



中國鎂業資源集團有限公司*
MAGNESIUM RESOURCES CORPORATION OF CHINA LIMITED

(Incorporated in Bermuda with limited liability)

(Stock code: 723)

**ANNOUNCEMENT OF FINAL RESULTS
FOR THE YEAR ENDED 31 MARCH 2008**

The Board of Directors (the “Director”) of Magnesium Resources Corporation of China Limited (the “Company”) hereby present the audited consolidated results of the Company and its subsidiaries (the “Group”) for the year ended 31 March 2008 together with the comparative figures for the last corresponding year as follows:

CONSOLIDATED INCOME STATEMENT

Year ended 31 March 2008

	Note	2008 HK\$'000	2007 HK\$'000
CONTINUING OPERATIONS			
TURNOVER	3	123,037	6,691
COST OF SALES		(108,351)	(5,764)
GROSS PROFIT		14,686	927
OTHER REVENUE	3	15,551	1,149
Selling and distribution expenses		(4,182)	(140)
Administrative expenses		(44,590)	(20,345)
Other operating expenses	4	(19,279)	(2,404)
LOSS FROM OPERATIONS	5	(37,814)	(20,813)
Finance costs	5(a)	(2,050)	(244)
Share of loss of an associate		–	(5,544)
LOSS BEFORE TAXATION		(39,864)	(26,601)
Income tax	6	(1,881)	131
LOSS FOR THE YEAR FROM CONTINUING OPERATIONS		(41,475)	(26,470)
DISCONTINUED OPERATIONS			
Loss for the year from discontinued operations		(72,985)	(28,913)
LOSS FOR THE YEAR		(114,730)	(55,383)
ATTRIBUTABLE TO:			
Equity shareholders of the Company		(112,892)	(55,027)
Minority interests		(1,838)	(356)
		(114,730)	(55,383)
LOSS PER SHARE			
Basic	7		
– Continuing operations		(2.03 cents)	(1.93 cents)
– Discontinued operations		(3.71 cents)	(2.13 cents)
		(5.74 cents)	(4.06 cents)
Diluted		N/A	N/A

CONSOLIDATED BALANCE SHEET

31 March 2008

	<i>Note</i>	2008 HK\$'000	2007 <i>HK\$'000</i>
NON-CURRENT ASSETS			
Property, plant and equipment		46,519	89,332
Interest in leasehold land held for own use under operating leases		2,244	4,984
Goodwill		–	4,957
Intangible assets	8	2,022,541	–
		2,071,304	99,273
CURRENT ASSETS			
Inventories		58,341	94,304
Interest in leasehold land held for own use under operating leases		66	158
Trade and other receivables	9	82,272	48,793
Pledged deposits		30,211	12,019
Cash and cash equivalents		119,338	45,245
		290,228	200,519
CURRENT LIABILITIES			
Bank loans and overdrafts		39,552	26,877
Trade and other payables	10	46,681	90,036
Finance leases payables		58	1,657
Provision for taxation		2,845	4,015
		89,136	122,585
NET CURRENT ASSETS		201,092	77,934
TOTAL ASSETS LESS CURRENT LIABILITIES		2,272,396	177,207

	<i>Note</i>	2008 <i>HK\$'000</i>	2007 <i>HK\$'000</i>
NON-CURRENT LIABILITIES			
Finance leases payables		–	833
Deferred tax liabilities		19,579	18,235
Convertible notes		855,213	–
Promissory notes		320,000	–
		<u>1,194,792</u>	<u>19,068</u>
NET ASSETS		<u>1,077,604</u>	<u>158,139</u>
CAPITAL AND RESERVES			
Share capital		289,885	154,492
Reserves		368,302	(10,253)
Total equity attributable to equity shareholders of the Company		658,187	144,239
Minority interests		419,417	13,900
TOTAL EQUITY		<u>1,077,604</u>	<u>158,139</u>

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Year ended 31 March 2008

Attributable to equity shareholders of the Company

	Share capital	Share premium	Contributed surplus	Distributable reserve	Property revaluation reserve	Fair value reserve	Equity component reserve	Exchange fluctuation reserve	Retained profits/ losses (accumulated)	Sub-total	Minority interest	Total equity
	HK\$ '000	HK\$ '000	HK\$ '000	HK\$ '000	HK\$ '000	HK\$ '000	HK\$ '000	HK\$ '000	HK\$ '000	HK\$ '000	HK\$ '000	HK\$ '000
At 1 April 2006	76,864	-	2,789	4,995	16,090	-	-	(50)	7,145	107,833	78	107,911
Surplus on revaluation	-	-	-	-	9,105	-	-	-	-	9,105	-	9,105
Rights issue expenses	-	-	-	(2,779)	-	-	-	-	-	(2,779)	-	(2,779)
Fair value adjustment	-	-	-	-	-	8,783	-	-	-	8,783	-	8,783
Deferred tax charged in the revaluation reserve	-	-	-	-	(1,892)	-	-	-	-	(1,892)	-	(1,892)
Property revaluation reserve	-	-	-	-	(27)	-	-	-	-	(27)	27	-
Acquisition of a subsidiary	-	-	-	-	-	-	-	-	-	-	13,831	13,831
Disposal of a subsidiary	-	-	-	-	-	-	-	-	-	-	(10)	(10)
Exchange realignment	-	-	-	-	-	-	-	615	-	615	330	945
Revaluation reserve released on disposal	-	-	-	-	(709)	-	-	-	709	-	-	-
Shares issued under rights issue	76,864	-	-	-	-	-	-	-	-	76,864	-	76,864
Shares issued under bonus warrants	764	-	-	-	-	-	-	-	-	764	-	764
Loss for the year	-	-	-	-	-	-	-	-	(55,027)	(55,027)	(356)	(55,383)
At 31 March 2007	154,492	-	2,789	2,216	22,567	8,783	-	565	(47,173)	144,239	13,900	158,139
At 1 April 2007	154,492	-	2,789	2,216	22,567	8,783	-	565	(47,173)	144,239	13,900	158,139
Shares issued under placement and subscription	30,700	122,800	-	-	-	-	-	-	-	153,500	-	153,500
Shares issue expenses	-	(5,972)	-	-	-	-	-	-	-	(5,972)	-	(5,972)
Shares issued under bonus warrants	24,693	-	-	-	-	-	-	-	-	24,693	-	24,693
Consideration shares issued for the acquisition of subsidiaries	80,000	132,000	-	-	-	-	-	-	-	212,000	-	212,000
Revaluation reserve released on disposal	-	-	-	-	(2,437)	-	-	-	2,437	-	-	-
Acquisition of subsidiaries	-	-	-	-	-	-	-	-	-	-	406,503	406,503
Surplus on revaluation	-	-	-	-	4,976	-	-	-	-	4,976	-	4,976
Issuance of convertible notes	-	-	-	-	-	-	236,787	-	-	236,787	-	236,787
Deferred tax charged in the revaluation reserve	-	-	-	-	(1,344)	-	-	-	-	(1,344)	-	(1,344)
Loss for the year	-	-	-	-	-	-	-	-	(112,892)	(112,892)	(1,838)	(114,730)
Exchange realignment	-	-	-	-	-	-	-	2,200	-	2,200	852	3,052
At 31 March 2008	289,885	248,828	2,789	2,216	23,762	8,783	236,787	2,765	(157,628)	658,187	419,417	1,077,604

NOTES

1. STATEMENT OF COMPLIANCE

These financial statements have been prepared in accordance with all applicable Hong Kong Financial Reporting Standards (“HKFRSs”), which collective term includes all applicable individual Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards (“HKASs”) and Interpretations issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”), accounting principles generally accepted in Hong Kong, the disclosure requirements of the Hong Kong Companies Ordinance and 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 in note 3 to financial statements.

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 4 to financial statements provides information on the changes in accounting policies resulting from initial application of these developments to the extent that they are relevant to the Group for the current and prior accounting periods reflected in these financial statements.

During the year, the Group disposed of certain operations which constituted discontinued operations under HKFRS 5 “Non-current Assets Held for Sale and Discontinued Operations”. Therefore, the results derived from such operations are presented as discontinued operations in current accounting period. The comparative figures for the corresponding period in 2007 have been reclassified to conform with the current year’s presentation.

2. SEGMENT INFORMATION

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

During the year, the Group discontinued by way of disposal of subsidiaries the home appliances segment which included the design and manufacture of home appliances and trading of merchandise.

The Group comprises the following main business segments:

Real estate: the development and sale of commercial premises and residential properties.

Building materials: the construction work of building and construction project of building material.

Mining: the mining and processing of magnesite ore.

	Continuing operations								Discontinued operations		Consolidated	
	Real estate		Building materials		Mining		Sub-total		Home appliances			
	2008	2007	2008	2007	2008	2007	2008	2007	2008	2007	2008	2007
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Revenue from external customers	-	-	121,592	6,691	1,445	-	123,037	6,691	99,817	203,010	222,854	209,701
Segment result	(13,707)	(1,015)	6,794	(2,854)	(8,503)	-	(15,416)	(3,869)	(47,432)	(26,938)	(62,848)	(30,807)
Interest income							3,599	874	201	452	3,800	1,326
Unallocated operating income and expenses							(25,997)	(17,818)	-	-	(25,997)	(17,818)
Loss from operations							(37,814)	(20,813)	(47,231)	(26,486)	(85,045)	(47,299)
Finance costs							(2,050)	(244)	(1,290)	(2,427)	(3,340)	(2,671)
Share of loss of an associate	-	(5,544)	-	-	-	-	-	(5,544)	-	-	-	(5,544)
Loss on disposal of subsidiaries							-	-	(24,450)	-	(24,450)	-
Income tax							(1,881)	131	(14)	-	(1,895)	131
Loss after taxation							(41,745)	(26,470)	(72,985)	(28,913)	(114,730)	(55,383)
ASSETS												
Segment assets	66,170	87,871	76,809	12,089	2,027,549	-	2,170,528	99,960	-	184,557	2,170,528	284,517
Unallocated corporate assets											191,004	15,275
Consolidated total assets											2,361,532	299,792
LIABILITIES												
Segment liabilities	21,682	24,946	67,823	9,140	5,079	-	94,584	34,086	-	88,937	94,584	123,023
Unallocated corporate liabilities											1,189,344	18,630
Consolidated total liabilities											1,283,928	141,653

	Continuing operations								Discontinued operations		Consolidated	
	Real estate		Building materials		Mining		Sub-total		Home appliances		2008	2007
	2008	2007	2008	2007	2008	2007	2008	2007	2008	2007	2008	2007
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
OTHER INFORMATION												
Depreciation and amortisation for the year	65	8	35	12	10,597	-	10,697	20	5,963	10,122	16,660	10,142
Unallocated corporate expenses											1,573	129
											<u>18,233</u>	<u>10,271</u>
Impairment losses of												
- trade and other receivables	100	-	2,766	20	-	-	2,866	20	2,499	1,342	5,365	1,362
- goodwill	4,957	-	-	2,327	-	-	4,957	2,327	-	-	4,957	2,327
- property, plant and equipment	-	-	-	-	-	-	-	-	10,466	-	10,466	-
- moulds deposits	-	-	-	-	-	-	-	-	5,513	1,342	5,513	1,342
											<u>18,233</u>	<u>10,271</u>
Significant non-cash expenses												
- write-down of inventories	3,733	-	-	-	-	-	3,733	-	-	4,344	3,733	4,344
											<u>3,733</u>	<u>4,344</u>
Capital expenditure incurred during the year	199	503	96	207	4	-	299	710	1,488	7,908	1,787	8,618
Unallocated corporate capital expenditure											561	532
											<u>2,348</u>	<u>9,150</u>

Geographical segments

The following table presents revenue for the Group's geographical segment based on the location of external customers.

	2008			2007		
	Continuing operations	Discontinued operations	Total	Continuing operations	Discontinued operations	Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Europe	-	35,153	35,153	-	92,769	92,769
North America	-	28,272	28,272	-	69,713	69,713
South America	-	14,328	14,328	-	17,095	17,095
Asia Pacific	123,037	8,155	131,192	6,691	7,141	13,832
Middle East	-	10,039	10,039	-	11,423	11,423
Oceania	-	3,870	3,870	-	4,869	4,869
	<u>123,037</u>	<u>99,817</u>	<u>222,854</u>	<u>6,691</u>	<u>203,010</u>	<u>209,701</u>

Carrying amount of segment assets and capital expenditure by location of assets are as follows:

	2008			2007		
	Continuing operations	Discontinued operations	Total	Continuing operations	Discontinued operations	Total
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Segment assets:						
Europe	-	-	-	-	8,941	8,941
North America	-	-	-	-	3,652	3,652
South America	-	-	-	-	4,406	4,406
Asia Pacific	2,361,532	-	2,361,532	99,960	180,842	280,802
Middle East	-	-	-	-	1,401	1,401
Oceania	-	-	-	-	590	590
	2,361,532	-	2,361,532	99,960	199,832	299,792

	2008			2007		
	Continuing operations	Discontinued operations	Total	Continuing operations	Discontinued operations	Total
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Capital expenditure:						
Europe	-	-	-	-	14	14
North America	-	-	-	-	16	16
South America	-	-	-	-	-	-
Asia Pacific	860	1,488	2,348	1,242	7,878	9,120
Middle East	-	-	-	-	-	-
Oceania	-	-	-	-	-	-
	860	1,488	2,348	1,242	7,908	9,150

3. TURNOVER AND OTHER REVENUE

Turnover represents the net invoiced value of good sold, after allowances for returns and trade discounts and revenue from construction contracts.

An analysis of turnover and other revenue is as follows:

	Continuing operations		Discontinued operations		Consolidated	
	2008 HK\$'000	2007 HK\$'000	2008 HK\$'000	2007 HK\$'000	2008 HK\$'000	2007 HK\$'000
Turnover						
Sales of goods	1,445	–	99,817	203,010	101,262	203,010
Revenue from construction contracts	121,592	6,691	–	–	121,592	6,691
	123,037	6,691	99,817	203,010	222,854	209,701
Other revenue						
Interest income*	3,599	874	201	452	3,800	1,326
Sale of scrap materials	–	–	–	966	–	966
Others	1,049	275	5,257	1,654	6,306	1,929
	4,648	1,149	5,458	3,072	10,106	4,221
Other net income						
Gain/(loss) on disposal of property, plant and equipment	8,791	–	(4,390)	861	4,401	861
Negative goodwill	2,011	–	–	–	2,011	–
Exchange difference, net	101	–	–	–	101	–
	10,903	–	(4,390)	861	6,513	861
Other revenue and other net income	15,551	1,149	1,068	3,933	16,619	5,082
	138,588	7,840	100,885	206,943	239,473	214,783

* It represented total interest income on financial assets not at fair value through profit or loss.

4. OTHER OPERATING EXPENSES

	Continuing operations		Discontinued operations		Consolidated	
	2008	2007	2008	2007	2008	2007
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Loss/(gain) on disposal of a subsidiary	-	77	139	(10)	139	67
Write down of inventories	3,733	-	-	-	3,733	-
Amortisation of intangible assets	10,589	-	-	-	10,589	-
Impairment loss on goodwill	4,957	2,327	-	-	4,957	2,327
Impairment losses on mould deposits	-	-	5,513	1,342	5,513	1,342
Impairment losses on property, plant and equipment	-	-	10,466	-	10,466	-
	<u>19,279</u>	<u>2,404</u>	<u>16,118</u>	<u>1,332</u>	<u>35,397</u>	<u>3,736</u>

5. LOSS FROM OPERATIONS

The Group's loss from operations are arrived at after charging/(crediting):

	Continuing operations		Discontinued operations		Consolidated	
	2008	2007	2008	2007	2008	2007
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
a) Finance costs						
Interest on bank loans and other loans wholly repayable within five years	866	229	1,214	2,184	2,080	2,413
Interest on convertible notes	1,167	-	-	-	1,167	-
Finance charges on obligations under finance leases	17	15	76	243	93	258
Total interest expenses on financial liabilities not at fair value through profit or loss	<u>2,050</u>	<u>244</u>	<u>1,290</u>	<u>2,427</u>	<u>3,340</u>	<u>2,671</u>
b) Staff costs						
Salaries, wages and other benefits	15,611	16,295	19,716	30,352	35,327	46,647
Severance payments	-	-	524	371	524	371
Pension scheme contributions	240	187	221	422	461	609
	<u>15,851</u>	<u>16,482</u>	<u>20,461</u>	<u>31,145</u>	<u>36,312</u>	<u>47,627</u>

	Continuing operations		Discontinued operations		Consolidated	
	2008	2007	2008	2007	2008	2007
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
c) Other items						
Cost of inventories sold	646	–	104,622*	189,137	105,268	189,137
Depreciation	1,523	12	5,963	10,110	7,486	10,122
Amortisation of land lease premium	158	8	–	141	158	149
Minimum lease payments under operating leases for land and buildings (including directors' quarters)	1,499	939	159	798	1,658	1,737
Auditor's remuneration						
– audit services	1,243	285	28	315	1,271	600
– other services	672	110	–	–	672	110
	1,915	395	28	315	1,943	710
Impairment losses on trade receivables	1,928	20	2,499	–	4,427	20
Impairment losses on retentions receivable	938	–	–	–	938	–
	<u>1,915</u>	<u>395</u>	<u>28</u>	<u>315</u>	<u>1,943</u>	<u>710</u>

* Cost of inventories sold includes depreciation of HK\$4,766,000 (2007: HK\$7,789,000) and staff costs of HK\$13,038,000 (2007: HK\$21,251,000), the amount of which is also included in the respective total amounts disclosed separately above.

6. INCOME TAX IN THE CONSOLIDATED INCOME STATEMENT

a) Income tax in the consolidated income statement represents:

Hong Kong Profits Tax has been provided at the rate of 17.5% (2007: 17.5%) on the estimated assessable profits arising in Hong Kong during the year.

Taxation for overseas subsidiaries is charged at the appropriate current rates of taxation ruling in the relevant countries.

	Continuing operations		Discontinued operations		Consolidated	
	2008	2007	2008	2007	2008	2007
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Current tax						
– Hong Kong	1,604	(131)	–	–	1,604	(131)
– Overseas	277	–	14	–	291	–
	<u>1,881</u>	<u>(131)</u>	<u>14</u>	<u>–</u>	<u>1,895</u>	<u>(131)</u>
Tax expense/(credit)	<u>1,881</u>	<u>(131)</u>	<u>14</u>	<u>–</u>	<u>1,895</u>	<u>(131)</u>

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

	2008	2007
	<i>HK\$'000</i>	<i>HK\$'000</i>
Loss before taxation		
– Continuing operations	(39,864)	(26,601)
– Discontinued operations	(72,971)	(28,913)
	<u>(112,835)</u>	<u>(55,514)</u>
Notional tax on loss before taxation, calculated at the rates applicable to (losses)/profits in the countries concerned	(38,364)	(11,549)
Tax effect of non-taxable income	(3,023)	(1,311)
Tax effect of non-deductible expenses	10,706	1,652
Tax losses utilised from previous periods	–	(9)
Tax effect of tax losses not recognised	32,309	11,086
Others	267	–
	<u>1,895</u>	<u>(131)</u>
Actual tax expense/(credit)	<u>1,895</u>	<u>(131)</u>

7. LOSS PER SHARE

(a) **Basic loss per share – for continuing and discontinued operations**

The calculation of basic loss per share is based on the loss attributable to equity shareholders of the Company and the weighted average number of ordinary shares in issue during the year.

	2008	2007
	<i>HK\$'000</i>	<i>HK\$'000</i>
Loss attributable to equity shareholders of the Company used in the basic loss per share calculation		
From continuing operations	(39,907)	(26,182)
From discontinued operations	(72,985)	(28,845)
	<u>(112,892)</u>	<u>(55,027)</u>
	<u>(112,892)</u>	<u>(55,027)</u>

Weighted average number of ordinary shares

	2008	2007
	No. of shares	No. of shares
	'000	'000
Issued ordinary shares at 1 April	1,544,925	768,642
Effect of shares issued under rights issue	–	585,274
Effect of shares issued under placement and subscription	229,619	–
Effect of shares issued under bonus warrants	135,150	222
Effect of consideration shares issued for the acquisition of subsidiaries	56,986	–
	<hr/>	<hr/>
Weighted average number of ordinary shares at 31 March	1,966,680	1,354,138
	<hr/> <hr/>	<hr/> <hr/>

(b) Diluted loss per share

No diluted loss per share has been disclosed as the outstanding bonus warrants and convertible notes had an anti-dilutive effect on the basic loss per share for the year ended 31 March 2008 and 2007.

8. INTANGIBLE ASSETS

	<i>HK\$'000</i>
Cost	
At 31 March 2006 and 1 April 2007	–
Acquisition from subsidiaries	2,033,130
	<hr/>
At 31 March 2008	2,033,130
	<hr/>
Accumulated amortisation	
At 31 March 2006 and 1 April 2007	–
Charge for the year	10,589
	<hr/>
At 31 March 2008	10,589
	<hr/>
Net book value	
At 31 March 2008	2,022,541
	<hr/> <hr/>
At 31 March 2007	–
	<hr/> <hr/>

- a) Intangible assets represent the mining rights held by the Group.
- b) The mining rights are stated at cost less accumulated amortisation and any impairment losses. The mining rights are amortised on a straight-line basis over its estimated useful lives of 16 years. The amortisation charge for the year is grouped under other operating expenses in the consolidated income statement.

- c) The fair value of the mining rights has been assessed, based on the income approach, by an independent professional valuer, Asset Appraisal Limited.
- d) The Group acquired the entire equity interest of Ling Kit Holding Ltd. in March 2008 which is solely engaged in holding of 80% equity interest in the 海城市東鑫實業有限公司 (Haicheng Dongxin Industry Ltd.) (“Haicheng Dongxin”). Haicheng Dongxin is engaged in mining and processing of magnesite ore. The mining rights of the magnesite mine is covered by the mining licences summarized below:

Licence number	Mining Areas (km²)	Expiry date
2100000431318	0.3110	November 2009
2100000330769	0.2297	May 2004 (Note (i))
2100000421523	0.3535	September 2009 (Note (ii))
	0.8942	

Notes:

- i) As further explained in (e) below, the relevant government authority has approved the temporary extension of the mining right to October 2008.
- ii) The completion of the acquisition is subject to the payment of consideration (i.e. RMB4,000,000) and approval by the relevant government authority.
- e) As advised by the Company’s PRC legal adviser, the relevant PRC local government authority has promulgated certain policies to consolidate mines in Liaoning Province for the purpose of, among others, improving the utilisation of mines and environmental protection. Pursuant to these policies, in September 2007, the relevant PRC authority certified the three mining licences as mentioned in (d) above to be consolidated into one. However as at 31 March 2008 and up to the date of this report, the formal approval and certificate has not been completed and issued by the relevant authority in mainland China.

To the best of the knowledge of the Company’s directors, the relevant PRC government authority certified the mining areas in respect of the consolidated mining rights exclude certain minor areas, which represented approximately 3% of the aggregated mining areas of the mining licences as mentioned above, for the reason that the excluded areas do not contain any magnesite resources.

As further advised by the Company’s PRC legal adviser, Haicheng Dongxin had applied the consolidated mining licence for an area covering 0.8643 km², and the application is in process, and there is no foreseeable legal impediments for Haicheng Dongxin to obtain the consolidated mining licence.

9. TRADE AND OTHER RECEIVABLES

	2008 <i>HK\$'000</i>	2007 <i>HK\$'000</i>
Trade receivables	64,653	26,048
Less: allowance for doubtful debts	(2,933)	(1,209)
	61,720	24,839
Retentions receivable	8,317	1,672
Due from a minority shareholder	256	–
Other receivables	556	7,061
Loans and receivables	70,849	33,572
Prepayments and deposits	5,434	3,077
Mould deposits (<i>note c</i>)	–	10,316
Gross amount due from customers for contract work	5,989	1,828
	82,272	48,793

- a) All of the trade and other receivables are expected to be recovered or recognised as expense within one year.
- b) Ageing analysis

Trade receivables less provision for impairment losses of HK\$2,933,000 (2007: HK\$1,209,000) with the following aging analysis as of the balance sheet date:

	2008 <i>HK\$'000</i>	2007 <i>HK\$'000</i>
0 – 30 days	44,267	10,451
31 – 60 days	15,175	9,099
61 – 90 days	–	2,163
Over 90 days	2,278	3,126
	61,720	24,839

The Group's trading terms with its customers are mainly on credit and letters of credit, except for new customers where payment in advance and cash on delivery are normally required. Invoices are normally payable between 30 and 180 days after issuance. Each customer has a maximum credit limit. The Group seeks to maintain strict control over its outstanding receivables and has a credit control department to minimize credit risk. Overdue balances are reviewed regularly by senior management.

- c) In prior years, the Group incurred labour cost, raw materials and other expenses for mould construction and recorded these amounts as mould deposits. When the mould construction is completed, the amount will be recognised as moulds and classified under property, plant and equipment. During the year ended 31 March 2008, the mould deposits of HK\$4,803,000 (2007: HK\$2,372,000) were transferred to moulds under property, plant and equipment.

Due to the decision of discontinue certain product lines, the directors determine the construction cost of the moulds could not be recovered and therefore the impairment on the carrying amount of these mould deposits of HK\$5,513,000 (2007: HK\$1,342,000) is required. The mould deposits are related to the home appliances segment and therefore the impairment are fully charged to the consolidated income statement under the loss for the year from discontinued operations for the year ended 31 March 2008.

- d) The Group had impaired HK\$938,000 (2007: HK\$Nil) for retentions receivable, which related to projects abandoned during the year ended 31 March 2008 and the directors expected the amount cannot be recovered.

- e) Impairment of trade receivables

Impairment losses in respect of trade receivables 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 receivables directly.

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

	2008	2007
	<i>HK\$'000</i>	<i>HK\$'000</i>
At 1 April	1,209	1,189
Exchange realignment	106	–
Impairment losses recognised	4,427	20
Disposal of subsidiaries	(2,499)	–
Uncollectible amounts written off	(310)	–
	<hr/>	<hr/>
At 31 March	2,933	1,209
	<hr/> <hr/>	<hr/> <hr/>

During the year ended 31 March 2008, the Group had impaired HK\$1,928,000 and HK\$2,499,000 for the continuing operations and discontinued operations respectively. The individually impaired receivables related to customers that were outstanding for over a year as at the balance sheet date or in financial difficulties. The Group does not hold any collateral over these balances.

f) Trade receivables that are not impaired

The ageing analysis of trade receivables that are neither individually nor collectively considered to be impaired are as follows:

	2008 <i>HK\$'000</i>	2007 <i>HK\$'000</i>
Neither past due nor impaired	59,442	14,294
Less than 1 month past due	–	5,256
1 to 3 months past due	2,278	5,289
	2,278	10,545
	61,720	24,839

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.

10. TRADE AND OTHER PAYABLES

	2008 <i>HK\$'000</i>	2007 <i>HK\$'000</i>
Trade payables (<i>note a</i>)	18,699	35,553
Other payables and accruals	13,034	35,001
Gross amount due to customers for contract work	6,408	4,488
Due to minority shareholders (<i>note b</i>)	8,540	7,207
Compensation payable (<i>note c</i>)	–	3,680
Accrual for long service payment (<i>note d</i>)	–	1,695
Mould deposits received	–	1,312
Other loan (<i>note e</i>)	–	1,100
Financial liabilities measured at amortised costs	46,681	90,036

- a) An aged analysis of the Group's trade payables as at the balance sheet date, based on invoiced date is as follows:

	2008	2007
	<i>HK\$'000</i>	<i>HK\$'000</i>
0 – 30 days	18,159	6,311
31 – 60 days	5	3,095
61 – 90 days	3	5,457
Over 90 days	532	20,690
	<hr/>	<hr/>
	18,699	35,553
	<hr/> <hr/>	<hr/> <hr/>

- b) The amounts are unsecured, interest free and have no fixed terms of repayment.
- c) A deposit of Euro 123,000 (equivalent to HK\$1,266,000) was pledged to a bank as security for the Group's compensation in connection with the goods return incurred during the year ended 31 March 2007. The deposit was released upon the settlement of compensation during the year. No outstanding balance at 31 March 2008.
- d) The amount represented the accrual for long service payment for Antec Group and AECL Group as at 31 March 2007. The amount were paid during the year ended 31 March 2008.
- e) The loan was advanced from Tenham Investment Limited, an independent third party, is unsecured, bearing interest at rate of 9.00% per annum and has no fixed terms of repayment. The loan has been settled on 12 October 2007.

DIVIDENDS

The Directors do not recommend the payment of any dividend (2007: Nil) for the year ended 31 March 2008.

CORPORATE GOVERNANCE PRACTICES

The board of directors of the Company (the “Board”) has adopted the code provisions set out in the Code on Corporate Governance Practices (the “Code”) contained in Appendix 14 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “Listing Rules”). Detailed information on the Company’s corporate governance practices is set out in the Corporate Governance Report included in the Company’s Annual Report 2008 to be despatched to shareholders in due course.

MODEL CODE

The Company has adopted a code of conduct regarding securities transactions by directors on terms no less exacting than the required standard set out in the Model Code. Having made specific enquiry of all directors of the Company, all directors confirmed that they had complied with the required standards set out in the Model Code and the code of conduct regarding securities transaction by directors adopted by the Company throughout the year.

MANAGEMENT DISCUSSION AND ANALYSIS

Business Review

The financial year 2008 was another difficult year for the Group. The persistent hardship and keen competition constrained the performance of home appliances manufacturing business. The decision to dispose the business was made in December 2007 and the disposal was completed on 31 January 2008.

The acquisition of the Lishugou Magnesite Project was completed on 6 March 2008 and its operating results have since been incorporated into the financial statements for the year ended 31 March 2008. The acquisition has enabled the Group to participate in the magnesite mining industry in the PRC and broaden our revenue base.

The turnover of the Group’s building materials business was approximately HK\$121.6 million (2007: HK\$6.7 million). The business has been focusing on marble and light-weight building materials supply and installation. In view of the rapid development in the property markets in Hong Kong and Macau, the Group expects the contribution from the building material business will continue to grow in the coming years.

The Group is also engaged in the development of property projects in Dongguan, Guangdong Province in the PRC. The final phase of Jia Lake Mountain Villa in Liaobu, Dongguan will be developed into a residential and commercial estate with total GFA of approximately 47,000 square meters. The renovation of the shopping mall in Dongguan has been completed and leasing activities have commenced. The Group is also considering the redevelopment of the 66,000 square meters site formerly occupied by the factory of our home appliance business.

Financial Review

For the year ended 31 March 2008, the turnover of the Group was approximately HK\$222.9 million, representing a 6.3% increase over the corresponding financial year of HK\$209.7 million. During the year under review, the building materials business has recorded a significant growth with a turnover of approximately HK\$121.6 million (2007: HK\$6.7 million), while HK\$99.8 million (2007: HK\$203.0 million) turnover was contributed by the home appliances division.

Loss attributable to the equity shareholders of the Company for the year ended 31 March 2008 amounted to HK\$112.9 million, as compared to HK\$55.0 million recorded in last year, significant increase in loss during the year was mainly due to the disposal of the home appliances business.

During the year under review, the Group comprised four business segments: home appliances, real estate, building materials and magnesite mine. Home appliance operation was a discontinued business segment while mining segment was newly acquired business segment during the year. Hence, real estate, building materials and mining are three continuing operations for the year ended 31 March 2008.

Home Appliances Business

Turnover and segment loss from home appliances operations for the year ended 31 March 2008 was approximately HK\$99.8 million and HK\$47.4 million respectively as compared to approximately HK\$203.0 million and HK\$26.9 million respectively for the year ended 31 March 2007. Due to keen competition of home appliances manufacturing business, the substantial increases in the essential raw materials costs, the gradual raise of labour cost in the PRC and the appreciation of Renminbi, the operating environments became increasingly difficult and the home appliances business recorded consecutive losses in recent years. Given the continued unfavourable market conditions, the prospects of the home appliances manufacturing business remained difficult in the future. On 8 December 2007, the Company entered into a conditional agreement to dispose of its home appliances business and the disposal was completed on 31 January 2008. A loss of approximately HK\$24.5 million from the disposal was realized.

Property Development Business

Due to the slowdown of the property market in the PRC, the Jia Lake Shopping Mall in Dongguan was vacant and generated no income during the year under review. Also, the final phase of Jia Lake Mountain Villa was still under development stage, the Group needs to continually finance the real estate segment. As a result, this segment recorded a net loss of HK\$13.7 million (2007: HK\$1.0 million) mainly due to administrative expenses incurred during the year.

Building Materials Business

During the year under review, the building materials segment contributed significant growth to the Group. Turnover for the year ended 31 March 2008 was approximately HK\$121.6 million as compared to HK\$6.7 million recorded in last financial year, representing an increase of 1,714.9%. This operation generated a segment profit of HK\$6.8 million to the Group while a loss of HK\$2.9 million was recorded in the last financial year. As the Group has secured more than ten projects up to the date of annual report and in view of the rapid development in the property markets in Hong Kong and Macau, the Group expects the contribution from the building materials business to be considerable in the coming financial year.

Magnesite Mining Business

The Group acquired 80% indirect interest of Haicheng Dongxin Industry Limited, which is principally engaged in the mining and processing of magnesite ore at the Lishugou magnesite mine. The acquisition was completed on 6 March 2008. Since less than one month contribution was made by this segment, only HK\$1.4 million of turnover and HK\$8.5 million segment loss was recorded for the year ended 31 March 2008.

Prospect

The Group has been seeking different investment opportunities in order to enhance shareholders' value. The Lishugou Magnesite Project has good business potential and will broaden the Group's revenue base by diversifying into the mining and processing of magnesite ore.

In view of the buoyant property markets in Hong Kong and Macau, the Group expects the contribution from the building material business to grow at a steady pace. We have recently formed a new joint venture company which focuses on waterproof bathroom TV to complement our building material business.

The slowdown of the property market in the PRC due to austerity measures introduced by the government has put pressure on property prices in Dongguan, Guangdong Province, the PRC. The Group would explore available opportunities in our property projects in Dongguan in order to enhance shareholders' value.

AUDIT COMMITTEE

The Company has an audit committee which was established in compliance with Rule 3.21 of the Listing Rules for the purpose of reviewing and providing supervision over the Group's financial reporting process and internal controls. The audit committee comprises the three independent non-executive directors of the Company.

The Audit Committee met with the senior management and the external auditor and reviewed the accounting principles and practices adopted by the Group and other financial reporting matters to ensure the completeness, accuracy and fairness of the financial statements of the Company for the year ended 31 March 2008 and reviewed the effectiveness of the systems of internal control throughout the Group.

The figures in respect of the announcement of the Group's results for the year ended 31 March 2008 have been agreed by the Group's external auditor, CCIF CPA Limited to the amounts set out in the Group's audited financial statements for the year. The work performed by CCIF CPA Limited in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by CCIF CPA Limited on the announcement.

PURCHASE, SALE OR REDEMPTION OF SECURITIES

During the year ended 31 March 2008, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities.

PUBLICATION OF FINANCIAL INFORMATION

This results announcement is published on the websites of the Stock Exchange (www.hkex.com.hk) and the Company (www.mrccltd.com). The Company's annual report for 2008 will be dispatched to the shareholders of the Company and available on the above websites in due course.

By Order of the Board
Magnesium Resources Corporation of China Limited
Cheng Tun Nei
Chairman

Hong Kong, 28 July 2008

As at the date of this announcement, the Board comprises Mr. Cheng Tun Nei, Mr. Teoh Tean Chai, Anthony and Ms. Chung Oi Ling, Stella as executive directors, Ms. Li Wa Hei as non-executive director and Mr. Lo Chi Ho, William, Mr. Wu Chi Chiu and Mr. Chu Kin Wang, Peleus as independent non-executive directors.

* *For identification purpose only*