share-based payment transactions, the goods or services received are recognised at fair value with a corresponding increase in equity, unless fair value cannot be estimated reliably. If the fair value of the goods or services received cannot be estimated reliably, their values are indirectly measured by reference to the fair value of the equity instruments granted.

Share-based payment in respect of employee benefits is dealt with in accordance with the accounting policy set out in note 1(r)(ii).

2. CHANGES IN ACCOUNTING POLICIES

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

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

As a result of the adoption of HKFRS 7, the financial statements include expanded disclosure about the significance of the Group's financial instruments and the nature and extent of risks arising from those instruments, compared with the information previously required to be disclosed by HKAS 32, *Financial instruments: Disclosure and presentation*. These disclosures are provided throughout these financial statements, in particular in note 33.

The amendment to HKAS 1 introduces additional disclosure requirements to provide information about the level of capital and the Group's and the Company's objectives, policies and processes for managing capital. These new disclosures are set out in note 31(f).

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

The Group has not applied any new standard or interpretation that is not yet effective for the current accounting period (see note 41).

3. TURNOVER

The principal activities of the Group are mining operations and processing and storage of cord blood.

Turnover represents the sales value of goods supplied to customers less returns, discounts and value added taxes during the year. Turnover recognised during the year may be analysed as follows:

	2007	2006
	$'000	*$'000*
Continuing operations:		
Processing and storage of cord blood	**21,461**	17,366
Mining operations		
Sales of:		
— Molybdenum	**551,225**	—
— Copper	**97,298**	—
— Zinc	**18,295**	—
— Others	**8,137**	—
	674,955	—
	696,416	17,366
Discontinued operations: ***(note 9)***		
Sales of trading securities	**—**	116,234
Dividend income from trading securities	**—**	182
Sales of pharmaceutical and chemical products	**—**	13,995
Rental income	**—**	7,796
	—	138,207
	696,416	155,573

4. OTHER REVENUE AND NET INCOME

	2007	2006
	$'000	*$'000*
Other revenue		
Continuing operations:		
Bad debt recovery	—	49
Interest income on bank deposits	24,782	4,128
Government grants *(note 23(b))*	1,248	—
Others	9	73
	26,039	4,250
Discontinued operations: ***(note 9)***		
Bad debt recovery	—	167
Interest income on bank deposits	—	240
Interest income on securities accounts	—	134
	—	541
	26,039	4,791
Other net income/(loss)		
Continuing operations:		
Negative goodwill *(note 32(a)(i))*	281,622	—
Net foreign exchange loss	(5,981)	(449)
Sales of scrap materials	238	—
Net gain/(loss) on disposal of property, plant and equipment	3,640	(18)
	279,519	(467)
Discontinued operations: ***(note 9)***		
Net foreign exchange loss	—	(28)

5. PROFIT/(LOSS) BEFORE TAXATION

Profit/(loss) before taxation is arrived at after charging/(crediting):

		2007	2006
		$'000	*$'000*
(a)	Finance costs:		
	Continuing operations:		
	— Finance charges on obligation under a finance lease	**—**	3
	— Interest expense on financial liabilities measured at amortised cost	**6,372**	1,166
	— Interest on bank loan wholly repayable within five years	**8,925**	—
		15,297	1,169
	Discontinued operations: ***(note 9)***		
	— Interest on bank loan wholly repayable within five years	**—**	1,978
	— Interest paid for margin financing	**—**	498
		—	2,476
		15,297	3,645
(b)	Staff costs (excluding directors' fees):		
	Continuing operations:		
	— Salaries, wages and other benefits	**43,846**	8,001
	— Staff welfare	**1,962**	—
	— Contributions to defined contribution retirement plan	**5,202**	208
	— Equity-settled share-based payment expenses	**142,976**	—
		193,986	8,209
	Discontinued operations:		
	— Salaries, wages and other benefits	**—**	299
	— Contributions to defined contribution retirement plan	**—**	18
		—	317
		193,986	8,526

5. PROFIT/(LOSS) BEFORE TAXATION *(CONTINUED)*

Profit/(loss) before taxation is arrived at after charging/(crediting): *(CONTINUED)*

	2007	2006
	$'000	*$'000*
(c) Other items:		
Continuing operations:		
— Auditors' remuneration	**4,856**	1,436
— Depreciation of property, plant and equipment	**13,084**	1,255
— Operating lease charges		
— land and buildings	**4,273**	3,084
— office equipment	**—**	17
— Impairment losses on trade and other receivables	**1,387**	877
— Amortisation		
— land lease premium	**3,047**	—
— intangible assets	**85,237**	—
— Environmental costs	**200**	—
Discontinued operations:		
— Auditors' remuneration	**—**	42
— Depreciation of property, plant and equipment	**—**	114
— Rentals receivable from investment properties less direct outgoings of $2,812,000	**—**	(4,984)

6. INCOME TAX IN THE CONSOLIDATED INCOME STATEMENT

(a) Continuing operations:

(i) Taxation in the consolidated income statement represents:

	2007	2006
	$'000	*$'000*
Current tax — PRC Enterprise Income Tax		
Provision for the year	**98,383**	—
Deferred tax		
Origination and reversal of temporary differences	**(71,075)**	(366)
Tax charge/(credit)	**27,308**	(366)

The provision for PRC Enterprise Income Tax has been calculated based on the estimated taxable income at a rate of 33% during the year.

No provision has been made for Hong Kong Profits Tax as the companies engaged in the continuing operations did not earn any assessable profits during both years.

6. INCOME TAX IN THE CONSOLIDATED INCOME STATEMENT *(CONTINUED)*

(a) Continuing operations: *(CONTINUED)*

(ii) Reconciliation between tax charge/(credit) and accounting profit/(loss) at applicable tax rates:

	2007	2006
	$'000	*$'000*
Profit/(loss) before taxation	**251,700**	(20,558)
Notional tax charge/(credit) on profit/(loss) before taxation, calculated at the rate applicable to the profits in the tax jurisdiction concerned	**67,969**	(3,209)
Tax effect of non-taxable income	**(73,111)**	(728)
Tax effect of non-deductible expenses	**32,450**	3,935
Tax effect of prior year's unrecognised tax losses recognised in current year	**—**	(364)
Actual tax charge/(credit)	**27,308**	(366)

6. INCOME TAX IN THE CONSOLIDATED INCOME STATEMENT

(CONTINUED)

(b) Discontinued operations: *(note 9)*

(i) Taxation in the consolidated income statement represents:

	2007	2006
	$'000	*$'000*
Current tax — PRC Enterprise Income Tax		
Provision for the year	—	512
Deferred tax		
Origination and reversal of temporary differences	—	805
Tax charge	—	1,317

The provision for PRC Enterprise Income Tax has been calculated based on the estimated taxable income at the appropriate rates of taxation ruling in the PRC.

No provision has been made for Hong Kong Profits Tax as the companies engaged in the discontinued operations either had no assessable profits in 2006 or had sufficient tax losses brought forward from previous year to fully set off the assessable profits.

6. INCOME TAX IN THE CONSOLIDATED INCOME STATEMENT *(CONTINUED)*

(b) Discontinued operations: *(note 9)* *(CONTINUED)*

(ii) Reconciliation between tax charge and accounting profit at applicable tax rates:

	2007	2006
	$'000	*$'000*
Profit before taxation	—	12,267
Notional tax charge on profit before taxation, calculated at the rate applicable to the profits in tax jurisdictions concerned	—	1,763
Tax effect of non-taxable income	—	(2,484)
Tax effect of non-deductible expenses	—	892
Tax effect of unused tax losses not recognised	—	1,159
Tax effect of prior year's unrecognised tax losses utilised in current year	—	(13)
Actual tax charge	—	1,317

6. INCOME TAX IN THE CONSOLIDATED INCOME STATEMENT

(CONTINUED)

(c) New Tax Law of the PRC

On 16 March 2007, the Fifth Plenary Session of the Tenth National People's Congress promulgated the Corporate Income Tax Law of the PRC ("the New Tax Law"), which became effective on 1 January 2008. Further, on 6 December 2007, the State Council released the Implementation Rules to the Corporate Income Tax Law ("the Implementation Rules"). According to the New Tax Law, from 1 January 2008, the applicable corporate income tax rates for enterprises in the PRC will be reduced from 33% to 25%. Subsidiaries of the Group incorporated in the PRC except for the entity described below will be subject to corporate income tax rate of 25%, effective on 1 January 2008.

Any unutilised tax holidays will continue until expiry and tax holidays which have not commerced due to losses in prior years are deemed to have started from 1 January 2008, even if the entity is not yet reporting a profitable year. In view of the new regulations, Shanxi Shenli Aerospace Titanium Company Limited's tax holidays commenced on 1 January 2008.

The enactment of the New Tax Law is not expected to have any financial effect on the amounts accrued in the balance sheet in respect of current tax payable.

Pursuant to the New Tax Law and its implementation rules, dividends payable to foreign investors are subject to a 10% withholding tax, which may be reduced if the foreign jurisdiction of incorporation has a tax treaty with the PRC that provides for a different withholding arrangement. Pursuant to a tax treaty between the PRC and Hong Kong and the grandfathering arrangement, the investment holding companies established in Hong Kong will be subject to a reduced withholding tax rate of 5% on dividends it receives from its PRC subsidiaries and dividends receivable by the Group from subsidiaries established in the PRC in respect of their undistributed profits prior to 31 December 2007 are exempted from withholding tax.

7. DIRECTORS' REMUNERATION

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

	Resigned on	Appointed on	Directors' fees	Salaries, allowances and benefits in kind	Retirement scheme contributions	Sub-total	Share-based payments (Note)	2007 Total
			$'000	$'000	$'000	$'000	$'000	$'000
Chairman								
Cai Yuan			—	480	24	504	1,223	1,727
Executive directors								
Dong Wenxue	31 January 2008	5 July 2007	—	2,669	2	2,671	38,709	41,380
Wang Hui		5 July 2007	—	1,338	2	1,340	9,351	10,691
Yeung Kwok Kuen		17 January 2007	—	1,071	54	1,125	19,075	20,200
Chen Shou Wu		21 December 2007	—	43	2	45	5,212	5,257
Wu King Shiu Kelvin	31 January 2008	11 June 2007	—	—	—	—	38,874	38,874
Luk Kin Peter Joseph	6 July 2007		—	—	—	—	—	—
You Xian Sheng		31 January 2008	—	—	—	—	—	—
Non-executive directors								
Wu King Shiu Kelvin		31 January 2008	—	—	—	—	—	—
Lam Ming Yung		8 February 2007	83	—	—	83	—	83
Chan Siu Tat		5 December 2007	9	—	—	9	1,223	1,232
Independent non-executive directors								
Chan Sze Hon		5 December 2007	9	—	—	9	—	9
Goh Choo Hwee		5 December 2007	9	—	—	9	—	9
Chu Kang Nam		16 May 2007	67	—	—	67	1,223	1,290
Wong Hon Sum	5 December 2007	8 January 2007	80	—	—	80	1,223	1,303
Lam Ming Yung	8 February 2007	8 January 2007	5	—	—	5	1,223	1,228
Lee Kwan Hung	7 February 2007		6	—	—	6	—	6
Chan Siu Tat	5 December 2007		81	—	—	81	—	81
Tang Tin Sek	16 May 2007 (retired)		22	—	—	22	—	22
Lin Xiang Min		31 January 2008	—	—	—	—	—	—
			371	5,601	84	6,056	117,336	123,392

7. DIRECTORS' REMUNERATION *(CONTINUED)*

Directors' remuneration disclosed pursuant to section 161 of the Hong Kong Companies Ordinance is as follows: *(CONTINUED)*

	Directors' fees	Salaries, allowances and benefits in kind	Retirement scheme contributions	Sub-total	Share-based payments *(Note)*	2006 Total
	$'000	*$'000*	*$'000*	*$'000*	*$'000*	*$'000*
Chairman						
Cai Yuan	—	1,140	46	1,186	—	1,186
Executive directors						
Luk Kin Peter Joseph	—	1,100	57	1,157	—	1,157
Yeung Kwok Kuen	—	—	—	—	—	—
Non-executive director						
Lam Ming Yung	—	—	—	—	—	—
Independent non-executive directors						
Tang Tin Sek	240	—	—	240	—	240
Lee Kwan Hung	240	—	—	240	—	240
Poon Chiu Kwok (resigned on 8 November 2006)	165	—	—	165	—	165
Chan Siu Tat	7	—	—	7	—	7
Wong Hon Sum	—	—	—	—	—	—
	652	2,240	103	2,995	—	2,995

Note: These represent the estimated value of share options and equity instruments granted to the directors under the Company's share option scheme and the discounted share subscriptions. The value of these share options and equity instruments is measured according to the Group's accounting policies for share-based payment transactions as set out in note 1(r)(ii) and, in accordance with that policy, includes adjustments to reverse amounts accrued in previous years where grants of equity instruments are forfeited prior to vesting.

Details of these benefits in kind, including the principal terms and number of options granted and discounted share subscriptions, are disclosed under the paragraph "Share options scheme" and "Discounted share subscriptions" in the directors' report and notes 28(i) and (ii).

8. INDIVIDUALS WITH HIGHEST EMOLUMENTS

Of the five individuals with the highest emoluments, all (2006: two) are directors whose emoluments are disclosed in note 7 in the year ended 31 December 2007. The aggregate of the emoluments in respect of the other three individuals in 2006 are as follows:

	2007	2006
	$'000	*$'000*
Salaries and other emoluments	—	1,357
Share-based payments	—	—
Retirement scheme contributions	—	61
	—	1,418

The emoluments of the three individuals with the highest emoluments in 2006 fall within the band of less than HK$1,000,000.

During the year, no emoluments (2006: Nil) 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 a compensation for loss of office.

9. DISCONTINUED OPERATIONS

The Group's trading of investment and trading of pharmaceutical ingredients and chemicals products operations were discontinued during the financial year ended 31 December 2006.

Following the cessation of the trading activities, two subsidiaries, namely Fullgain International Investment Limited and INNOMAXX International Trading Company Limited were de-registered on 17 August 2007 and 31 August 2007 respectively.

In November 2006, the Group's property investment operation was discontinued following the disposal of two subsidiaries, namely INNOMAXX Property (BVI) Limited and GITIC Properties Limited, as part of the considerations in connection with the acquisition of 57% equity interest in Lead Sun Investments Limited.

9. DISCONTINUED OPERATIONS *(CONTINUED)*

(a) The results of the discontinued operations for the year ended 31 December 2006 are as follows:

	Note	2006 *$'000*
Turnover	*3, 12*	138,207
Cost of sales		(138,580)
Gross loss		(373)
Valuation gain on investment properties	*13(a)*	15,794
Other revenue	*4*	541
Other net loss	*4*	(28)
Selling expenses		—
Administrative expenses		(1,191)
Profit from operations		14,743
Finance costs	*5(a)*	(2,476)
Profit before taxation	*5*	12,267
Income tax	*6(b)*	(1,317)
Profit for the year		10,950

(b) The net cash flows of the discontinued operations for the year ended 31 December 2006 is as follows:

	2006 *$'000*
Net cash outflow from operating activities	(6,874)
Net cash outflow from investing activities	(1,832)
Net cash outflow from financing activities	(32,910)
Net cash outflow incurred by the discontinued operations	(41,616)

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

The consolidated profit attributable to equity shareholders of the Company includes a loss of $146,367,000 (2006: loss of $46,919,000) which has been dealt with in the financial statements of the Company.

11. EARNINGS/(LOSS) PER SHARE

(a) Basic earnings/(loss) per share

The calculation of basic earnings/(loss) per share is based on the profit/(loss) attributable to ordinary equity shareholders of the Company and the weighted average number of ordinary shares in issue during the year, calculated as follows:

(i) Profit/(loss) attributable to ordinary equity shareholders of the Company

	2007	2006
	$'000	*$'000*
Continuing operations	**212,297**	(19,194)
Discontinued operations	**—**	10,950
	212,297	(8,244)

(ii) Weighted average number of ordinary shares

	2007	2006
	'000	*'000*
Issued ordinary shares at 1 January	**4,720,781**	2,464,813
Effect of share issued *(note 31(c)(ii) and (iii))*	**665,458**	373,120
Effect of share options exercised *(note 31(c)(iv))*	**—**	7,310
Weighted average number of ordinary shares	**5,386,239**	2,845,243

(b) Diluted earnings/(loss) per share

The diluted earnings/(loss) per share from continuing operations and discontinued operations for the year ended 31 December 2007 and 2006 is the same as the basic earnings per share as the potential ordinary shares are anti-dilutive.

12. SEGMENT REPORTING

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

Business segments

The Group is currently engaged in mining operations and processing and storage of cord blood.

The Group was also involved in the trading of investments, sales of pharmaceutical and chemical products and property investment which were discontinued in the year ended 31 December 2006 as set out in note 9. These segments are the basis on which the Group reports its primary segment information.

12. SEGMENT REPORTING *(CONTINUED)*

Business segments *(CONTINUED)*

Segment information about these businesses is set out as follows:

For the year ended 31 December 2007

	Processing and storage of cord blood	Mining						
		Molybdenum	Copper and Zinc	Rutile	Others*	Sub-total	Unallocated	Total
	$'000	*$'000*	*$'000*	*$'000*	*$'000*	*$'000*	*$'000*	*$'000*
Segment revenue								
Turnover from external customers	21,461	551,225	115,593	–	8,137	674,955	–	696,416
Other revenue from external customers	–	–	–	–	–	–	1,248	1,248
Total	21,461	551,225	115,593	–	8,137	674,955	1,248	697,664
Segment result	298	129,716	22,777	(8,247)	(6,336)	137,910	1,248	139,456
Unallocated operating income and expenses								127,580
Profit from operations								267,036
Finance costs								(15,297)
Taxation								(27,308)
Share of losses of jointly controlled entities								(39)
Profit after taxation								224,392
Assets and liabilities								
Segment assets	46,105	3,462,533	508,001	1,958,142	425,715	6,354,391	1,038,843	7,439,339
Segment liabilities	55,808	1,195,853	234,311	191,446	76,255	1,697,865	32,632	1,786,305

12. SEGMENT REPORTING *(CONTINUED)*

Business segments *(CONTINUED)*

Segment information about these businesses is set out as follows:*(CONTINUED)*

For the year ended 31 December 2007 *(CONTINUED)*

	Processing and storage of cord blood	Mining					Unallocated	Total
		Molybdenum	Copper and Zinc	Rutile	Others*	Sub-total		
	$'000	*$'000*	*$'000*	*$'000*	*$'000*	*$'000*	*$'000*	*$'000*
Other segment information								
Depreciation and amortisation	1,015	64,846	39,320	395	5,872	110,433	2,124	113,572
Gain on disposal of property, plant and equipment	–	–	–	–	–	–	3,640	3,640
Impairment loss on trade and other receivables	424	–	–	–	–	–	963	1,387
Capital expenditure incurred during the year	1,882	2,813,140	422,021	24,280	407,293	3,666,734	174,357	3,842,973

* Others include business segments which individually account for less than 10% of the Group's revenue or total assets.

12. SEGMENT REPORTING *(CONTINUED)*

Business segments *(CONTINUED)*

For the year ended 31 December 2006

	Continuing operations			Discontinued operations				
	Processing and storage of cord blood	Mining-Rutile	Sub-total	Property investment	Trading of investments	Sales of pharmaceutical and chemical products	Sub-total	Total
	$'000	*$'000*	*$'000*	*$'000*	*$'000*	*$'000*	*$'000*	*$'000*
Segment revenue:								
Turnover from external customers	17,366	—	17,366	7,796	116,416	13,995	138,207	155,573
Other revenue	—	—	—	—	—	77	77	77
Total	17,366	—	17,366	7,796	116,416	14,072	138,284	155,650
Segment result	(7,409)	(1,130)	(8,539)	20,245	(5,809)	68	14,504	5,965
Unallocated operating income and expenses			(10,850)				239	(10,611)
(Loss)/profit from operations			(19,389)				14,743	(4,646)
Finance costs			(1,169)				(2,476)	(3,645)
Taxation			366				(1,317)	(951)
(Loss)/profit after taxation			(20,192)				10,950	(9,242)
Assets and liabilities								
Segment assets	24,344	1,695,875	1,720,219	—	—	—	—	1,720,219
Unallocated assets								451,960
Total assets								2,172,179
Segment liabilities	36,334	46,953	83,287	—	18	10	28	83,315
Unallocated liabilities								156,444
Total liabilities								239,759

12. SEGMENT REPORTING *(CONTINUED)*

Business segments *(CONTINUED)*

For the year ended 31 December 2006 *(CONTINUED)*

	Continuing operations			Discontinued operations					
	Processing and storage of cord blood	Mining-Rutile	Sub-total	Property investment	Trading of investments	Sales of pharma-ceutical and chemical products	Sub-total	Unallocated	Total
	$'000	*$'000*	*$'000*	*$'000*	*$'000*	*$'000*	*$'000*	*$'000*	*$'000*
Other segment information									
Depreciation	647	17	664	114	—	—	114	591	1,369
Loss on disposal of property, plant and equipment	—	18	18	—	—	—	—	—	18
Valuation gain on investment properties	—	—	—	(15,794)	—	—	(15,794)	—	(15,794)
Impairment loss of goodwill	7,400	—	7,400	—	—	—	—	—	7,400
Capital expenditure incurred during the year	1,813	1,678,623	1,680,436	7	—	—	7	3	1,680,446
Recovery of bad debt	—	—	—	(90)	—	(77)	(167)	(49)	(216)

Geographical segments

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

For the year ended 31 December 2007

	Hong Kong	The PRC	Europe	The U.S.	Korea	Total
	$'000	*$'000*	*$'000*	*$'000*	*$'000*	*$'000*
Revenue from external customers	**21,461**	**278,996**	**342,043**	**40,663**	**13,253**	**696,416**
Segment assets	**831,819**	**6,607,520**	**—**	**—**	**—**	**7,439,339**
Capital expenditure incurred during the year	**19,456**	**3,823,517**	**—**	**—**	**—**	**3,842,973**

12. SEGMENT REPORTING *(CONTINUED)*

Geographical segments *(CONTINUED)*

For the year ended 31 December 2006

	Hong Kong	The PRC	Total
	$'000	*$'000*	*$'000*
Segment revenue			
Revenue from external customers	147,777	7,796	155,573
Attributable to discontinued operations	(130,411)	(7,796)	(138,207)
Revenue from continuing operations	17,366	—	17,366
Segment assets			
— Continuing operations	24,344	1,695,875	1,720,219
— Discontinued operations	—	—	—
	24,344	1,695,875	1,720,219
Unallocated assets	295,198	156,762	451,960
	319,542	1,852,637	2,172,179
Capital expenditure incurred during the year			
— Continuing operations	1,813	1,678,623	1,680,436
— Discontinued operations	—	7	7
	1,813	1,678,630	1,680,443
Unallocated assets	3	—	3
	1,816	1,678,630	1,680,446

13. FIXED ASSETS

(a) The Group

	Buildings	Plant and machinery	Leasehold improvements	Furniture, fixtures and equipment	Motor vehicles	Mining shafts	Sub-total	Interests in leasehold land held for own use under operating leases	Investment properties	Total
	$'000	*$'000*	*$'000*	*$'000*	*$'000*	*$'000*	*$'000*	*$'000*	*$'000*	*$'000*
Cost:										
At 1 January 2006	—	—	1,339	5,173	2,711	—	9,223	—	124,800	134,023
Exchange adjustments	—	—	—	3	5	—	8	—	—	8
Purchase of net assets *(note 32(b))*	—	—	—	259	494	—	753	—	—	753
Additions	—	—	307	1,529	—	—	1,836	—	—	1,836
Disposals	—	—	—	(167)	—	—	(167)	—	—	(167)
Fair value adjustment	—	—	—	—	—	—	—	—	15,794	15,794
Disposal of subsidiaries	—	—	(549)	(147)	—	—	(696)	—	(140,594)	(141,290)
At 31 December 2006	—	—	1,097	6,650	3,210	—	10,957	—	—	10,957
At 1 January 2007	—	—	1,097	6,650	3,210	—	10,957	—	—	10,957
Exchange adjustments	9,405	2,486	—	35	262	2,425	14,613	12,193	—	26,806
Acquisition of subsidiaries *(note 32(a))*	239,117	69,627	—	898	6,598	61,015	377,255	306,838	—	684,093
Additions	14,946	17,627	1,566	1,861	7,269	—	43,269	800	—	44,069
Disposals	(21,008)	(77)	(791)	(843)	(2,382)	—	(25,101)	—	—	(25,101)
Transfer from construction in progress *(note 15)*	58,202	—	—	—	—	18	58,220	—	—	58,220
Disposal of a subsidiary	(2,735)	—	—	—	—	—	(2,735)	—	—	(2,735)
At 31 December 2007	297,927	89,663	1,872	8,601	14,957	63,458	476,478	319,831	—	796,309

13. FIXED ASSETS *(CONTINUED)*

(a) The Group *(CONTINUED)*

	Buildings	Plant and machinery	Leasehold improvements	Furniture, fixtures and equipment	Motor vehicles	Mining shafts	Sub-total	Interests in leasehold land held for own use under operating leases	Investment properties	Total
	$'000	*$'000*	*$'000*	*$'000*	*$'000*	*$'000*	*$'000*	*$'000*	*$'000*	*$'000*
Accumulated amortisation, depreciation:										
At 1 January 2006	—	—	741	2,893	2,190	—	5,824	—	—	5,824
Charge for the year	—	—	409	720	240	—	1,369	—	—	1,369
Disposals	—	—	—	(149)	—	—	(149)	—	—	(149)
Disposal of subsidiaries	—	—	(384)	(135)	—	—	(519)	—	—	(519)
At 31 December 2006	—	—	766	3,329	2,430	—	6,525	—	—	6,525
At 1 January 2007	—	—	766	3,329	2,430	—	6,525	—	—	6,525
Exchange adjustments	198	140	—	13	34	92	477	126	—	603
Charge for the year	4,881	3,372	565	1,169	890	2,207	13,084	3,047	—	16,131
Disposals	—	—	(791)	(782)	(2,382)	—	(3,955)	—	—	(3,955)
Disposal of a subsidiary	(262)	—	—	—	—	—	(262)	—	—	(262)
At 31 December 2007	4,817	3,512	540	3,729	972	2,299	15,869	3,173	—	19,042
Net book value:										
At 31 December 2007	293,110	86,151	1,332	4,872	13,985	61,159	460,609	316,658	—	777,267
At 31 December 2006	—	—	331	3,321	780	—	4,432	—	—	4,432

The interest in leasehold land held for own use under operating leases are held on a medium-term lease of 50 years in the PRC.

The applications for property ownership certificates of certain buildings and land use right certificates of certain leasehold lands located in Harbin and Inner Mongolia, the PRC, with net book value totalling $31,614,000 (equivalent to RMB29,638,000) and $3,281,000 (equivalent to RMB3,076,000 respectively are still in progress and these ownership certificates have not yet been issued to the Group by the relevant local government authority as at 31 December 2007. Notwithstanding this, the directors are of the opinion that the Group has acquired the beneficial title to these buildings and leasehold lands as at 31 December 2007, and the property ownership certificates and land use right certificates can be obtained.

13. FIXED ASSETS *(CONTINUED)*

(b) The Company

	Leasehold improvements	Furniture, fixtures and equipment	Total
	$'000	*$'000*	*$'000*
Cost:			
At 1 January 2006	—	—	—
Additions	180	338	518
At 31 December 2006	180	338	518
At 1 January 2007	180	338	518
Additions	1,097	204	1,301
Disposals	(180)	(187)	(367)
At 31 December 2007	1,097	355	1,452
Accumulated depreciation:			
At 1 January 2006	—	—	—
Charge for the year	54	38	92
At 31 December 2006	54	38	92
At 1 January 2007	54	38	92
Charge for the year	370	125	495
Disposals	(180)	(64)	(244)
At 31 December 2007	244	99	343
Net book value:			
At 31 December 2007	853	256	1,109
At 31 December 2006	126	300	426

14. INTANGIBLE ASSETS

	Exploration and evaluation assets *$'000*	Mining rights *$'000*	Exploration rights *$'000*	Total *$'000*
Cost:				
At 1 January 2006	—	—	—	—
Exchange adjustments	—	16,758	—	16,758
Purchase of net assets	—	1,675,784	—	1,675,784
Additions	—	2,073	—	2,073
At 31 December 2006	—	1,694,615	—	1,694,615
At 1 January 2007	—	1,694,615	—	1,694,615
Exchange adjustments	684	229,632	497	230,813
Acquisition of subsidiaries *(note 32(a)(i))*	17,204	2,935,719	12,505	2,965,428
Additions	18,156	53	—	18,209
At 31 December 2007	36,044	4,860,019	13,002	4,909,065
Accumulated amortisation:				
At 31 December 2006 and 1 January 2007	—	—	—	—
Exchange adjustments	—	3,536	—	3,536
Charge for the year	—	85,237	12,204	97,441
At 31 December 2007	—	88,773	12,204	100,977
Net book value:				
At 31 December 2007	36,044	4,771,246	798	4,808,088
At 31 December 2006	—	1,694,615	—	1,694,615

(Expressed in Hong Kong dollars unless otherwise indicated)

14. INTANGIBLE ASSETS *(CONTINUED)*

The Group's mining rights and principal exploration rights are as follows:

Mining rights

Mine	**Location**	**Expiry date**	*Note*
Shanxi Dai County Rutile mine	Dai County, Shanxi	September 2009	*(a)*
Songjiang Copper Mine	Bin County, Harbin, Heilongjiang	December 2019	*(b)*
Wudaoling Molybdenum Mine	Acheng District, Harbin, Heilongjiang	December 2009	
Xiaoling Iron-Zine Mine	Acheng District, Harbin, Heilongjiang	February 2010	*(b)*
Chaganchulu Quartz Mine	Keyouqian Banner, Inner Mongolia	December 2009	*(a)*
Chaersen Quartz Mine	Keyouqian Banner, Inner Mongolia	December 2009	*(a)*
Wulongshan Quartz Mine	Keyouqian Banner, Inner Mongolia	December 2009	*(a)*
Qiaolunengeci Quartz Mine	Ejina Banner, Inner Mongolia	October 2010	*(a)*
Nuoergai Copper Mine	Balinyou Banner, Inner Mongolia	May 2008	*(b)*

(Expressed in Hong Kong dollars unless otherwise indicated)

14. INTANGIBLE ASSETS *(CONTINUED)*

The Group's mining rights and principal exploration rights are as follows: *(CONTINUED)*

Exploration rights

Mine	Location	Expiry date	*Note*
Huhedaban Lead-Polymetallic Mine	Keyouqian Banner, Inner Mongolia	September 2008	*(d)*
Hailesitai Hulinzhan Lead-Polymetallic Mine	Keyouqian Banner, Inner Mongolia	September 2008	*(d)*
Dahengshan Molybdenum-Lead-Zinc Mine	Keyouqian Banner, Inner Mongolia	September 2008	*(d)*
Fantaigou Gold-Molybdenum Mine	Song County, Henan	December 2007	*(c), (d)*
Nanqiangzi Copper-Zinc Mine	Bin County, Harbin, Heilongjiang	March 2009	*(d)*
Erdaohezi Copper-Zinc Mine	Acheng District, Harbin, City, Heilongjiang	March 2009	*(d)*
Xiaocaoyanggou Copper-Zinc Mine	Wengniute Banner, Inner Mongolia	December 2007	*(c), (d)*

Notes:

(a) No amortisation was made during the year as these mines are in a development stage and no mining activities are conducted in these mines.

(b) Historically, the mining rights of Songjiang Copper Mine and Xiaoling Iron Zinc Mine were state-owned and the mining right of Nuoergai Copper Mine was collectively-owned. The Group has submitted an application to the respective government authorities for the transfer of the relevant mining rights to privately-owned at a consideration. The mining rights are yet to be transferred as at 31 December 2007. The estimated total consideration for the transfer for mining rights is about $25,799,000 and has been included in other payables. The consideration for such transfers are estimated by the directors based on their knowledge in the mining industry after having considered the mineral ore reserve of each mine and the prevailing nonferrous metals market in the PRC. The directors are of the opinion that the Group is entitled to conduct mining activities in these mines and the privately-owned mining licenses can be obtained.

(c) As at the date of the report, the Group has applied for an extension of the relevant exploration rights but the extensions are yet to be obtained.

(d) The exploration rights represent the rights for exploration in certain locations in the PRC and the periods of these exploration rights generally range 1 — 2 years. The amortisation charge for the year ended 31 December 2007 is capitalised and included in the additions to exploration and evaluation assets.

15. CONSTRUCTION IN PROGRESS

	2007	2006
	$'000	*$'000*
At 1 January	**—**	—
Acquisition of subsidiaries *(note 32(a)(i))*	**58,904**	—
Additions	**84,474**	—
Exchange adjustments	**2,338**	—
Transfer to property, plant and equipment *(note 13)*	**(58,220)**	—
At 31 December	**87,496**	—

Construction in progress comprises costs incurred on buildings, plant and machineries not yet completed at the respective balance sheet dates.

16. GOODWILL

	The Group
	$'000
Cost:	
At 1 January 2006, 31 December 2006 and 2007	17,726
Accumulated impairment losses:	
At 1 January 2006	2,126
Impairment loss	7,400
At 31 December 2006 and 2007	9,526
Carrying amount:	
At 31 December 2006 and 2007	8,200

16. GOODWILL *(CONTINUED)*

Impairment tests for cash-generating units containing goodwill

Goodwill is allocated to the Group's processing and storage of cord blood cash-generating unit ("CGU").

The recoverable amounts of the processing and storage of cord blood CGU is determined based on the value in use calculations. The key assumptions for the value in use calculations are those regarding the discount rates, growth rates and expected changes to selling prices and direct costs during the year. Management estimates discount rates using a risk-free rate, the market return and company-specific factors. The growth rates are based on the estimation on the historical annual growth rates of the processing and storage of cord blood CGU and the comparable companies industry growth forecasts. Changes in selling prices and direct costs are based on past practices and expectations of future changes in the market.

During the year, the Group performed an impairment review for goodwill with reference to the valuation carried out by BMI Appraisals Limited, independent qualified professional valuers. The valuation is based on cash flow forecasts derived from the most recent financial budgets approved by management for the next year and extrapolated cash flows for the following ten years based on estimated growth rate of 5% to 14% plus a terminal value. The rate used to discount the forecast cash flow is 16.2%. Based on the valuation, no impairment loss was considered necessary.

17. INVESTMENTS IN SUBSIDIARIES

The Company

	2007	2006
	$'000	*$'000*
Unlisted shares, at cost	**2,735,563**	823,231

(Expressed in Hong Kong dollars unless otherwise indicated)

17. INVESTMENTS IN SUBSIDIARIES *(CONTINUED)*

The Company *(CONTINUED)*

The following list contains only the particulars of subsidiaries which principally affected the results, assets and liabilities of the Group. The class of shares held is ordinary unless otherwise stated.

			Proportion of ownership interest			
Name of company	Place of incorporation/ operation	Particulars of issued and paid up capital	Group's effective interest	Held by the Company	Held by a subsidiary	Principal activities
Biogrowth Assets Limited	British Virgin Islands/ Hong Kong	1 share of US$1	100%	100%	—	Investment holding
Cell Therapy Technologies Centre Limited	Hong Kong/ Hong Kong	20,000,000 shares of $0.01 each	100%	—	100%	Provision of cord blood bank and its relevant laboratory service
China Kent Development Limited *	Hong Kong/ Hong Kong	2 ordinary shares and 10,000 non-voting deferred shares of $1 each	100%	—	100%	Provision of administrative support to group companies
INNOMAXX Investment Holdings Limited *	Hong Kong/ Hong Kong	2 shares of $1 each	100%	100%	—	Investment holding
Lead Sun Investments Limited	British Virgin Islands/ Hong Kong	1,000 shares of US$1 each	57%	57%	—	Investment holding
Longship Limited *	British Virgin Islands/ Hong Kong	1 share of US$1	100%	—	100%	Investment holding

(Expressed in Hong Kong dollars unless otherwise indicated)

17. INVESTMENTS IN SUBSIDIARIES *(CONTINUED)*

The Company *(CONTINUED)*

			Proportion of ownership interest			
Name of company	Place of incorporation/ operation	Particulars of issued and paid up capital	Group's effective interest	Held by the Company	Held by a subsidiary	Principal activities
Fullgain International Investment Limited *	Hong Kong/ Hong Kong	2 shares of $1 each	100%	—	100%	Securities investment holding and trading of securities investment
INNOMAXX International Trading Company Limited *	Hong Kong/ Hong Kong	1 share of $1	100%	—	100%	Trading of pharmaceutical ingredients and chemicals
New Legend International Group Limited	Hong Kong/ Hong Kong	1 share of $1	100%	100%	—	Provision of administrative support to group companies
Offspring Investments Limited *	British Virgin Islands/ Hong Kong	1 share of US$1	100%	100%	—	Inactive
Shanxi Shenli Aerospace Titanium Company Limited# ("Shanxi Shenli")	The PRC/ The PRC	Registered capital RMB 184,800,000	51.3%	—	90%	Rutile mining
Sinorich Technology Development Limited *	Hong Kong/ Hong Kong	2 shares of $1 each	100%	—	100%	Inactive
Titanspeed Investments Limited	British Virgin Islands/ Hong Kong	1 share of US$1	100%	100%	—	Inactive

(Expressed in Hong Kong dollars unless otherwise indicated)

17. INVESTMENTS IN SUBSIDIARIES *(CONTINUED)*

The Company *(CONTINUED)*

Name of company	Place of incorporation/ 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
Top Rank International Group Limited	British Virgin Islands/ Hong Kong	50,000 shares of US$1 each	57%	—	100%	Investment holding
United Profit Investments Limited *	British Virgin Islands/ Hong Kong	1 share of US$1	100%	100%	—	Investment holding
Saxony Goal Limited	Hong Kong/ Hong Kong	10,000 shares of $1 each	100%	100%	—	Inactive
Best Tone Holdings Limited	Hong Kong/ Hong Kong	1 share of US$1	100%	100%	—	Inactive
Will Win Group Limited	Hong Kong/ Hong Kong	1 share of $1	100%	100%	—	Investment holding
Harbin Songjiang Copper (Group) Company Limited # (哈爾濱松江銅業(集團)有限公司)	The PRC/ The PRC	RMB240,788,100	75.08%	75.08%	—	Sales of copper, zinc, molybdenum and other nonferrous metals
Acheng Xiaoling Iron & Zinc Co. Ltd.# (阿城市小嶺鐵鋅有限公司)	The PRC/ The PRC	RMB3,866,000	75.08%	—	100%	Processing of molybdenum and iron
Harbin Songjiang Copper Enterprise Co. Ltd.# (哈爾濱松江銅業實業有限公司)	The PRC/ The PRC	RMB50,962,500	75.08%	—	100%	Mining, processing and sales of copper and zinc

(Expressed in Hong Kong dollars unless otherwise indicated)

17. INVESTMENTS IN SUBSIDIARIES *(CONTINUED)*

The Company *(CONTINUED)*

Name of company	Place of incorporation/ 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
Harbin Songjiang Molybdenum Ltd.# (哈爾濱松江鉬業有限公司)	The PRC/ The PRC	RMB128,782,900	75.08%	—	100%	Mining, processing and sales of molybdenum
Xinganmeng Songjiang Mining Co. Ltd # (興安盟松江礦業有限公司)	The PRC	RMB10,000,000	67.572%	—	90%	Under construction of smelting and mining plant
Shangzhi Zhuhe Mining Co. Ltd.# (尚志市珠河礦業有限公司)	The PRC/ The PRC	RMB50,000,000	75.08%	—	100%	Processing of molybdenum
Ejinaqi Qiaolun Engeci Quartz Production Co. Ltd# (額濟納旗喬倫恩格茨石英有限公司)	The PRC	RMB500,000	75.08%	—	100%	Not yet commenced business
Inner Mongolia Zhongrun Magnesium Co. Ltd.# (內蒙古中潤鎂業有限公司)	The PRC	RMB50,000,000	75.08%	—	100%	Under construction of smelting plant
Wuhai Derun Ferroalloy Limited Liability Company # (烏海市德潤鐵合金有限責任公司)	The PRC/ The PRC	RMB10,000,000	75.08%	—	100%	Inactive

17. INVESTMENTS IN SUBSIDIARIES *(CONTINUED)*

The Company *(CONTINUED)*

			Proportion of ownership interest			
Name of company	Place of incorporation/ operation	Particulars of issued and paid up capital	Group's effective interest	Held by the Company	Held by a subsidiary	Principal activities
Chifeng Songjiang Jinjian Mining Limited Liability Company # (赤峰松江金劍礦業有限責任公司)	The PRC/ The PRC	RMB10,000,000	45.05%	—	60%	Investment holding
Balinyouqi Nuoergai Copper Mining Co. Ltd. # (巴林右旗諾爾蓋銅礦有限責任公司)	The PRC/ The PRC	RMB500,000	45.05%	—	100%	Mining, processing and sales of copper
Alukeerqinqi Manitu Silver & Tin Mining Co. Ltd #* (阿魯科爾沁旗瑪尼吐銀錫礦有限責任公司)	The PRC	RMB500,000	45.05%	—	100%	Not yet commenced business

\# A limited liability company established in the PRC.
* Disposed of/de-registered during the year.

18. INTEREST IN JOINTLY CONTROLLED ENTITIES

	The Group		The Company	
	2007	2006	**2007**	2006
	$'000	*$'000*	***$'000***	*$'000*
Unlisted shares, at cost	**—**	—	**39**	—
Share of net liabilities	**—**	—	**—**	—
	—	—	**39**	—

18. INTEREST IN JOINTLY CONTROLLED ENTITIES *(CONTINUED)*

Details of the Group's interest in the jointly controlled entities are as follows:

				Proportion of ownership interest			
Name of joint venture	**Form of business structure**	**Place of incorporation/ operation**	**Particulars of issued and paid up capital**	**Group's effective interest**	**Held by the Company**	**Held by a jointly controlled entry**	**Principal activity**
GCMR Fujian Holdings Limited	Incorporated	British Virgin Islands	1,000 shares of US$10 each	50%	50%	—	Investment holding
GCMR Fujian (Hong Kong) Limited	Incorporated	Hong Kong	1,000 shares of US$10 each	50%	—	100%	Investment holding

Summary financial information on jointly controlled entities — Group's effective interest:

	2007 **$'000**	2006 $'000
Current assets	**33**	—
Current liabilities	**(147)**	—
	(114)	—
Income	**—**	—
Expenses	**(153)**	—
Loss for the year	**(153)**	—

19. INVENTORIES

(a) Inventories in the consolidated balance sheet comprise:

	2007	2006
	$'000	*$'000*
Raw materials	**7,451**	430
Work in progress	**10,221**	—
Finished goods	**10,763**	—
Goods in transit	**17,788**	—
	46,223	430

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

Carrying amount of inventories sold/consumed:

	2007	2006
	$'000	*$'000*
Continuing operations	**491,685**	1,205
Discontinued operations	**—**	13,850

20. TRADE AND OTHER RECEIVABLES

(a) Non-current other receivables comprise:

		The Group		The Company	
		2007	2006	**2007**	2006
	Note	***$'000***	*$'000*	***$'000***	*$'000*
Downpayments	*(i)*	**13,972**	—	**—**	—
Loans and advances to business associates	*(ii)*	**71,500**	—	**—**	—
Loans to employees and officers	*(iii)*	**6,774**	—	**—**	—
		92,246	—	**—**	—

Notes:

(i) Downpayments were paid to relevant local authorities for the acquisition of leasehold land located in Heilongjiang and Shanxi, the PRC.

(ii) Loans and advances to business associates are unsecured, interest free and repayable after more than one year but within two years.

(iii) Loans to employees and officers are unsecured, repayable within three years and interest bearing with a fixed interest rate of 6.58% per annum.

The above loans and advances are assumed by the Group upon the business combination as disclosed in note 32.

20. TRADE AND OTHER RECEIVABLES *(CONTINUED)*

(b) Current trade and other receivables comprises:

	The Group		The Company	
	2007	2006	**2007**	2006
	$'000	*$'000*	***$'000***	*$'000*
Trade debtors and bills receivable	**304,482**	12,478	**—**	—
Less: Allowance for doubtful debts *(note 20(b)(ii))*	**(4,455)**	(1,350)	**—**	—
	300,027	11,128	**—**	—
Other debtors	**35,410**	354	**1,783**	846
Less: Allowance for doubtful debts *(note 20(b)(ii))*	**(11,375)**	—	**—**	—
	24,035	354	**1,783**	846
Amount due from export sales agent	**16,827**	—	**—**	—
Amounts due from jointly controlled entities	**217**	—	**—**	—
Amount due from minority shareholders	**1,067**	—	**—**	—
Amounts due from subsidiaries	**—**	—	**44,373**	12,704
Loans and receivables	**342,173**	11,482	**46,156**	13,550
Deposits and prepayments	**28,538**	3,567	**3,534**	1,579
	370,711	15,049	**49,690**	15,129

Includes in trade receivables of the Group are amount due from a minority shareholder of $30,227,000 (2006: $Nil), details of which are disclosed in note 36(a).

Included in other debtors of the Group are amounts totalling $7,965,000 (2006: $Nil) which represent loans to business associates. All loans are unsecured, interest free and repayable within one year except for a loan with a remaining balance of $3,741,000 (2006: $Nil) as at 31 December 2007 which is interest bearing with a fixed interest rate of 10% per annum and secured by a building together with the related land use right located in Harbin, the PRC.

20. TRADE AND OTHER RECEIVABLES *(CONTINUED)*

(b) Current trade and other receivables comprises: *(CONTINUED)*

Amount due from export sales agent represents settlements received from overseas customers by the export sales agent on behalf of the Group. Such amounts are unsecured, interest-free and expected to be recovered within one year.

The amounts due from jointly controlled entities, minority shareholders and subsidiaries are unsecured, interest-free and have no fixed terms of repayment.

All of the other trade and other receivables (including amounts due from subsidiaries), apart from those mentioned in above and certain deposits and prepayments of $1,141,000 (2006: $1,456,000), are expected to be recovered or recognised as expense within one year.

(i) Ageing analysis

Included in trade and other receivables are trade debtors and bills receivable (net of allowance for doubtful debts) with the following ageing analysis as of the balance sheet date:

	The Group	
	2007	2006
	$'000	*$'000*
0 to 30 days	**169,897**	2,309
31 to 60 days	**66,874**	1,469
61 to 90 days	**34,692**	1,435
Over 90 days	**28,564**	5,915
	300,027	11,128

Trade debtors and bills receivables are due within 90 days from the date of billings. Further details on the Group's credit policy are set out in note 33(a).

20. TRADE AND OTHER RECEIVABLES *(CONTINUED)*

(b) Current trade and other receivables comprises: *(CONTINUED)*

(ii) Impairment of trade debtors and bills receivable and other debtors

Impairment losses in respect of trade debtors and bills receivable and other debtors are recorded using an allowance account unless the Group is satisfied that recovery of the amount is remote, in which case the impairment loss is written off against trade debtors and bills receivable and other debtors directly. *(see note 1(l)(i))*

The movement in the allowance for doubtful debts during the year, including both specific and collective loss components, is as follows:

	2007	2006
	$'000	*$'000*
At 1 January	**1,350**	473
Exchange adjustments	**500**	—
Acquisition of subsidiaries	**12,593**	—
Impairment loss recognised	**1,387**	877
At 31 December	**15,830**	1,350

At 31 December 2007, the Group's trade debtors and bills receivable and other debtors of $6,710,000 and $23,852,000 (2006: $1,350,000 and $Nil) respectively were individually determined to be impaired. The individually impaired receivables related to customers that were in financial difficulties and management assessed that only a portion of the receivables is expected to be recovered. Consequently, specific allowances for doubtful debts of $15,830,000 (2006: $1,350,000) were recognised. The Group does not hold any collateral over these balances.

20. TRADE AND OTHER RECEIVABLES *(CONTINUED)*

(b) Current trade and other receivables comprises: *(CONTINUED)*

(iii) Trade debtors and bills receivable and other debtors that are not impaired

The ageing analysis of trade debtors and bills receivable and other debtors that are neither individually nor collectively considered to be impaired are as follows:

	The Group	
	2007	2006
	$'000	*$'000*
Neither past due nor impaired	**308,232**	11,482
Less than 1 month past due	**11**	—
1 to 3 months past due	**404**	—
Over 3 months past due	**683**	—
	1,098	—
	309,330	11,482

Receivables that were neither past due nor impaired relate to a wide range of customers for whom there was no recent history of default.

Receivables that were past due but not impaired relate to a number of independent customers that have a good track record with the Group. Based on past experience, management believes that no impairment allowance is necessary in respect of these balances as there has not been a significant change in credit quality and the balances are still considered fully recoverable. The Group does not hold any collateral over these balances except for the loans mentioned above.

21. CASH AND CASH EQUIVALENTS

	The Group		The Company	
	2007	2006	**2007**	2006
	$'000	*$'000*	***$'000***	*$'000*
Fixed deposits with banks	**781,277**	414,934	**695,869**	265,812
Cash at bank and in hand	**466,317**	34,153	**63**	1,001
Cash and cash equivalents	**1,247,594**	449,087	**695,932**	266,813

22. TRADE AND OTHER PAYABLES

	The Group		The Company	
	2007	2006	**2007**	2006
	$'000	*$'000*	***$'000***	*$'000*
Trade payables	**13,621**	754	**—**	—
Other payables and accruals	**164,582**	8,958	**6,787**	5,878
Current portion of mining right payables *(note 30)*	**64,653**	12,475	**—**	—
Amount due to a jointly controlled entity	**—**	—	**27**	—
Amount due to a minority shareholder	**2,807**	170	**—**	—
Amounts due to subsidiaries	**—**	—	**14,764**	20
Financial liabilities measured at amortised cost	**245,663**	22,357	**21,578**	5,898
Receipts in advance	**10,467**	160	**—**	—
	256,130	22,517	**21,578**	5,898

The amounts due to a jointly controlled entity, a minority shareholder and subsidiaries are unsecured, interest-free and have no fixed terms of repayment.

Included in other payables are retention payables of $961,000 (2006: $Nil) in respect of construction works which are expected to be settled after one year.

22. TRADE AND OTHER PAYABLES *(CONTINUED)*

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

	The Group	
	2007	2006
	$'000	*$'000*
Due within 3 months or on demand	**10,287**	754
Due after 3 months but within 6 months	**437**	—
Due after 6 months but within 1 year	**225**	—
Due after 1 year	**2,672**	—
	13,621	754

23. DEFERRED INCOME

(a) Deferred income of $53,814,000 (2006: $34,839,000) represents fees received in advance for the provision of cord blood storage services. The amount is amortised over the remaining service period.

(b) Non-current deferred income represents government grants received by the Group as of the balance sheet date. Certain government grants are received by the Group in respect of property, plant and equipment and interest in leasehold land held for own use under operating leases. Such government grants are recognised in the balance sheet initially and recognised in the income statement as other revenue on a systematic basis over the useful life of the assets. Movements of government grants received during the year are as follows:

	The Group	
	2007	2006
	$'000	*$'000*
At 1 January	**—**	—
Acquisition of subsidiaries	**77,475**	—
Received during the year	**693**	—
Recognised as other revenue during the year	**(1,248)**	—
Exchange adjustments	**3,056**	—
At 31 December	**79,976**	—

23. DEFERRED INCOME *(CONTINUED)*

(b) *(CONTINUED)*

(i) Government grants assumed upon acquisition of subsidiaries

Government grants of $48,029,000 (equivalent to RMB46,816,000) were received by Harbin Sonjiang Copper (Group) Company Limited ("Harbin Songjiang"), which was acquired by the Company as mentioned in note 32, from the local government authorities to support the smelting plants development projects in Harbin and Inner Mongolia, the PRC, prior to the acquisition. The government grant of $10,259,000 (equivalent to RMB10,000,000) was received in respect of the construction of smelting plants in Harbin and is recognised in the income statement over the useful life of smelting plants. As the smelting plant is still under construction, no amount has been recognised in the income statement so far. The government grant of $37,770,000 (equivalent to RMB36,855,000) was received for the acquisition of leasehold land under operating leases for the smelting plants development project. Such government grant is recognised in the income statement over the period of the lease term, which is 50 years. An amount of $377,000 has been recognised as other revenue for the year ended 31 December 2007.

Government grants totalling $10,669,000 (equivalent to RMB10,400,000) and $19,333,000 (equivalent to RMB18,845,000) were also received by Harbin Songjiang prior to the acquisition for its infrastructure built and mining activities in the local area. Such government grants are recognised in the income statement over the useful life of infrastructure, which is 30 years, or using the unit of production method based on the proven and probable mineral reserves of the related mine. An amount of $178,000 has been recognised as other revenue for the year ended 31 December 2007.

(ii) Government grants received by the Group during the year ended 31 December 2007

Apart from the government grants as disclosed above, the Group has received several one-off government grants of $693,000 during the year ended 31 December 2007. Such government grants are received for the Group's contribution to the local economy and have been recognised as other revenue during the year.

24. LOANS FROM MINORITY SHAREHOLDERS

Loans were obtained from minority shareholders of a subsidiary, which are unsecured, interest-free and have no fixed terms of repayment.

25. BANK LOANS

The bank loans were repayable as follows:

	The Group	
	2007	2006
	$'000	*$'000*
Within one year or on demand	**127,467**	—
After 1 year but within 2 years	**53,333**	—
After 2 years but within 5 years	**32,000**	—
	85,333	—
	212,800	—

All the bank loans as at 31 December 2007 were interest-bearing at floating rates with reference to the prevailing borrowing rate quoted by the People's Bank of China. The interest rates of bank loans ranged 6.480% to 7.227% per annum as at 31 December 2007.

The Group's bank loans were secured as follows:

	The Group	
	2007	2006
	$'000	*$'000*
Bank loans		
Unsecured	**52,800**	—
Guaranteed by a third party *(note 35(d))*	**32,000**	—
Guaranteed by a minority shareholder *(note 36(c))*	**128,000**	—
	212,800	—

26. OTHER LOANS

		The Group	
	Note	**2007**	2006
		$'000	*$'000*
Within 1 year or on demand	*(i)*	**1,067**	—
After 5 years	*(ii)*	**4,576**	—
		5,643	—

Notes:

(i) A loan with a principal amount of $1,067,000 (equivalent to RMB1,000,000) was provided by the Industry Development Fund (工業發展基金) of the Harbin Finance Bureau to Harbin Songjiang in 1998. The loan is unsecured, interest-free and repayable within one year.

(ii) Another loan with a principal of $4,576,000 (equivalent to RMB4,290,000) was provided by the Harbin Finance Bureau during the year. The loan is unsecured, interest-bearing with a fixed rate of 2.55% per annum and repayable after 5 years.

27. EMPLOYEE RETIREMENT BENEFITS

(a) The Group operates a Mandatory Provident Fund Scheme ("the MPF scheme") under the Hong Kong Mandatory Provident Fund Schemes Ordinance for employees employed under the jurisdiction of the Hong Kong Employment Ordinance. The MPF scheme is a defined contribution retirement plan administered by independent trustees. Under the MPF scheme, the employer and its employees are each required to make contributions to the plan at 5% of the employees' relevant income, subject to a cap of monthly relevant income of $20,000. Contributions to the plan vest immediately.

In addition, the Group makes voluntary contributions for certain eligible directors and employees. The amount of voluntary contributions is calculated at 5% of their relevant monthly income in excess of $20,000.

(b) Pursuant to the relevant labour rules and regulations in the PRC, the Group participates in defined contribution retirement benefit schemes (the "Schemes") organised by the relevant local government authorities, whereby the Group is required to make contributions to the Schemes at a rate ranging from 18% to 22% of the eligible employees' salaries. The local government authorities are responsible for the entire pension obligations payable to retired employees.

(Expressed in Hong Kong dollars unless otherwise indicated)

28. EQUITY SETTLED SHARE-BASED TRANSACTIONS

(a) Share option scheme

The Company has a share options scheme which was adopted on 26 June 2002 whereby the directors of the Company may, at their discretion, invite directors and employees of the Company or its subsidiaries to subscribe for shares in the Company subject to terms and conditions stipulated therein. The options granted were vested immediately at the date of grant and were exercisable within a period of three years. Each option gives the holder the right to subscribe for one ordinary share in the Company.

(i) The terms and conditions of the grants that existed during the years are as follows, whereby all options are settled by physical delivery of shares:

For the year ended 31 December 2007:

	Number of instruments	Vesting conditions	Contractual life of options
Options granted to directors			
— on 6 July 2007	**175,000,000**	**Immediately**	**3 years**
— on 25 September 2007	**12,000,000**	**Immediately**	**3 years**
Options granted to employees			
— on 6 July 2007	**40,000,000**	**Immediately**	**3 years**
— on 11 July 2007	**1,000,000**	**Immediately**	**3 years**
Total share options	**228,000,000**		

28. EQUITY SETTLED SHARE-BASED TRANSACTIONS *(CONTINUED)*

(a) Share option scheme *(CONTINUED)*

(ii) The number and exercise price of share options are as follows:

	2007		2006	
	Weighted average exercise price	**Number of options**	Weighted average exercise price	Number of options
	$	***'000***	*$*	*'000*
Outstanding at the beginning of the year	**—**	**—**	0.160	24,488
Exercised during the year	**—**	**—**	0.160	(24,488)
Granted during the year	**1.79**	**228,000**	—	—
Outstanding at the end of the year	**1.79**	**228,000**	—	—
Exercisable at the end of the year	**1.79**	**228,000**	—	—

The weighted average share price at the date of exercise for share options exercised in 2006 was $1.3.

Upon the exercise of the share options, the resulting shares issued are recorded by the Company as additional share capital at the nominal value of the shares, and the excess of the exercise price per share over the nominal value of the share and the corresponding capital reserve are recorded by the Company in the share premium account.

The options outstanding at 31 December 2007 had an exercise price of $1.30 or $1.82 and a weighted average remaining contractual life of 2.51 years.

(Expressed in Hong Kong dollars unless otherwise indicated)

28. EQUITY SETTLED SHARE-BASED TRANSACTIONS *(CONTINUED)*

(a) Share option scheme *(CONTINUED)*

(iii) Fair value of share options and assumptions

The fair value of services received in return for share options granted is measured by reference to the fair value of share options granted. The estimate of the fair value of the share options granted is measured based on a Black-Scholes model. The contractual life of the share option is used as an input into this model. Expectations of early exercise are incorporated into the Black-Scholes model.

Fair value of share options and assumptions:

	6 July 2007	11 July 2007	25 September 2007
Fair value at measurement date	$0.6117	$0.5635	$0.4343
Share price	$1.79	$1.72	$1.22
Exercise price	$1.82	$1.82	$1.30
Expected volatility (expressed as average volatility used in the modelling under Black-Scholes model)	44.50%	44.665%	50.495%
Option life (expressed as weighted average life used in the modelling under Black-Scholes model)	3 years	3 years	3 years
Expected dividends	—	—	—
Risk-free interest rate (based on Exchange Fund Notes)	4.447%	4.380%	3.906%

The expected volatility is based on the average annualised standard deviations of the continuously compounded rates of return on the average share prices of similar companies as of the measurement date pubicly quoted. Expected dividends are based on historical dividends. Changes in the subjective input assumptions could materially affect the fair value estimate.

Share options were granted under a service condition. This condition has not been taken into account in the grant date fair value measurement of the services received. There were no market conditions associated with the share option grants.

28. EQUITY SETTLED SHARE-BASED TRANSACTIONS *(CONTINUED)*

(b) Discounted shares subscription

The Company entered into the subscription agreement with the directors and senior management of the Group ("the Subscribers") on 13 July 2007. The Company has agreed to issue, and the Subscribers have agreed to subscribe a total of 157,070,000 shares before the completion date of such agreement (the date being the first anniversary date of the subscription agreement or, if such date is not a business day, the immediately preceding day which is a business day), at a subscription price of $1.10 per subscription share in cash ("the Subscription"). The subscription price represents a discount of approximately 34.13% to the closing price of $1.67 per share as quoted in the stock market on 12 July 2007 (being the last day of trading in stock market before the date of the subscription agreement)), with a lock-up period ranged from 1 to 3 years. If any terms and conditions of the subscription agreement are not fulfilled before the completion date, the arrangement should terminate. In the event that the Subscribers ceases to be employed by a member of the Group for whatever reason during the lock-up period, the Company has the right to repurchase the relevant portion of subscription shares at a share repurchase price of $1.10 per subscription share.

The Subscriptions has been approved in the special general meeting held on 21 August 2007.

28. EQUITY SETTLED SHARE-BASED TRANSACTIONS *(CONTINUED)*

(b) Discounted shares subscription *(CONTINUED)*

(i) The terms and condition of the subscription of discount shares

	Lock-up period	Number of shares *'000*
Subscribers		
Directors	13 July 2007 to 12 July 2008	46,766,667
	13 July 2007 to 12 July 2009	46,766,667
	13 July 2007 to 12 July 2010	46,766,666
		140,300,000
Employees	13 July 2007 to 12 July 2008	5,590,000
	13 July 2007 to 12 July 2009	5,590,000
	13 July 2007 to 12 July 2010	5,590,000
		16,770,000

No discounted shares were subscribed by the Subscribers during the year.

(Expressed in Hong Kong dollars unless otherwise indicated)

28. EQUITY SETTLED SHARE-BASED TRANSACTIONS *(CONTINUED)*

(b) Discounted shares subscription *(CONTINUED)*

(ii) Fair value of discounted shares and assumptions

The fair value of services received in return for discounted shares offered is measured by reference to the fair value of discount offered. The estimation of fair value is based on the Black-Scholes model. The 3 years' lock-up period of the discounted share is used as an input into this model.

Fair value of discounted shares and assumptions:

Measurement date	21 August 2007
Share price	$1.41
Subscription price	$1.10
Total number shares	157,070,000

Lock-up period	13 July 2007 to 12 July 2008	13 July 2007 to 12 July 2009	13 July 2007 to 12 July 2010
Number of shares	52,356,667	52,356,667	52,356,666
Fair value of discount at measurement date	$0.1471	$0.2265	$0.2406
Expected volatility	47.270%	52.635%	48.611%
Dividend yield	—	—	—
Risk-free rate (based on Exchange Fund Notes)	3.840%	3.838%	3.946%

The expected volatility is based on the average annualised standard deviations of the continuously compounded rates of return on the average share prices of similar companies as of the measurement date publicly quoted. Changes in the subjective input assumptions could materially affect the fair value estimate.

Subscription of discounted shares were granted under a service condition. This condition has been taken into account in the grant date fair value measurement of the services received. There were no market conditions associated with grant of discounted shares subscription.

29. INCOME TAX IN THE BALANCE SHEET

(a) Current taxation in the balance sheet represents:

	The Group		The Company	
	2007	2006	**2007**	2006
	$'000	*$'000*	***$'000***	*$'000*
Provision for PRC Income Tax for the year	**98,383**	—	**—**	—
Balance of PRC Income Tax provision assumed in the business combination and relating to current year of assessment	**76,936**	—	**—**	—
Income Tax paid	**(54,451)**	—	**—**	—
	120,868	—	**—**	—
Balance of PRC Income Tax provision assumed in the business combination and relating to prior years of assessment	**63,393**	—	**—**	—
	184,261	—	**—**	—

(b) Deferred tax assets and liabilities recognised:

The components of deferred tax (assets)/liabilities recognised in the consolidated balance sheet and the movements during the year are as follows:

The Group

	Fixed assets	Intangible assets	Investment properties	Impairment loss for trade and other receivables	Inventories	Accruals	Accumulated losses	Others	Total
	$'000	*$'000*	*$'000*	*$'000*	*$'000*	*$'000*	*$'000*	*$'000*	*$'000*
Deferred tax arising from:									
At 1 January 2006	—	—	6,365	—	—	—	—	—	6,365
Charged/(credited) to profit or loss	312	—	805	—	—	—	(678)	—	439
Disposal of subsidiaries *(note 32(c)(ii))*	—	—	(7,170)	—	—	—	—	—	(7,170)
At 31 December 2006	312	—	—	—	—	—	(678)	—	(366)
At 1 January 2007	312	—	—	—	—	—	(678)	—	(366)
Acquisition of subsidiaries	64,902	693,171	—	(3,743)	33,025	(16,929)	(598)	(1,625)	768,203
Charged/(credited) to profit or loss	(1,081)	(22,779)	—	363	(36,763)	(5,752)	(1,030)	(4,033)	(71,075)
Disposal of a subsidiary *(note 32(c)(i))*	—	—	—	—	—	310	—	—	310
Exchange difference	2,529	26,610	—	(134)	(210)	(909)	(60)	(217)	27,609
At 31 December 2007	66,662	697,002	—	(3,514)	(3,948)	(23,280)	(2,366)	(5,875)	724,681

29. INCOME TAX IN THE BALANCE SHEET *(CONTINUED)*

(b) Deferred tax assets and liabilities recognised: *(CONTINUED)*

	2007	2006
	$'000	*$'000*
Net deferred tax assets recognised on the balance sheet	**(1,514)**	(366)
Net deferred tax liabilities recognised on the balance sheet	**726,195**	—
	724,681	(366)

(c) Deferred tax assets not recognised:

In accordance with the accounting policy set out in note 1(s), the Group has not recognised deferred tax assets in respect of cumulative tax losses of approximately $32,908,000 (2006: $36,776,000) as it is not probable that future taxable profits against which the losses can be utilised will be available in the relevant tax jurisdiction and entity. The tax losses do not expire under the current tax legislation.

30. OTHER PAYABLES

The Group

	2007	2006
	$'000	*$'000*
Mining right payables	**181,639**	44,378
Less: amount included under "current liabilities" *(note 22)*	**(64,653)**	(12,475)
	116,986	31,903

Pursuant to mining rights premium agreements entered into between the Group and the relevant government authorities of the PRC, the mining rights premium in respect of the mining rights of Shanxi Dai County Rutile mine and Wudaoling Molybdenum mine amounted to approximately $65,510,000 and $161,875,000 respectively. As at 31 December 2007, the remaining balance of the mining rights premium of $36,817,000 and $119,023,000 in respect of Shanxi Dai County Rutile mine and Wudaoling Molybdenum mine shall be settled in four instalments and the final instalments are payable on or before 30 June 2012 and 22 May 2011 respectively.

Mining right payables also included the estimated consideration of $25,799,000 for the transfer of mining right as disclosed in note 14 and was classified as current liabilities.

31. CAPITAL AND RESERVES

(a) The Group

The amounts of the Group's capital and reserves and the movements therein for the current and prior years are presented in the consolidated statement of changes in equity of these financial statements.

(b) The Company

	Note	Share capital $'000	Share premium $'000	Contributed surplus $'000	Capital Reserve $'000	Acc-umulated losses $'000	Total $'000
At 1 January 2006		246,481	177,179	234,944	2,373	(407,115)	253,862
Loss for the year		—	—	—	—	(46,919)	(46,919)
Shares issued under:							
— purchase of net assets	*31(c)(ii)*	108,148	324,444	—	—	—	432,592
— share placing	*31(c)(iii)*	115,000	345,000	—	—	—	460,000
— share options scheme	*31(c)(iv)*	2,449	3,842	—	(2,373)	—	3,918
Share issue expenses		—	(3,752)	—	—	—	(3,752)
At 31 December 2006		472,078	846,713	234,944	—	(454,034)	1,099,701
At 1 January 2007		472,078	846,713	234,944	—	(454,034)	1,099,701
Loss for the year		—	—	—	—	(146,367)	(146,367)
Shares issued under share placing	*31(c)(iii)*	130,587	2,324,452	—	—	—	2,455,039
Share issue expenses	*31(c)(iii)*	—	(90,594)	—	—	—	(90,594)
Equity settled share-based transaction		—	—	—	142,976	—	142,976
At 31 December 2007		602,665	3,080,571	234,944	142,976	(600,401)	3,460,755

31. CAPITAL AND RESERVES *(CONTINUED)*

(c) Share capital

(i) Authorised and issued share capital

	2007		2006	
	Number of shares		Number of shares	
	'000	***$'000***	*'000*	*$'000*
Authorised:				
Ordinary shares of $0.1 each	**10,000,000**	**1,000,000**	10,000,000	1,000,000
Ordinary shares issued and fully paid:				
At 1 January	**4,720,781**	**472,078**	2,464,813	246,481
Share issued under:				
— purchase of net assets	**—**	**—**	1,081,480	108,148
— share placing	**1,305,872**	**130,587**	1,150,000	115,000
— share options scheme	**—**	**—**	24,488	2,449
At 31 December	**6,026,653**	**602,665**	4,720,781	472,078

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

(ii) Shares issued under purchase of net assets

On 2 November 2006, the Company issued 1,081,480,000 new shares as part of the consideration payable for the purchase of net assets in respect of rutile mining business.

(iii) Shares issued under placing

On 31 October 2006, the Company issued 1,150,000,000 new shares pursuant to a placing agreement entered into with and an over-allotment option granted to a placing agent on 7 July 2006 at $0.4 per share to finance the purchase of net assets as set out in note 32(b) and further development of the mining operations.

On 29 June 2007, the Company issued 1,305,872,000 new shares pursuant to a placing agreement entered into with a placing agent on 21 June 2007 to finance the acquisition of subsidiaries as set out in note 32(a)(i). Part of the proceeds of $130,587,000, representing the par value of the share issued, were credited to the Company's share capital. The remaining proceeds of $2,324,452,000, before the share issue expenses of $90,594,000, were credited to the share premium account.

(Expressed in Hong Kong dollars unless otherwise indicated)

31. CAPITAL AND RESERVES *(CONTINUED)*

(c) Share capital *(CONTINUED)*

(iv) Shares issued under share options scheme

On 1 June 2006, 26 October 2006 and 3 November 2006, options were exercised to subscribe for 24,488,000 ordinary shares in the Company at a consideration of $3,918,000 of which $2,449,000 was credited to share capital and the balance of $1,469,000 was credited to the share premium account. $2,373,000 has been transferred from the share options reserve to the share premium account in accordance with policy set out in note 1(r)(ii).

(v) Subscriptions of discounted shares

On 13 July 2007, the Company entered into the subscription agreement with the Subscribers pursuant to subscribe for a total of 157,070,000 shares at a subscription price of $1.10 per share. None of the Subscribers has subscribed the shares under the subscription agreement during the year. Further details of the subscription agreement are set out in note 28(b) to the financial statements.

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

Exercise period	Exercise price $	2007 Number	2006 Number
6 July 2007 to 5 July 2010	1.82	**215,000,000**	—
11 July 2007 to 10 July 2010	1.82	**1,000,000**	—
25 September 2007 to 24 September 2010	1.30	**12,000,000**	—
		228,000,000	—

Each option entitles the holder to subscribe for one share in the Company. Further details of these options are set out in note 28(a) to the financial statements.

31. CAPITAL AND RESERVES *(CONTINUED)*

(d) Nature and purpose of reserves

(i) Share premium

The application of the share premium account is governed by section 40 of the Bermuda Companies Act 1981.

(ii) Contributed surplus

The Group's contributed surplus represents the special reserve arising upon the Group reorganisation in March 1997.

(iii) Exchange reserve

The exchange reserve comprises all foreign exchange differences arising from the translation of the financial statements of foreign operations. The reserve is dealt with in accordance with the accounting policy set out in note 1(v).

(iv) Statutory surplus reserve

According to the relevant PRC rules and regulations, the subsidiaries of the Group are required to transfer 10% of their net profit, as determined in accordance with the PRC accounting standards and regulations, to the statutory surplus reserve until the balance of the reserve reaches 50% of their respective registered capital. The transfer to this reserve must be made before distribution of dividends to equity owners of these subsidiaries.

Statutory surplus reserve can be used to make good previous years' losses, if any, and may be converted into capital in proportion to existing equity owners' equity percentage, provided that the balance after such issuance is not less than 25% of their registered capital.

31. CAPITAL AND RESERVES *(CONTINUED)*

(d) Nature and purpose of reserves *(CONTINUED)*

(v) Capital reserve

Capital reserve comprises the fair value of the actual or estimated number of unexercised share options granted to directors and other eligible participants of the Company and the fair value of discounted shares to be subscribed by the Subscribers pursuant to the subscriptions, both are recognised in accordance with the accounting policy adopted for share based payments in note 1(r)(ii).

(e) Distributability of reserves

The Company had no reserve available for distribution to equity shareholders of the Company as at 31 December 2006 and 2007.

(f) 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 equity 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 equity 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.

The Group maintains sufficient capital (which comprises all components of equity) such that net current assets are maintained, i.e. it has the financial resources to repay all its current liabilities in the next year.

The Group is not subject to externally imposed capital requirements.

32. BUSINESS COMBINATION

(a) Acquisition of subsidiaries

(i) Acquisition of Harbin Songjiang Copper (Group) Company Limited

On 11 March 2007, the Company entered into a sale and purchase agreement with independent third parties to acquire a 75.08% equity interests in Harbin Songjiang Copper (Group) Company Limited and its subsidiaries, which principally engaged in mining and processing of molybdenum, copper and zinc, for a total consideration of RMB1,854,636,000 (equivalent RMB1,807,881,000) satisfied in cash. The acquisition was completed on 5 July 2007. The acquired companies contributed an aggregated revenue of $674,955,000 and aggregate net profit of $97,834,000 to the Group since acquisition. If the acquisition had occurred at the beginning of the year, the Group revenue and profit after taxation would have been $990,316,000 and $241,640,000.

The acquisition had the following effect on the Group's assets and liabilities.

	Carrying values prior to acquisition	Fair value adjustments	Carrying values upon acquisition
	$'000	*$'000*	*$'000*
Acquiree's net assets at the date of acquisition			
Property, plant and equipment	410,952	262,311	673,263
Construction in progress	58,904	—	58,904
Intangible assets	192,857	2,772,571	2,965,428
Deferred tax assets	66,158	(65,428)	730
Inventories	105,136	217,013	322,149
Trade and other receivables	311,627	—	311,627
Cash and cash equivalents	134,983	—	134,983
Trade and other payables	(240,137)	(24,813)	(264,950)
Bank loans	(276,480)	—	(276,480)
Other loan	(1,026)	—	(1,026)
Defered income	(77,475)	—	(77,475)
Current taxation	(133,903)	—	(133,903)
Deferred tax liabilities	(3,344)	(765,589)	(768,933)
Minority interests	(7,707)	(14,468)	(22,175)
Net assets acquired	540,545	2,381,597	2,922,142
Share of net assets acquired by the Group upon acquisition			2,193,944
Negative goodwill arising on acquisition			(281,622)
Satisfied by:			
— Cash paid			1,854,636
— Costs directly attributable to the purchase			57,686
Total purchase consideration			1,912,322
Cash and cash equivalents acquired			134,983
Purchase consideration settled in cash			(1,912,322)
Net outflow of cash and cash equivalents in respect of the acquisition			(1,777,339)

32. BUSINESS COMBINATION *(CONTINUED)*

(a) Acquisition of subsidiaries *(CONTINUED)*

(i) Acquisition of Harbin Songjiang Copper (Group) Company Limited *(CONTINUED)*

The excess of net fair value of net assets acquired over the total costs of acquisition is recognised as negative goodwill in the consolidated income statement. Such negative goodwill was primarily resulted from appreciation of fair value of certain fixed assets, intangible assets and inventories at the completion date of acquisition as compared to their respective fair value estimated by management of the Company during the initial stage of the acquisition.

(ii) Acquisition of Wuhai Derun Ferroalloy Limited Liability Company

During the year ended 31 December 2007, the Group acquired the entire equity interest in Wuhai Derun Ferroalloy Limited Liability Company ("Wahai Derun") from an independent third party for a consideration of $11,520,000 (equivalent to RMB10,800,000) satisfied in cash.

Wuhai Derun owns a factory building, a leasehold land and certain plant and equipment at the date of acquisition. Wuhai Derun did not have any business operations at the date of acquisition and the underlying set of assets acquired is planned to supply materials to Inner Mongolia Zhongrun Magnesium Co. Ltd., a subsidiary of the Group which is under construction of a magnesiun smelting plant. The acquired company did not have any revenue and expenses since acquisition.

The directors considered that the total purchase consideration paid represented the fair value of net assets acquired.

The acquisition had the following effect on the Group's assets and liabilities:

	Carrying values prior to purchase *$'000*	**Fair value adjustments** *$'000*	**Carrying values upon purchase** *$'000*
Acquiree's net assets at the date of acquisition			
Property, plant and equipment	12,904	(2,074)	10,830
Inventories	115	—	115
Trade and other receivables	1,291	—	1,291
Cash and cash equivalents	131	—	131
Trade and other payables	(847)	—	(847)
Net assets acquired	13,594	(2,074)	11,520
Total purchase consideration, satisfied by cash paid			11,520
Cash and cash equivalents acquired			131
Purchase consideration settled in cash			(11,520)
Net outflow of cash and cash equivalents in respect of the acquisition			(11,389)

32. BUSINESS COMBINATION *(CONTINUED)*

(b) Purchase of net assets

During the year ended 31 December 2006, the Group acquired a 57% equity interest in Lead Sun Investments Limited and its subsidiaries ("Lead Sun Group") from independent third parties.

Lead Sun Group holds primarily a mining right of an unexploited natural rutile mine with no established infrastructure and no significant mining equipment at the date of acquisition. The underlying set of assets acquired was not integrated in forming a business to generate revenues. As such, the directors are of the opinion that the acquisition of Lead Sun Group is a purchase of net assets which does not constitute a business combination for accounting purposes.

The aggregate purchase consideration of $811,625,000 was in the form of (i) 1,081,480,000 new shares of the Company at $0.4 per share amounted to $432,592,000; (ii) disposal of subsidiaries at their carrying values of $174,033,000; and (iii) a cash consideration of $205,000,000.

The directors considered that the total purchase consideration paid represented the fair value of net assets acquired and the fair value of mining rights, which is presented as intangible assets below, is considered as the excess of fair value of net assets acquired over the fair value of net tangible assets acquired.

32. BUSINESS COMBINATION *(CONTINUED)*

(b) Purchase of net assets *(CONTINUED)*

The purchase had the following effect on the Group's assets and liabilities:

	Carrying values prior to purchase *$'000*	Fair value adjustments *$'000*	Carrying values upon purchase *$'000*
Acquiree's net assets at the date of acquisition			
Property, plant and equipment	753	—	753
Intangible assets	69,122	1,606,662	1,675,784
Trade and other receivables	217	—	217
Cash and cash equivalents	1,047	—	1,047
Amount due from a minority shareholder	14,204	—	14,204
Trade and other payables	(73,360)	—	(73,360)
Minority interests	(13,226)	(782,188)	(795,414)
Net assets acquired	(1,243)	824,474	823,231
Satisfied by:			
— Shares issued			432,592
— Carrying values of subsidiaries disposed *(note 32(c)(ii))*			174,033
— Cash paid			205,000
— Costs directly attributable to the purchase			11,606
Total purchase consideration			823,231
Cash and cash equivalents acquired			1,047
Purchase consideration settled in cash			(216,606)
Net outflow of cash and cash equivalents in respect of the purchase of net assets			(215,559)

32. BUSINESS COMBINATION *(CONTINUED)*

(c) Disposal of subsidiaries

(i) Disposal of Alukeerqinqi Manitu Silver & Tin Mining Co. Ltd

During the year ended 31 December 2007, the Group disposed of its 60% equity interests in Alukeerqinqi Manitu Silver & Tin Mining Co. Ltd to Chifeng Jinjian Copper Company Limited, the minority shareholders of the Group, at a cash consideration of $534,000.

Net assets disposed of at the date of disposal:

	$'000
Property, plant and equipment	2,473
Deferred tax assets	310
Trade and other receivables	999
Trade and other payables	(3,248)
Net assets disposed of	534
Satisfied by cash	534
Net inflow of cash and cash equivalent in respect of disposed subsidiary	534

(ii) Disposal of INNOMAXX Property (BVI) Limited and GITIC Properties Limited

During the year ended 13 December 2006, the Group disposed of INNOMAXX Property (BVI) Limited and GITIC Properties Limited at their carrying values of $174,033,000 upon purchase of net assets of Lead Sun Group as set out in note 32(b). There is no gain or loss on disposal.

Net assets disposed of at the date of disposal:

	$'000
Property, plant and equipment	177
Investment properties	140,594
Trade and other receivables	29,548
Pledged bank deposits	14,416
Trade and other payables	(3,100)
Current taxation	(432)
Deferred tax liabilities	(7,170)
Net assets disposed	174,033

32. BUSINESS COMBINATION *(CONTINUED)*

(c) Disposal of subsidiaries *(CONTINUED)*

(ii) Disposal of INNOMAXX Property (BVI) Limited and GITIC Properties Limited *(CONTINUED)*

The investment properties were revalued as at 31 July 2006 on an open market value basis. The valuation was carried out by an independent firm of surveyors, Greater China Appraisal Limited, who has among their staff Registered Professional Surveyors in Hong Kong with substantial experience in valuation of property interest in the PRC since 1992. Accordingly, a valuation gain of $15,794,000 was recognised in the profit for the year ended 31 December 2006 from discontinued operations.

33. FINANCIAL INSTRUMENTS

Exposure to credit, liquidity, interest rate and currency risks arises in the normal course of the Group's business. These risks are limited by the Group's financial management policies and practices described below.

(a) Credit risk

The Group's credit risk is primarily attributable to trade and other receivables and bill receivables. For both mining operations and processing and storage of cord blood, in order to minimise the credit risk, the management of the Group has reviewed the recoverable amount of each individual trade debt at each balance sheet date to ensure that adequate impairment losses are made to irrecoverable amounts.

In respect of mining operations, credit evaluations are performed on all customers requiring credit over a certain amount. These receivables are due within 90 days from the date of billing. Billings to customers are normally made immediately after the date of delivery except for billings to copper and zinc customers which are made after 1 to 2 months from the date of delivery when metal contents are tested and confirmed by the customers. Debtors with balances that are more than 3 months overdue are requested to settle all outstanding balances before any further credit is granted. Overseas customers are required to settle in cash on delivery. Normally, the Group does not obtain collateral from customers.

33. FINANCIAL INSTRUMENTS *(CONTINUED)*

(a) Credit risk *(CONTINUED)*

At the balance sheet date, the Group has a certain concentration of credit risk as 19% and 65% of the total trade debtors and bills receivable were due from the Group's largest customer and the five largest customers as at 31 December 2007 respectively within the mining operation segments.

Cash and cash equivalents are normally placed with licensed banks in Hong Kong and the PRC that have a credit rating equal to or better than the Group. Given their high credit ratings, management does not expect any licensed bank to fail to meet its obligations.

The maximum exposure to credit risk is represented by the carrying amount of each financial asset in the consolidated balance sheets. Except for the financial guarantees given by the Group as set out in note 35(d), the Group does not provide any other guarantees which would expose the Group to credit risk. The maximum exposure to credit risk in respect of these financial guarantees at the balance sheet date is disclosed in note 35(d).

(b) Liquidity risk

The Group's policy is to regularly monitor current and expected liquidity requirements and its compliance with lending covenants, to ensure that it maintains sufficient reserves of cash and adequate committed lines of funding from major financial institutions to meet its liquidity requirements in the short and longer terms. The Group also monitors closely the cash flows of its subsidiaries. Generally, the Group's subsidiaries are required to obtain the Group's approval for activities such as investment of surplus cash, raising of loans and fixed assets acquisitions beyond certain limits.

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

33. FINANCIAL INSTRUMENTS *(CONTINUED)*

(b) Liquidity risk *(CONTINUED)*

The Group

	2007					
	Carrying amount *$'000*	Total contractual undiscounted cash flow *$'000*	Within 1 year or on demand *$'000*	More than 1 year but less than 2 years *$'000*	More than 2 years but less than 5 years *$'000*	More than 5 years *$'000*
Trade and other payables	373,116	394,589	260,643	44,328	88,657	961
Bank loans	212,800	231,890	139,414	58,575	33,901	—
Other loans	5,643	6,810	1,184	117	766	4,743
Loans from minority shareholders	150,500	150,500	150,500	—	—	—
	742,059	783,789	551,741	103,020	123,324	5,704

The Company

Trade and other payables	21,578	21,578	21,578	—	—	—

33. FINANCIAL INSTRUMENTS *(CONTINUED)*

(b) Liquidity risk *(CONTINUED)*

The Group

	2006					
	Carrying amount *$'000*	Total contractual undiscounted cash flow *$'000*	Within 1 year or on demand *$'000*	More than 1 year but less than 2 years *$'000*	More than 2 years but less than 5 years *$'000*	More than 5 years *$'000*
Trade and other payables	54,420	62,517	22,517	10,000	20,000	10,000
Bank loans	—	—	—	—	—	—
Other loans	—	—	—	—	—	—
Loans from minority shareholders	150,500	150,500	150,500	—	—	—
	204,920	213,017	173,017	10,000	20,000	10,000
The Company						
Trade and other payables	5,898	5,898	5,898	—	—	—

(c) Foreign currency risk

(i) The Group is exposed to foreign currency risk primarily through certain sales that are denominated in currencies other than the functional currency of the operations to which they relate. The currencies giving rise to this risk are primarily United States Dollars ("USD"). The Group ensures that the net exposure is kept to an acceptable level by selling USD at spot rate where necessary.

33. FINANCIAL INSTRUMENTS *(CONTINUED)*

(c) Foreign currency risk *(CONTINUED)*

(ii) Exposure to currency risk

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

The Group

	2007		2006	
	United States Dollars	**Hong Kong Dollars**	United States Dollars	Hong Kong Dollars
	'000	***'000***	*'000*	*'000*
Trade and other receivables	**2,160**	**—**	—	—
Cash and cash equivalents	**—**	**52**	2	132,757
Overall net exposure	**2,160**	**52**	2	132,757

The Company

	2007		2006	
	United States Dollars	**Hong Kong Dollars**	United States Dollars	Hong Kong Dollars
	'000	***'000***	*'000*	*'000*
Cash and cash equivalents	**—**	**—**	2	—
Overall net exposure	**—**	**—**	2	—

33. FINANCIAL INSTRUMENTS *(CONTINUED)*

(c) Foreign currency risk *(CONTINUED)*

(iii) Sensitivity analysis

The following table indicates the approximate change in the Group's profit after tax (and retained profits) in response to reasonably possible changes in the foreign exchange rates to which the Group has significant exposure at the balance sheet date.

The Group

	2007		2006	
	Increase/ (decrease) in foreign exchange rates	**Effect on profit after tax and retained profits *'000***	Increase/ (decrease) in foreign exchange rates	Effect on profit after tax and retained profits *'000*
United States Dollars	**8%**	**866**	8%	—
	(8)%	**(866)**	(8)%	—
Hong Kong Dollars	**8%**	**4**	8%	10,670
	(8)%	**(4)**	(8)%	(10,670)

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

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

33. FINANCIAL INSTRUMENTS *(CONTINUED)*

(d) Interest rate risk

The Group's interest risk arises primarily from cash and cash equivalents and long term borrowings. Borrowings issued at variable rates and at fixed rates expose the Group to cash flow interest rate risk and fair value interest rate risk respectively.

(i) Interest rate profile

The following table details the interest rate profile of the Group's and the Company's interest-bearing financial liabilities and interest-earning financial assets at the balance sheet date.

	The Group				The Company			
	2007		2006		**2007**		2006	
	Effective interest rate		Effective interest rate		**Effective interest rate**		Effective interest rate	
	%	***$'000***	*%*	*$'000*	***%***	***$'000***	*%*	*$'000*
Cash and cash equivalents	**0.72-5.90**	**1,247,594**	0.72-4.62	449,087	**2.00-5.90**	**695,932**	3.1-4.62	266,813
Bank loans	**6.48-7.23**	**212,800**	—	—	**—**	**—**	—	—
Other loan	**2.55**	**4,576**	—	—	**—**	**—**	—	—

(ii) Sensitivity analysis

At 31 December 2007, it is estimated that a general increase/decrease of 150 basis points in interest rates, with all other variables held constant, would increase/decrease the Group's profit after tax and retained profits by approximately $13,422,000 (2006: $6,736,000).

The sensitivity analysis above has been determined assuming that the change in interest rates had occurred at the balance sheet date and had been applied to the exposure to interest rate risk for financial instruments in existence at that date. The 150 basis point increase or decrease represents management's assessment of a reasonably possible change in interest rates over the period until the next annual balance sheet date. The analysis is performed on the same basis for 2006.

33. FINANCIAL INSTRUMENTS *(CONTINUED)*

(e) Fair values

The fair values of all financial assets and liabilities are not materially different from their carrying amounts.

(f) Estimation of fair value of financial guarantees

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

(g) Business risk

During the year, the manufacturing procedures of ferro molybdenum, the molybdenum product of the Group, are sub-contracted to two independent third party contractors. In addition, all export sales of the Group's products are made through the sole sales agent. Although the Group believes that it maintains good relationships with these sub-contractors and sales agent, there can be no assurance that these parties will continue to provide the manufacturing and sales agent services to the Group on normal commercial terms as and when needed. In the event that these parties ceased to provide manufacturing and sales agent services to the Group and the Group could not secure the provision of such services, the Group's turnover and profitability might be affected.

As disclosed in note 14, the mining rights of certain mines operated by the Group are state-owned and the Group is in the process in transferring the status of these mining rights from state-owned to privately-owned. Although the Group believes that the status of mining rights can be transferred to privately-owned, there can be no assurance that the relevant government authorities will approve the transfer. In the event that the relevant government authorities decline the application made by the Group for the transfer of mining rights, the Group's operation might be adversely affected. In addition, the Group believes that no additional fee will be charged by the relevant government authorities for the exploitation of mineral resources during the year, any additional fee charged will be adversely affected the results of the Group.

(Expressed in Hong Kong dollars unless otherwise indicated)

34. LOANS TO OFFICERS

Loans to officers of the Group disclosed pursuant to section 161B of the Hong Kong Companies Ordinance are as follows:

Name of borrower	**Mr Su Qing Yu**	**Mr Qiao Hong Bo**	**Mr Qu Yan Chun**
Position	**Deputy Manager**	**Deputy Manager**	**Deputy Manager**
Terms of the loan			
— duration and repayment terms	3 years	3 years	3 years
— loan amount	$975,479	$1,200,117	$446,103
— interest rate	6.58%	6.58%	6.58%
— security	None	None	None
Balance of the loan			
— At 1 January 2007	Nil	Nil	Nil
— At 31 December 2007	$975,479	$223,054	$446,103
Maximum balance outstanding			
— during 2007	$975,479	$1,200,117	$446,103

There was no amount due but unpaid, nor any provision made against the principal amount of or interest on these loans at 31 December 2007.

35. COMMITMENTS AND CONTINGENCIES

(a) Capital commitments

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

	The Group		The Company	
	2007	2006	**2007**	2006
	$'000	*$'000*	***$'000***	*$'000*
Contracted for	**32,813**	4,872	**—**	—
Authorised but not contracted for	**1,206,899**	788,801	**—**	—
	1,239,712	793,673	**—**	—

Included in the capital commitments is an amount of $826,751,000 (2006: $793,673,000) related to the development of mining, processing and smelting facilities at Shanxi Dai County Rutile mine.

35. COMMITMENTS AND CONTINGENCIES *(CONTINUED)*

(a) Capital commitments *(CONTINUED)*

(ii) Other commitments

At 31 December 2007, the company had commitments to contribute capital of $7,722,000 (2006: $Nil) to a jointly controlled entity.

(b) Operating lease commitments

(i) As lessee

At 31 December 2007, the total future minimum lease payments under non-cancellable operating leases in respect of rented premises are payable as follows:

	The Group		The Company	
	2007	2006	**2007**	2006
	$'000	*$'000*	***$'000***	*$'000*
Within 1 year	**3,851**	2,847	**1,484**	1,247
After 1 year but within 5 years	**4,873**	194	**804**	—
	8,724	3,041	**2,288**	1,247

(ii) As lessor

At 31 December 2007, the total future minimum lease payments contracted with tenants are as follows:

	The Group		The Company	
	2007	2006	**2007**	2006
	$'000	*$'000*	***$'000***	*$'000*
Within 1 year	**—**	300	**—**	300

35. COMMITMENTS AND CONTINGENCIES *(CONTINUED)*

(c) Environmental contingencies

To date, the Group has not incurred any significant expenditures for environment remediation and has not accrued any amounts for environmental remediation relating to its mining operations. Under existing legislation, management believes that there are no probable liabilities that will have a material adverse effect on the financial position or operating results of the Group. The PRC government, however, has moved and may move further towards more rigorous enforcement of applicable laws, and towards the adoption of more stringent environmental standards. Environmental liabilities are subject to considerable uncertainties which affect the Group's ability to estimate the ultimate cost of remediation efforts. These uncertainties include: (i) the exact nature and extent of the contamination at various sites including, but not limited to mines and processing plants whether operating, closed and sold; (ii) the extent of required cleanup efforts; (iii) varying costs of alternative remediation strategies; (iv) changes in environmental remediation requirements; and (v) the identification of new remediation sites. The amount of such future cost is indeterminable due to such factors as the unknown magnitude of possible contamination and the unknown timing and extent of the corrective actions that may be required. Accordingly, the outcome of environmental liabilities under proposed or future environmental legislation cannot reasonably be estimated at present and could be material. The Group has incurred $200,000 in respect of environment remediation during the year.

(d) Financial guarantees issued

As disclosed in note 25, certain bank loans of the Group as at 31 December 2007 were guaranteed by a third party. In return, a subsidiary of the Group have provided guarantees for banking facilities up to $53,333,000 (equivalent to RMB50,000,000) and certain bank loans totalling $53,333,000 (equivalent to RMB50,000,000) respectively in favour of the same third party.

The guarantees cover the repayment of loan principal and related interest payments. If the guaranteed party defaults on debt payments, the subsidiaries are required to perform under the guarantees. As at 31 December 2007, the Director do not considered it probable that a claim will be made against the subsidiaries under the guarantees and the estimated fair value of the Group's standby commitment is not material.

36. MATERIAL RELATED PARTY TRANSACTIONS

During the year, transactions with the following parties are considered as related party transactions.

Name of party	Relationship
Chifeng Jinjian Copper Company Limited ("Chifeng Jinjian")	Minority shareholder

Particulars of significant transactions between the Group and the above related party during the year are as follows:

(a) Recurring transactions

	2007	2006
	$'000	*$'000*
Sales of goods to Chifeng Jinjian	**94,467**	—

(b) Non-recurring transactions

	2007	2006
	$'000	*$'000*
Disposal of a subsidiary to Chifeng Jinjian	**534**	—

(c) Guarantees

A guarantee of $128,000,000 (equivalent to RMB120,000,000) was given by Chifeng Jinjian to a subsidiary of the Group against certain bank loans totalling $128,000,000 (equivalent to RMB120,000,000) as at 31 December 2007 as disclosed in note 25.

36. MATERIAL RELATED PARTY TRANSACTIONS *(CONTINUED)*

(d) Exploration rights

Exploration in certain locations in Inner Mongolia are conducted by the Group during the year ended 31 December 2007. The exploration rights are provided by Chifeng Jinjian to the Group at no cost. Expenditure of $7,318,000 (equivalent to RMB6,861,000) has been incurred for the exploration in such locations and capitalised as exploration and evaluation assets included in intangible assets (see note 14).

(e) Key management personnel remuneration

Remuneration for key management personnel of the Group, including amounts paid to the directors and certain of the highest paid employees as disclosed in note 7 and 8, is as follows:

	2007	2006
	$'000	$'000
Short-term employee benefits	**11,010**	2,892
Post-employment benefits	**118**	103
Equity compensation benefits	**142,520**	—
	153,648	2,995

Total remuneration is included in "staff costs" (see note 5(b)).

37. SIGNIFICANT ACCOUNTING ESTIMATES AND JUDGEMENTS

The methods, estimates and judgements the directors use in applying the Group's accounting policies have a significant impact on the Group's financial position and operating results. Some of the accounting policies require the Group to apply estimates and judgements, on matters that are inherently uncertain. Certain critical accounting judgements in applying the Group's accounting policies are described below.

(a) Depreciation

Property, plant and equipment are depreciated on a straight-line basis over the estimated useful lives, after taking into account the estimated residual value. The Group reviews annually the useful life of an asset and its residual value, if any. The depreciation expense for future periods is adjusted if there are significant changes from previous estimates.

(b) Impairment

In identifying whether indications of impairment losses exist for property, plant and equipment, lease prepayments and construction in progress, the directors are of the opinion that the privately-owned mining rights can be obtained. It is possible that the relevant government authorities may decline the Group's application for the transfer of mining rights from stated-owned to privately-owned, which would affect the conclusion of the above judgement, in which case impairment losses for such assets may be required.

In considering the impairment losses that may be required for certain of the Group's assets which include property, plant and equipment, lease prepayments, intangible assets, construction in progress and investments in its subsidiaries and jointly controlled entites, recoverable amount of the asset needs to be determined. The recoverable amount is the greater of the net selling price and the value in use. It is difficult to precisely estimate selling prices because quoted market prices for these assets may not be readily available. In determining the value in use, expected cash flows generated by the assets are discounted to their present value, which requires significant judgement relating to items such as level of sale volume, selling price and amount of operating costs. The Group uses all readily available information in determining an amount that is reasonable approximation of recoverable amount, including estimates based on reasonable and supportable assumptions and projections of items such as sale volume, selling price and amount of operating costs.

Impairment losses for bad and doubtful debts are assessed and provided based on the Group's regular review of ageing analysis and evaluation of collectibility. A considerable level of judgement is exercised by the management when assessing the credit worthiness and past collection history of each individual customer. Any increase or decrease in the impairment losses for trade and other receivables would affect the income statement in future years.

37. SIGNIFICANT ACCOUNTING ESTIMATES AND JUDGEMENTS

(CONTINUED)

(c) Impairment losses for goodwill

Internal and external sources of information are reviewed by the Group at each balance sheet date to assess whether there is any indication that goodwill may be impaired. If any such indication exists, the recoverable amount of the goodwill is estimated. Changes in facts and circumstances may result in revisions to the conclusion of whether an indication of impairment exists and revised estimates of recoverable amounts, which would affect profit or loss in future years.

(d) Inventories

Inventories are stated at the lower of cost and net realisable value at balance sheet date. Net realisable value is determined on the basis of the estimated selling price less the estimated costs necessary to make the sale. The Group estimates the net realisable value for finished goods and work in progress based primarily on the latest invoice prices and current market conditions.

(e) Recognition of deferred tax assets

Deferred tax assets in respect of tax losses carried forward are recognised and measured based on the expected manner of realisation or settlement of the carrying amount of the assets, using tax rates enacted or substantively enacted at the balance sheet date. In determining the carrying amounts of deferred tax assets, expected taxable profits are estimated which involves a number of assumptions relating to the operating environment of the Group and requires significant level of judgement exercised by the directors. Any change in such assumptions and judgement would affect the carrying amounts of deferred tax assets to be recognised and hence the net profit in future years.

(f) Reserve estimates

As explained in policy notes 1(h) and 1(j), mining shafts, mining rights and exploration and evaluation assets and mining development assets ("mining assets") are amortised using a units of production method based on the proven and probable mineral reserve.

Engineering estimates of the Group's mineral reserves are inherently imprecise and represent only approximate amounts because of the subjective judgements involved in developing such information. There is Chinese system, which is the national standard set by the PRC Government, regarding the engineering criteria that have to be met before estimated mineral reserves can be designated as "proved" and "probable". Proved and probable reserve estimates are updated on a regular basis and have taken into account recent production and technical information about each mine. This change is considered a change in estimate for accounting purposes and is reflected on a prospective basis in related depreciation and amortisation rates.

37. SIGNIFICANT ACCOUNTING ESTIMATES AND JUDGEMENTS *(CONTINUED)*

(f) Reserve estimates *(CONTINUED)*

Despite the inherent imprecision in these engineering estimates these estimates are used in determining depreciation and amortisation expenses and impairment loss. Depreciation and amortisation rates are determined based on estimated proved and probable mineral reserve quantity ("the denominator") and capitalised costs of mining shafts and mining rights ("the numerator"). The capitalised cost of mining assets are amortised based on the units of production.

38. NON-ADJUSTING POST BALANCE SHEET EVENTS

On 11 April 2008, the board of the Company approved a proposal to apply the contributed surplus and the accumulated losses of the Company to eliminate the audited accumulated losses of the Company of $454,034,000 as at 31 December 2006 (the "Reduction"). The directors of the Company consider that the Reduction will give the Company more flexibility to declare dividends to the shareholders of the Company in the earliest opportunity in the future as and when the board of the Company considers appropriate. The Reduction is subject to the shareholders' approval and the compliance with the requirements of relevant section of the Bermuda Companies Act 1981. No adjustment has been made in the financial statements related to the Reduction.

39. LITIGATION

(a) As set out in the announcement of the Company dated 8 August 2007, the Company became aware of a litigation instituted in Shenzhen City Middle People's Court (深圳市中級人民法院) (the "Shenzhen City Court") between two former shareholders of Top Rank International Group Limited ("Top Rank"), a subsidiary of the Company (the "Unrelated Litigation"). Insofar as the Company is aware and based on legal advice obtained from the Company's PRC legal adviser, the Unrelated Litigation involves a dispute between two individuals, both of whom are third parties independent of the Company and its connected persons, regarding the transfer of 20% of the issued share capital in Top Rank; none of the Company, Top Rank, or any other subsidiaries of the Company or any of their respective directors and/or employees is a party to the Unrelated Litigation; and the Unrelated Litigation does not involve any allegation against the Company, any of its subsidiaries, or their respective directors and/or employees.

39. LITIGATION *(CONTINUED)*

(a) *(CONTINUED)*

As far as the Company is aware, the Unrelated Litigation involves a dispute regarding the transfer of 20% of the issued share capital in Top Rank (the "Share Transfer") amongst former shareholders of Top Rank, and the plaintiff has made allegations with respect to the authenticity and the legality of the procedures involving the Share Transfer. As advised by the PRC legal adviser of the Company, insofar as Top Rank is concerned, the Shenzhen City Court has made orders (the "Orders") for the former handling agent of Top Rank to (i) preserve the records relating to registration, annual audit and transfer of shares; and (ii) prohibit from arranging for or assisting in the transfer of shares in Top Rank. Based on legal advice sought by the Company from its PRC legal adviser, none of the assets or shares of any member of the Group were sealed up or frozen pursuant to any court orders.

According to legal advice obtained by the Company from its BVI legal adviser and based on the statutory records of Top Rank, Lead Sun Investments Limited ("Lead Sun"), a subsidiary of the Company, has since 1 June 2006 been the legal owner of the entire issued share capital of Top Rank. As such, according to the Company's PRC legal adviser, the Orders do not have any effect on the ownership of Top Rank by Lead Sun as such Orders were made after Lead Sun has become the owner of Top Rank. For the reasons above and based on legal advice obtained from the Company's BVI legal adviser and the PRC legal adviser, the directors of the Company are of the view that the Company has proper and valid title in Top Rank, which owns 90% equity interest in Shanxi Shenli Aerospace Titanium Company Limited ("Shanxi Shenli"), a subsidiary of the Company which holds the Shanxi Dai County Rutile mine.

To the best knowledge of the directors of the Company, all the claims made by the plaintiff in respect of the Unrelated Litigation were rejected by the Shenzhen City Court pursuant to a judgement (民事判決書(2007)深中法民四初字第20號) made on 17 December 2007.

(b) On 9 August 2007, the Company received a writ issued by the Shenzhen City Court on 6 August 2007 together with a statement of claim dated 2 August 2007 pursuant to which Mr. Tang Yan was the plaintiff (the "Plaintiff"), and Mr. Tse Michael Nam ("Mr. Tse") and Mr. Huang Shi Lin ("Mr. Huang"), being two former shareholders (previously holding 80% and 20%, respectively, of the issued share capital) of Top Rank, together with Lead Sun, Shanxi Shenli and the Company were named as defendants in a litigation concerning the transfer of shares in Top Rank, amongst former shareholders of Top Rank (the "Litigation").

39. LITIGATION *(CONTINUED)*

(b) *(CONTINUED)*

Pursuant to the statement of claim dated 2 August 2007, the Plaintiff claimed for an order involving the following: (i) to invalidate the agreement effecting the transfer of shares from the former shareholders to Lead Sun; (ii) Mr. Tse to transfer the shares in Top Rank back to the Plaintiff at US$1; (iii) the defendants to issue an apology to the Plaintiff; and (iv) the defendants to jointly bear the legal costs in relation to the Litigation.

As advised by the PRC legal adviser of the Company, the direct claims made to the Company only involve (iii) and (iv) above, and which is to issue an apology to the Plaintiff and bear legal costs in relation to the Litigation.

A judgement was made by the Shenzhen City Court on 17 December 2007 (the "Judgement") pursuant to which: (1) all claims of the Plaintiff were rejected; (2) the counter-claims of each of Lead Sun and Shanxi Shenli were rejected; (3) as the Company has no direct relationship whatsoever in relation to the dispute involving the Share Transfer, the joining of the Company as one of the co-defendants by the Plaintiff is not appropriate, and as such, the Plaintiff was ordered to bear the notarisation and translation costs of the Company which were necessarily incurred by the Company in connection with the Litigation; and (4) the other counter-claims of the Company were rejected.

(c) On 6 March 2008, the Company has received a copy of the Application for Civil Appeal (民事上訴狀) (the "Application") dated 3 March 2008 issued by the Plaintiff and which has been lodged with the Guangdong Province High Court, pursuant to which the Plaintiff has made an application to the Guangdong Province High Court to appeal for the revocation of the orders (2) and (3) of the Judgement made against the Plaintiff as stated in paragraph (b) above and for the support of all claims of the Plaintiff.

Based on advice from the Company's PRC legal adviser, no new evidence has been submitted by the Plaintiff in the Application and it is unlikely that the PRC courts will support the Plaintiff's claims against the Company and its relevant subsidiaries. The directors of the Company do not anticipate any significant adverse impact on the financial position or operating results of the Group resulting from the Application up to the date of this report. The directors of the Company are of the view that the Group has proper and valid defences to the claims, and accordingly, no provision has been accounted for in this financial report.

40. COMPARATIVE FIGURES

Certain Comparative figures have been reclassified to conform with current years' presentation.

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

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

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

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

	Year Ended 31 December				
	2003	2004	2005	2006	**2007**
	$'000	*$'000*	*$'000*	*$'000*	***$'000***
RESULTS					
Turnover					
Continuing operations	9,287	11,724	15,634	17,366	**696,416**
Discontinued operations	8,822	230,735	175,204	138,207	**—**
	18,109	242,459	190,838	155,573	**696,416**
Profit/(loss) before taxation					
Continuing operations	(36,234)	(86,385)	(25,134)	(20,558)	**251,700**
Discontinued operations	2,221	345	(30,725)	12,267	**—**
	(34,013)	(86,040)	(55,859)	(8,291)	**251,700**
Taxation credit/(charge)					
Continuing operations	—	—	(75)	366	**(27,308)**
Discontinued operations	(1,277)	(175)	734	(1,317)	**—**
	(1,277)	(175)	659	(951)	**(27,308)**
Profit/(loss) for the year					
Continuing operations	(36,234)	(86,385)	(25,209)	(20,192)	**224,392**
Discontinued operations	944	170	(29,991)	10,950	**—**
	(35,290)	(86,215)	(55,200)	(9,242)	**224,392**
Attributable to:					
Equity shareholders of the Company	(35,290)	(86,215)	(55,200)	(8,244)	**212,297**
Minority interests	—	—	—	(998)	**12,095**
	(35,290)	(86,215)	(55,200)	(9,242)	**224,392**

FIVE YEARS FINANCIAL SUMMARY
YEAR ENDED 31 DECEMBER

	Year Ended 31 December				
	2003	2004	2005	2006	**2007**
	$'000	*$'000*	*$'000*	*$'000*	***$'000***
Total assets	427,860	484,225	297,041	2,172,179	**7,439,339**
Total liabilities	(97,435)	(203,971)	(69,614)	(239,759)	**(1,786,305)**
NET ASSETS	330,425	280,254	227,427	1,932,420	**5,653,034**
REPRESENTED BY:					
Equity attributable to shareholders of the Company	330,425	280,254	227,427	1,121,572	**3,992,892**
Minority interests	—	—	—	810,848	**1,660,142**
TOTAL EQUITY	330,425	280,254	227,427	1,932,420	**5,653,034**