



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 INTERIM RESULTS
FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2008**

The Board of Directors (the “Director”) of Magnesium Resources Corporation of China Limited (the “Company”) is pleased to announce the unaudited condensed consolidated results of the Company and its subsidiaries (the “Group”) for the six months ended 30 September 2008 together with the comparative figures for the corresponding period in 2007 as follows:

**CONDENSED CONSOLIDATED INCOME STATEMENT
FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2008**

		Six months ended 30 September	
		2008	2007
		(Unaudited)	(Unaudited and restated)
	<i>Note</i>	HK\$'000	HK\$'000
CONTINUING OPERATIONS			
Turnover	5	67,424	45,296
Cost of sales		(61,233)	(37,999)
Gross profit		6,191	7,297
Other revenue	5	2,450	5,997
Selling and distribution costs		(1,751)	(399)
Administrative expenses		(14,349)	(14,768)
Other operating expenses	6(a)	(83,518)	–
Loss from operations		(90,977)	(1,873)
Finance costs	6(b)	(36,879)	(14)
Loss before taxation	6	(127,856)	(1,887)
Income tax	7	(516)	(1,012)

* For identification purpose only

		Six months ended 30 September	
		2008	2007
		(Unaudited)	(Unaudited and restated)
<i>Note</i>		HK\$'000	HK\$'000
	Loss for the period from continuing operations	(128,372)	(2,899)
	DISCONTINUED OPERATIONS		
	Loss for the period from discontinued operations	8 <u>(13,642)</u>	<u>(45,855)</u>
	LOSS FOR THE PERIOD	<u>(142,014)</u>	<u>(48,754)</u>
	Attributable to:		
	Equity shareholders of the Company	(123,357)	(50,249)
	Minority interests	<u>(18,657)</u>	<u>1,495</u>
		<u>(142,014)</u>	<u>(48,754)</u>
	Loss per share		
	Basic		
	– Continuing operations	9 (a) <u>(3.74 cents)</u>	<u>(0.25 cents)</u>
	– Discontinued operations	<u>(0.47 cents)</u>	<u>(2.62 cents)</u>
		<u>(4.21 cents)</u>	<u>(2.87 cents)</u>
	Diluted	9 (b) <u>N/A</u>	<u>N/A</u>

CONDENSED CONSOLIDATED BALANCE SHEET
AS AT 30 SEPTEMBER 2008

		At 30 September 2008 (Unaudited) <i>HK\$'000</i>	At 31 March 2008 (Audited) <i>HK\$'000</i>
	<i>Note</i>		
NON-CURRENT ASSETS			
Property, plant and equipment		3,426	46,519
Interest in leasehold land held for own use under operating leases		268	2,244
Intangible assets	10	<u>1,959,006</u>	<u>2,022,541</u>
		<u>1,962,700</u>	<u>2,071,304</u>
CURRENT ASSETS			
Inventories		39,565	58,341
Interest in leasehold land held for own use under operating leases		5	66
Trade and other receivables	11	73,769	82,272
Pledged deposits		36,091	30,211
Cash and cash equivalents		<u>80,940</u>	<u>119,338</u>
		<u>230,370</u>	<u>290,228</u>
CURRENT LIABILITIES			
Bank loans and overdrafts		13,664	39,552
Trade and other payables	12	49,534	46,681
Finance lease payables		–	58
Provision for taxation		<u>2,440</u>	<u>2,845</u>
		<u>65,638</u>	<u>89,136</u>
NET CURRENT ASSETS		<u>164,732</u>	<u>201,092</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		<u>2,127,432</u>	<u>2,272,396</u>

	At 30 September 2008 (Unaudited) HK\$'000	At 31 March 2008 (Audited) HK\$'000
NON-CURRENT LIABILITIES		
Deferred tax liabilities	10,814	19,579
Convertible notes	878,849	855,213
Promissory notes	320,000	320,000
	<u>1,209,663</u>	<u>1,194,792</u>
NET ASSETS	<u>917,769</u>	<u>1,077,604</u>
CAPITAL AND RESERVES		
Share capital	295,107	289,885
Reserves	221,703	368,302
	<u>516,810</u>	<u>658,187</u>
Total equity attributable to equity shareholders of the Company	516,810	658,187
Minority interests	<u>400,959</u>	<u>419,417</u>
TOTAL EQUITY	<u>917,769</u>	<u>1,077,604</u>

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2008

1. CORPORATE INFORMATION

The Company was incorporated in Bermuda as an exempted company with limited liability under the Companies Act 1981 of Bermuda and its shares are listed on the Stock Exchange of Hong Kong Limited (the “Stock Exchange”).

The principal activity of the Company is investment holding. The principal activities of the subsidiaries comprise real estate development; building materials supply and installation; and mining and processing of magnesite ore.

2. BASIS OF PRESENTATION AND ACCOUNTING POLICIES

The condensed consolidated financial statements for the six months ended 30 September 2008 have been prepared in accordance with the applicable disclosure provision of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, including compliance with Hong Kong Accounting Standard 34 “Interim Financial Reporting” issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”).

The preparation of the condensed consolidated financial statements is in conformity with HKAS 34 requiring management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses on a year to date basis. Actual results may differ from these estimates.

The preparation of the condensed consolidated financial statements have been prepared in accordance with the same accounting policies adopted in the annual financial statements for the year ended 31 March 2008, except for the adoption of the new Hong Kong Financial Reporting Standards (“HKFRSs”) and Hong Kong Accounting Standards (“HKASs”) as disclosed in note 3 below. The condensed consolidated financial statements do not include all the information and disclosures required for an annual financial statements, and should be read in conjunction with the financial statements of the Group for the year ended 31 March 2008.

3. CHANGES IN ACCOUNTING POLICIES

(a) Impact of new and amended HKFRSs and HKASs

The Group has adopted, for the first time, the following new interpretations which are effective for the Group’s financial year beginning on 1 April 2008.

HK(IFRIC) – Int 12	Service Concession Arrangements
HK(IFRIC) – Int 14	HKAS 19 – The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction

Adoption of the above new interpretations does not have significant impact on the Group’s operating results or financial position.

(b) Impact of issued but not yet effective HKFRSs and HKASs

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

HKAS 1 (Revised)	Presentation of Financial Statements ¹
HKAS 23 (Revised)	Borrowing Cost ¹
HKAS 27 (Revised)	Consolidated and Separate Financial Statements ²
HKAS 32 & 1 (Amendments)	Puttable Financial Instruments and Obligations Arising on Liquidation ¹
HKFRS 2 (Amendments)	Vesting Conditions and Cancellations ¹
HKFRS 3 (Revised)	Business Combinations ²
HKFRS 8	Operating Segments ¹
HK(IFRIC) – Int 13	Customer Loyalty Programmes ³
HK(IFRIC) – Int 15	Agreements for the Construction of Real Estate ¹
HK(IFRIC) – Int 16	Hedges of a Net Investment in a Foreign Operation ⁴

¹ Effect for annual periods beginning on or after 1 January 2009

² Effect for annual periods beginning on or after 1 January 2008

³ Effect for annual periods beginning on or after 1 July 2008

⁴ Effect for annual periods beginning on or after 1 October 2008

The Group is in the process of making an assessment of what the impact of these new amendments, new standards and new interpretation is expected to be in the period of initial application. So far, it has concluded that the adoption of the above policies may result in new or amended disclosures, they are unlikely to have a significant impact on the Group's results of operations and financial position.

4. 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 ended 31 March 2008, the Group discontinued by way of disposal of subsidiaries (see note 8) 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.

Six months ended 30 September (Unaudited)

	Continuing operations						Discontinued operations				Consolidated	
	Real estate		Building materials		Mining		Sub-total		Home appliances		Consolidated	
	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
Segment revenue												
Revenue from external customers	-	-	57,293	45,296	10,131	-	67,424	45,296	-	62,309	67,424	107,605
Segment result	(21,041)	(1,907)	(228)	6,374	(61,962)	-	(83,231)	4,467	-	(43,026)	(83,231)	(38,559)
Interest income							720	1,466	-	160	720	1,626
Unallocated operating income and expenses							(8,466)	(7,806)	1	(2,053)	(8,465)	(9,859)
Loss from operations							(90,977)	(1,873)	1	(44,919)	(90,976)	(46,792)
Finance costs							(36,879)	(14)	-	(936)	(36,879)	(950)
Loss on disposal of subsidiaries							-	-	(13,643)	-	(13,643)	-
Income tax							(516)	(1,012)	-	-	(516)	(1,012)
Loss for the period							(128,372)	(2,899)	(13,642)	(45,855)	(142,014)	(48,754)
ASSETS												
Segment assets	47,635	40,691	65,937	27,364	1,966,041	-	2,079,613	68,055	-	111,094	2,079,613	179,149
Unallocated corporate assets											113,457	200,943
Consolidated total assets											2,193,070	380,092
LIABILITIES												
Segment liabilities	21,260	15,916	32,446	18,629	6,311	-	60,017	34,545	-	62,864	60,017	97,409
Unallocated corporate liabilities											1,215,284	13,740
Consolidated total liabilities											1,275,301	111,149

Six months ended 30 September (Unaudited)

	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 period	42	27	16	13	55	-	113	40	-	5,000	113	5,040
Unallocated corporate expenses											186	127
											<u>299</u>	<u>5,167</u>
Impairment of												
- trade and other receivables	-	-	-	-	903	-	903	-	-	2,499	903	2,499
- property, plant and equipment	-	-	-	-	-	-	-	-	-	19,768	-	19,768
- moulds deposits	-	-	-	-	-	-	-	-	-	5,513	-	5,513
- inventories - real estate	19,753	-	-	-	-	-	19,753	-	-	-	19,753	-
Capital expenditure incurred during the period	-	82	16	9	128	-	144	91	-	1,465	144	1,556
Unallocated corporate capital expenditure											1,080	8
											<u>1,224</u>	<u>1,564</u>

Geographical segments

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

	Six months ended 30 September (Unaudited)					
	2008			2007		
	Continuing operations <i>HK\$'000</i>	Discontinued operations <i>HK\$'000</i>	Total <i>HK\$'000</i>	Continuing operations <i>HK\$'000</i>	Discontinued operations <i>HK\$'000</i>	Total <i>HK\$'000</i>
Revenue from external customers:						
Europe	-	-	-	-	24,944	24,944
North America	-	-	-	-	18,264	18,264
South America	-	-	-	-	5,367	5,367
Asia Pacific	67,424	-	67,424	45,296	5,123	50,419
Middle East	-	-	-	-	6,321	6,321
Oceania	-	-	-	-	2,290	2,290
	67,424	-	67,424	45,296	62,309	107,605

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

	Six months ended 30 September (Unaudited)					
	2008			2007		
	Continuing operations <i>HK\$'000</i>	Discontinued operations <i>HK\$'000</i>	Total <i>HK\$'000</i>	Continuing operations <i>HK\$'000</i>	Discontinued operations <i>HK\$'000</i>	Total <i>HK\$'000</i>
Segment assets:						
Europe	-	-	-	-	10,931	10,931
North America	-	-	-	-	-	-
South America	-	-	-	-	1,181	1,181
Asia Pacific	2,193,070	-	2,193,070	268,999	97,091	366,090
Middle East	-	-	-	-	1,890	1,890
Oceania	-	-	-	-	-	-
	2,193,070	-	2,193,070	268,999	111,093	380,092

	Six months ended 30 September (Unaudited)					
	2008			2007		
	Continuing operations HK\$'000	Discontinued operations HK\$'000	Total HK\$'000	Continuing operations HK\$'000	Discontinued operations HK\$'000	Total HK\$'000
Capital expenditure:						
Europe	-	-	-	-	-	-
North America	-	-	-	-	-	-
South America	-	-	-	-	-	-
Asia Pacific	1,224	-	1,224	99	1,465	1,564
Middle East	-	-	-	-	-	-
Oceania	-	-	-	-	-	-
	<u>1,224</u>	<u>-</u>	<u>1,224</u>	<u>99</u>	<u>1,465</u>	<u>1,564</u>

5. 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 (Unaudited)	2007 HK\$'000 (Unaudited)	2008 HK\$'000 (Unaudited)	2007 HK\$'000 (Unaudited)	2008 HK\$'000 (Unaudited)	2007 HK\$'000 (Unaudited)
Turnover						
Sales of goods	12,794	-	-	62,309	12,794	62,309
Revenue from construction contracts	54,630	45,296	-	-	54,630	45,296
	<u>67,424</u>	<u>45,296</u>	<u>-</u>	<u>62,309</u>	<u>67,424</u>	<u>107,605</u>
Other revenue						
Interest income *	720	1,466	-	160	720	1,626
Sale of scrap materials	-	-	-	859	-	859
Others	1,730	43	4	2,017	1,734	2,060
	<u>2,450</u>	<u>1,509</u>	<u>4</u>	<u>3,036</u>	<u>2,454</u>	<u>4,545</u>
Other net income						
Net gain on deemed disposal of inventories	-	186	-	-	-	186
Gain on disposal of property, plant and equipment	-	4,302	-	2,772	-	7,074
	<u>-</u>	<u>4,488</u>	<u>-</u>	<u>2,772</u>	<u>-</u>	<u>7,260</u>
	<u>69,874</u>	<u>51,293</u>	<u>4</u>	<u>68,117</u>	<u>69,878</u>	<u>119,410</u>

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

6. LOSS BEFORE TAXATION

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
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
a) Other operating expenses						
Loss on disposal of property, plant and equipment	230	-	-	35	230	35
Write down of inventories	19,753	-	-	-	19,753	-
Amortisation of intangible assets	63,535	-	-	-	63,535	-
Impairment losses on mould deposits	-	-	-	5,513	-	5,513
Impairment losses on property, plant and equipment	-	-	-	19,733	-	19,733
Other	-	-	-	139	-	139
	<u>83,518</u>	<u>-</u>	<u>-</u>	<u>25,420</u>	<u>83,518</u>	<u>25,420</u>
b) Finance costs						
Interest on bank loans and other loans wholly repayable within five years	246	5	-	883	246	888
Interest on convertible notes and promissory notes	36,626	-	-	-	36,626	-
Finance charges on obligations under finance leases	7	9	-	54	7	63
	<u>7</u>	<u>9</u>	<u>-</u>	<u>54</u>	<u>7</u>	<u>63</u>
Total interest expenses on financial liabilities not at fair value through profit or loss	<u>36,879</u>	<u>14</u>	<u>-</u>	<u>937</u>	<u>36,879</u>	<u>951</u>

	Continuing operations		Discontinued operations		Consolidated	
	2008	2007	2008	2007	2008	2007
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
c) Other items						
Cost of inventories sold*	7,414	-	-	68,989	7,414	68,989
Staff costs (including directors' remuneration)	5,339	7,772	-	12,531	5,339	20,303
Depreciation	299	2,860	-	2,241	299	5,101
Amortisation of land lease premium	3	66	-	-	3	66
Minimum lease payments under operating leases for land and buildings (including directors' quarters)	1,079	172	-	320	1,079	492
Auditor's remuneration	320	216	-	-	320	216
Impairment losses on trade receivables	903	-	-	2,499	903	2,499
	903	-	-	2,499	903	2,499

* Cost of inventories sold includes depreciation of HK\$Nil (2007: HK\$1,447,000) and staff costs of HK\$Nil (2007: HK\$7,880,000), the amount of which is also included in the respective total amounts disclosed separately above.

7. INCOME TAX

Income tax in the consolidated income statement represents:

	Continuing operations		Discontinued operations		Consolidated	
	2008	2007	2008	2007	2008	2007
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
Current tax						
- Hong Kong	387	438	-	-	387	438
- Overseas	774	574	-	-	774	574
Over provision	(645)	-	-	-	(645)	-
Tax expense	516	1,012	-	-	516	1,012

The provision for Hong Kong Profits Tax is calculated at 17.5% (2007: 17.5%) of the assessable profits arising in Hong Kong for the period. Taxation for overseas subsidiaries is charged at the appropriate current rates of taxation ruling in the relevant countries.

8. DISCONTINUED OPERATIONS

On 8 December 2007, the Company entered into a sales and purchase agreement with Ocean Alliance (HK) Limited, an independent third party, to dispose of the entire equity interest in Antec Appliance Limited and Anex Electrical Company Limited and the entire amounts owing by Antec Appliance Limited and its subsidiaries (collectively “Antec Group”) and Anex Electrical Company Limited and its subsidiaries (collectively “AECL Group”) to the Group. Antec Group and AECL Group are principally engaged in the home appliances business. The disposal was completed on 31 January 2008.

On 24 September 2008, the Company entered into a sales and purchase agreement with Rich Kind Investment Development Limited, an independent third party, to dispose of the entire equity interest in Anco Industrial Company Limited and its subsidiaries (collectively “Anco Group”). The Anco Group are principally engaged in the property holding for home appliances business. The disposal was completed on 30 September 2008.

Therefore, the operations of Antec Group, AECL Group and Anco Group are classified as discontinued operations and the loss arising from discontinued operations is analysed as follows:

	For the six months ended 30 September	
	2008	2007
	<i>HK\$'000</i>	<i>HK\$'000</i>
	(Unaudited)	(Unaudited)
Gain/(loss) on discontinued operations for the period	1	(45,855)
Loss on disposal of discontinued operations	(13,643)	–
	<hr/>	<hr/>
	(13,642)	(45,855)
	<hr/> <hr/>	<hr/> <hr/>

The results of the discontinued operations which have been included in the consolidated income statement for six months ended 30 September 2007 and 2008 are as follows:

	For the six months ended 30 September	
	2008	2007
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Turnover	–	62,309
Cost of sales	–	(68,989)
	<hr/>	<hr/>
Gross loss	–	(6,680)
Other revenue	4	5,808
Selling and distribution costs	–	(5,686)
Administrative expenses	(3)	(12,940)
Other operating expenses	–	(25,420)
	<hr/>	<hr/>
Gain/(loss) from operations	1	(44,918)
Finance costs	–	(937)
	<hr/>	<hr/>
Loss before tax	1	(45,855)
Income tax	–	–
	<hr/>	<hr/>
	1	(45,855)
	<hr/> <hr/>	<hr/> <hr/>
Attributable to:		
Equity shareholders of the Company	1	(45,863)
Minority interest	–	8
	<hr/>	<hr/>
	1	(45,855)
	<hr/> <hr/>	<hr/> <hr/>

During the period, Antec Group, AECL Group and Anco Group contributed HK\$Nil (2007: HK\$2,836,000) to the Group's net operating cash flows, contributed HK\$Nil (2007: HK\$2,200,000), in respect of investing activities and HK\$Nil (2007: HK\$1,782,000), in respect of financing activities.

9. LOSS PER SHARE

(a) Basic loss per share

The calculation of basic loss per share is based on the loss attributable to equity shareholders of HK\$123,357,000 (2007: HK\$50,249,000) and the weighted average number of 2,927,716,000 (2007: 1,751,459,000) ordinary shares in issue during the period.

(b) Diluted loss per share

No diluted loss per share has been disclosed as the outstanding bonus warrants had an anti-dilutive effect on the basic loss per share for the six months ended 30 September 2008 and 2007.

10. INTANGIBLE ASSETS

	<i>HK\$'000</i>
Cost	
At 1 April 2007	–
Acquisition from subsidiaries	2,033,130
	<hr/>
At 31 March 2008 and 1 April 2008	2,033,130
Additions	–
	<hr/>
At 30 September 2008	2,033,130
	<hr/>
Accumulated amortisation	
At 1 April 2007	–
Charge for the period	10,589
	<hr/>
At 31 March 2008 and 1 April 2008	10,589
Charge for the period	63,535
	<hr/>
At 30 September 2008	74,124
	<hr/>
Net book value	
At 30 September 2008	1,959,006
	<hr/> <hr/>
At 31 March 2008	2,022,541
	<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 in 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 Group acquired the entire equity interest of Ling Kit Holding Limited (“Ling Kit”) in March 2008 which is solely engaged in holding of 80% equity interest in the Haicheng Dongxin Industry Limited (“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 summarised 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 (d) below, the relevant government authority has approved the temporary extension of the mining right to October 2009.
- ii) The completion of the acquisition is subject to the approval by the relevant government authority.
- d) 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 authorities certified the three mining licences as mentioned in (c) above to be consolidated into one. As at 30 September 2008 and up to the date of this announcement, the formal approval and certificate has not been completed and issued by the relevant authorities in mainland China.

To the best of the knowledge of the Company’s directors, the relevant PRC government authorities’ 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 advisor, 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.

- e) The Group had entered into an agreement with Pure Hope Development Limited and the guarantor whereby the Group conditionally agreed to sell the 100% equity interest of Ling Kit Holding Limited at the consideration of approximately HK\$1,624,000,000. Ling Kit Holding Limited is an investment holding company and its principal asset is 80% interest in Haicheng Dongxin. Haicheng Dongxin is principally engaged in the mining of magnesite ore at the Magnesite Mine in the PRC.

The director considered that no impairment for the intangible assets as at 30 September 2008.

11. TRADE AND OTHER RECEIVABLES

The Group's trading terms with its customers are mainly on credit and letter 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 minimise credit risk. Overdue balances are reviewed regularly by senior management.

An aged analysis of the trade receivables as at the balance sheet date, based on invoice date and net of allowance for doubtful debts, is as follows:

	At 30 September 2008 HK\$'000 (Unaudited)	At 31 March 2008 HK\$'000 (Audited)
0 – 30 days	14,552	44,267
31 – 60 days	–	15,175
61 – 90 days	–	–
Over 90 days	34	2,278
	<hr/>	<hr/>
Trade receivables, net	14,586	61,720
	<hr/>	<hr/>
Prepayment, deposits and other receivables	59,183	20,552
	<hr/>	<hr/>
	73,769	82,272
	<hr/> <hr/>	<hr/> <hr/>

12. TRADE AND OTHER PAYABLES

An aged analysis of trade payables as at the balance sheet date, based on invoice date, is as follows:

	At 30 September 2008 HK\$'000 (Unaudited)	At 31 March 2008 HK\$'000 (Audited)
0 – 30 days	3,377	18,159
31 – 60 days	2,519	5
61 – 90 days	–	3
Over 90 days	2,109	532
	<hr/>	<hr/>
Total trade payables	8,005	18,699
	<hr/>	<hr/>
Other payables and accruals	41,529	27,982
	<hr/>	<hr/>
	49,534	46,681
	<hr/> <hr/>	<hr/> <hr/>

13. CONTINGENT LIABILITIES

Financial guarantee issued

A subsidiary of the Company undertook the obligation under a buy-back undertaking entered with a bank of RMB15,795,000 (equivalent to HK\$17,956,000) (2007: RMB20,046,000 (equivalent to HK\$20,647,000)) relating to the mortgage loans arranged for certain purchasers of the Group's properties sold. Pursuant to the terms of the undertaking, in the event of any default in mortgage payments by any of these purchasers, the subsidiary of the Company is responsible to repay the outstanding mortgage principal balances together with accrued interest and penalties owed by the defaulted purchasers and the subsidiary of the Company is entitled to take over the legal title and possession of the related properties. The subsidiary of the Company's guarantee period commences from the dates of the drawdown of the relevant mortgage loans and ends when the subsidiary of the Company obtains the "property title certificate" for the mortgagees.

A deposit of RMB2,279,000 (equivalent to HK\$2,591,000) (2007: RMB2,406,000 (equivalent to HK\$2,478,000)) was pledged to a bank as security for the Group's obligation under the above undertaking.

The Group provided the corporate guarantees of HK\$15,500,000 (2007: HK\$3,000,000) and the deposit pledged of HK\$15,500,000 (2007: HK\$3,000,000) to a bank for the issuance of the performance bonds, in favour of the independent third parties relating to the construction contract, amounting to HK\$15,500,000 (2007: HK\$3,000,000).

No recognition was made because the fair value of the undertaking or guarantee as above was insignificant and that the directors did not consider it probable that a claim would be made against the Group under the undertaking or guarantee. The maximum liability of the subsidiary of the Company at the balance sheet date under the undertaking was HK\$33,456,000 (2007: HK\$23,647,000).

INTERIM DIVIDEND

The Board of the Company does not declare an interim dividend for the six months ended 30 September 2008 (2007: Nil).

CHANGE OF COMPANY NAME

The Company intends to change its name and will make a further announcement in due course.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

Magnesite Mining Business

Mining and processing of magnesite ore at the Lishugou Magnesite Mine owned by Haicheng Dongxin Industry Limited, remained the principal activities of the mining division during the interim period. As stated in the annual report for the year ended 31 March 2008, the Company intended to invest up to RMB165 million for the construction of a refractory plant to better utilize the Magnesite Mine and provide better return to the Group. However, by mid-July 2008, Dongxin encountered some interruption in its operation as a number of villagers gathered around the work places and blocked the pathways to the Magnesite Mine. By August 2008, the mining operation has been halted on several occasions as the site was occupied by a large disorderly crowd and Dongxin has not been able to resume normal operation of the Magnesite Mine in the past few months.

On 15 August 2008, the Company entered into an Agreement with Pure Hope Development Limited (“Pure Hope”) and Mr. Yam Tak Cheung, being the purchaser guarantor (the “Guarantor”), whereby the Company would sell its 100% interest in Ling Kit Holding Limited for HK\$1,624 million, effectively cancelling the 28 November 2007 Sales and Purchase Agreement. Ling Kit is an investment holding company and its principal asset being an 80% interest in Haicheng Dongxin Industry Limited. The disposal constituted a very substantial disposal for the Company under the Listing Rules. Please refer to the announcement published on 2 September 2008 for details. A circular containing further detail of the Agreement will be dispatched to shareholders before 30 November 2008. The consideration will be settled by Pure Hope by way of transferring to the Company at Completion the Repurchase Shares (800 million shares representing approximately 27.1% of the existing issued capital of the Company) for cancellation, and cancellation of the Convertible Notes and the Promissory Notes.

Although the Company was unable to identify those persons who organized the interruption, they could be linked to a dispute between the Guarantor and the former representative of its PRC Partner over a sum of money. The Company has sought legal advice on the matter and was advised that the dispute would not affect the validity and legality of the Company's shareholding in Dongxin. The local authorities have already been notified of the incident. The Company considers the matter would not be within its ability to help or to end. As the Company is not directly involved in the dispute, it is not in the position to assess when and how the interruption would end or be settled. In coming to the decision in cancelling the 2007 Agreement, the Company has also considered other possible options but has come to the view that the disposal would be the best alternative. It is expected that the disposal would not give rise to any significant impact to the Group's cash flow.

Building Materials Business

Since United Anex Engineering Limited and United Anex (Macau) Limited were incorporated in December 2006, our building material business has already accumulated projects on hand of over HK\$300 million. During the interim period, United Anex Engineering has successfully won the supply and installation contract for the Celestial Heights project in Homantin. Other projects on hand include the podium works of The Venetian Macau, the hotel portion of One Central Macau and a hotel in Discovery Bay.

Ever Think Technology Limited was a newly incorporated company in May 2008. During the period under review, it has performed behind budget and the Group will closely monitor the future prospects of this joint venture with its partner.

Property Development Business

The Group's property development projects are in Dongguan, Guangdong Province, the PRC. The Group has submitted proposal to develop Jia Lake Mountain Villa Phase IV in Liaobu, Dongguan and is pending government approval. The leasing of the shopping mall has been slow due to lackluster market conditions.

BUSINESS OUTLOOK

With rapid growth in the building materials sector, the Group will continue to allocate resources in this business. The Group will also seek for other investment opportunities which are beneficial to its long term development, with an aim to generate the best return for its shareholders.

FINANCIAL REVIEW

For the six months ended 30 September 2008, the turnover of the Group was HK\$67.4 million. Contribution from the building materials and magnesite mining businesses amounted to HK\$57.3 million and HK\$10.1 million, respectively. The magnesite mine being a newly acquired business in March 2008.

For the six months ended 30 September 2007, the turnover of the Group was HK\$107.6 million. Contribution from the building materials and home appliances businesses amounted to HK\$45.3 million and HK\$62.3 million, respectively. Due to keen competition in the home appliances manufacturing industry, the substantial increases in raw material prices, the gradual rise in labor cost in the PRC and the appreciation of the Renminbi, the directors decided to dispose of its home appliances business. The disposal was completed on 31 January 2008, hence, no result was recorded for the home appliances business for the six months ended 30 September 2008.

Loss for the six months ended 30 September 2008 amounted to HK\$142.0 million, as compared to HK\$48.7 million recorded in the last corresponding period. The significant increase in losses was mainly due to the amortization charge for the mining rights, which amounted to HK\$63.5 million during the period. Other factors include the loss on disposal of Anco Industrial Company Limited and its subsidiaries of HK\$13.6 million, the impairment losses provided for the devaluation of the PRC properties of HK\$19.8 million, and interest expenses on convertible notes and promissory notes of HK\$36.6 million.

During the period under review, the Group had three business segments: property development, building materials and magnesite mine.

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 period under review. The Group has to continue to finance the property development business as the final phase of Jia Lake Mountain Villa was still under the development stage. As a result, this segment recorded a net loss of HK\$21.0 million (2007: HK\$1.9 million) mainly due to administrative expenses incurred during the period and impairment losses of HK\$19.8 million provided for the devaluation of the properties.

Building Materials Business

During the period under review, the building materials business recorded a mild improvement. Turnover for the six months ended 30 September 2008 was approximately HK\$57.3 million as compared to HK\$45.3 million recorded in last corresponding period, representing an increase of 26.5%. However, a slightly HK\$228,000 segment loss was recorded as compared to HK\$6.4 million segment profit recorded in last corresponding period as more contract costs were recognised during the period.

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. Hence, no result was recorded in last corresponding period. During the period under review, the magnesite mining segment contributed HK\$10.1 million turnover to the Group. However, a HK\$62.0 million segment loss was recorded due to amortization of HK\$63.5 million being charged to the income statements for the six months ended 30 September 2008.

LIQUIDITY AND FINANCIAL RESOURCES

For the six months ended 30 September 2008, the Group has implemented a prudent financial management policy. As at 30 September 2008, the Group has cash and bank balances (including pledged bank deposits) amounting to approximately HK\$117.0 million (2007: HK\$174.4 million).

The Group's gearing ratio expressed as a percentage of total interest-bearing borrowings over equity attributable to the Company's equity holders, increased from 184.6% as at 1 April 2008 to 234.6% as at 30 September 2008, mainly due to increase of accrued interests on convertible notes and promissory notes.

As at 30 September 2008, the Group has HK\$1,212.5 million (2007: HK\$24.2 million) interest-bearing borrowings of HK\$6.6 million in bank overdrafts, HK\$1.7 million in secured trust receipt loans, HK\$5.4 million in trade loans, HK\$878.8 million in convertible notes and HK\$320.0 million in promissory notes. Except for the convertible notes and promissory notes, the aforesaid loans are repayable within one year. As at 30 September 2008, the Group's working capital was approximately HK\$164.7 million (2007: HK\$205.3 million).

CONTINGENT LIABILITIES

At 30 September 2008, the Group's contingent liabilities are disclosed in note 13 to the condensed consolidated financial statements.

CHARGE ON ASSETS AND PLEDGED DEPOSITS

At 30 September 2008, general banking facilities granted to the Group were secured by time deposits of HK\$33.5 million.

HUMAN RESOURCES AND REMUNERATION POLICY

As at 30 September 2008, the Group has approximately 65 employees (2007: 999) in Hong Kong and the PRC. The total remuneration paid by the Group to its employees (including directors) for the interim period was approximately HK\$5.3 million (2007: HK\$20.3 million).

The Group rewards its employees according to prevailing market practices, individual experience and performance are reviewed regularly. In addition to the provision of annual bonus, provident fund scheme and medical insurance coverage, discretionary bonuses and share option are also available to employees based on their performance.

The Directors wish to express their gratitude to our business partners, shareholders and colleagues for their continuous support to the Group.

PURCHASE, SALE OR REDEMPTION OF SECURITIES

During the six months ended 30 September 2008, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities.

CODE ON CORPORATE GOVERNANCE PRACTICES

The Company has complied with the Code and Provisions in the Code of Corporate Governance Practices as set out in Appendix 14 of the Listing Rules during the six months ended 30 September 2008, except for the following deviation:

- (1) The Independent Non-executive Directors of the Company were not appointed for specific terms. However, the Independent Non-executive Directors are subject to re-election, either by rotation in accordance with the provisions of the Bye-laws of the Company or on a voluntary basis, at least once every three years.
- (2) The Company has not established a Nomination Committee. The Board is empowered to appoint any person as a director at any time so as to fill a casual vacancy or as an addition to the Board. Appointment is made on the basis of the qualifications, experience and personality of the potential candidate.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers ("Model Code") as set out in Appendix 10 of the Listing Rules as its own code for dealing in securities of the Company by the directors. Having made specific enquiry of all directors, the Company confirmed that all directors have complied with the required standard as set out in the Model Code during the six months ended 30 September 2008.

AUDIT COMMITTEE

The Audit Committee comprises three Independent Non-executive Directors namely Mr. Lo Chi Ho, William, Mr. Chu Kin Wang, Peleus and Ms. Lau Wa Chun. The principal activities of the Audit Committee include the review and supervision of the Group's financial reporting process and internal controls. The Audit Committee has reviewed the unaudited condensed consolidated interim financial statements of the Group and the interim report for the six months ended 30 September 2008. After review and discussions, the Audit Committee recommended the Board's approval of the unaudited condensed consolidated interim financial statements for the six months ended 30 September 2008.

PUBLICATION OF INTERIM RESULTS ANNOUNCEMENT AND INTERIM REPORT

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 2008 interim report 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
Teoh Tean Chai, Anthony
Executive Director

Hong Kong, 7 November 2008

As at the date of this announcement, the Board comprises Mr. Teoh Tean Chai, Anthony and Ms. Chung Oi Ling, Stella as executive directors and Mr. Lo Chi Ho, William, Mr. Chu Kin Wang, Peleus and Ms. Lau Wa Chun as independent non-executive directors.