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If you have sold or transferred all your shares in China Rise International Holdings Limited, you should at once hand this circular and the accompanying form of proxy to the purchaser or the transferee or to the bank, licensed securities dealer or other agent through whom the sale or transfer was effected for transmission to the purchaser or the transferee.

This circular is for information only and does not constitute an invitation or offer to acquire, purchase or subscribe for securities.

CHINA RISE INTERNATIONAL HOLDINGS LIMITED
華晉國際控股有限公司*

(formerly known as Anex International Holdings Limited)
(Incorporated in Bermuda with limited liability)
(Stock code: 723)

(1) VERY SUBSTANTIAL ACQUISITION: PROPOSED ACQUISITION OF AN 80% INTEREST IN MAGNESITE MINE; (2) INCREASE IN AUTHORIZED SHARE CAPITAL; AND (3) PROPOSED CHANGE OF NAME OF THE COMPANY

A notice convening the SGM to be held at Boardroom 3 and 4, M/F., Renaissance Harbour View Hotel, No.1 Harbour Road, Wanchai, Hong Kong on Friday, 29 February 2008 at 10:00 a.m. is set out on pages 215 to 217 of this circular. If you are not able to attend and vote at the SGM, you are requested to complete the accompanying form of proxy in accordance with the instructions printed thereon and return it to the Company's branch share registrar in Hong Kong, Tricor Tengis Limited, at 26th Floor, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong as soon as possible and in any event not later than 48 hours before the time appointed for the holding of the SGM or any adjournment thereof. Completion and return of the form of proxy will not preclude you from attending in person and voting at the special general meeting or any adjournment thereof should you so wish.

* *For identification purpose only*

6 February 2008

CONTENTS

In this circular, unless the context otherwise requires, the following expressions have the following meanings:

"Acquisition"	the acquisition of the Sale Shares and the Sale Loan from the Vendor by the Company pursuant to the Acquisition Agreement
"Acquisition Agreement"	the conditional agreement dated 28 November 2007 entered into between the Company, the Vendor and the Guarantor in relation to the Acquisition
"acting in concert"	has the meaning ascribed to it under the Takeovers Code
"associate(s)"	has the meaning ascribed to it under the Listing Rules
"Board"	the board of Directors
"Business Day"	any day on which banks in Hong Kong generally are open for clearing and settlement business, except Saturday, Sunday, public holiday and any day on which a tropical cyclone warning No.8 or above or a "black rainstorm warning signal" is hoisted in Hong Kong at any time between 9:00 a.m. and 5:00 p.m.
"BVI"	the British Virgin Islands
"Coffey Mining"	Coffey Mining Pty Limited, an independent technical adviser appointed by the Company with professional qualifications and relevant experience in relation to mining activities
"Company"	China Rise International Holdings Limited (Stock code: 723), a company incorporated in Bermuda with limited liability, the issued Shares of which are listed on the Stock Exchange
"Completion"	completion of the sale and purchase of the Sale Shares and the assignment of the Sale Loan in accordance with the Acquisition Agreement
"Consideration"	the total consideration payable by the Company to the Vendor for the Acquisition under the Acquisition Agreement
"Consideration Shares"	800,000,000 new Shares to be issued by Company to the Vendor at the price of HK$0.52 per Share pursuant to the terms of the Acquisition Agreement

"Consolidated Mining Licence"	the consolidated mining licence to be obtained by the PRC Company to replace the Existing Mining Licences, granting the rights to mine at the Magnesite Mine, details of which are set out in the section headed "Information on the Magnesite Mine" in the "Letter from the Board" of this circular
"Conversion Shares"	new Shares to be allotted and issued by the Company to the holder of the Convertible Note upon exercise of conversion rights attaching to the Convertible Note
"Convertible Note"	the Convertible Note in an aggregate principal amount of HK$1,092 million to be issued by the Company as part of the Consideration pursuant to the terms of the Acquisition Agreement
"Director(s)"	the director(s) of the Company
"Enlarged Group"	the Group immediately after Completion (including the Target Group)
"Existing Mining Licences"	two unexpired and valid mining licences held by the PRC Company and an Independent Third Party, granting the rights to mine at certain areas of the Magnesite Mine, details of which are set out in the section headed "Information on the Magnesite Mine" in the "Letter from the Board" of this circular
"Group"	the Company and its subsidiaries
"Guarantor"	Mr. Yam Tak Cheung, being the Vendor's guarantor and warrantor for the purpose of the Acquisition Agreement and the sole beneficial owner of the Vendor, who is beneficially interested in approximately 1.36% of the entire issued Shares as at the Latest Practicable Date
"HK$"	Hong Kong dollars, the lawful currency of Hong Kong
"HK GAAP"	the generally accepted accounting principles in Hong Kong
"Hong Kong"	the Hong Kong Special Administrative Region of the PRC
"Independent Third Party(ies)"	person(s) or company(s) who/which is/are not connected with the directors, chief executive or substantial shareholders (as defined under the Listing Rules) of the Company and its subsidiaries, or any of their respective associates
"Initial Conversion Price"	HK$0.52 per Conversion Share (subject to adjustments)

"Issue Price"	HK$0.52 per Consideration Share, being the issue price of the Consideration Shares
"Latest Practicable Date"	1 February 2008, being the latest practicable date for ascertaining certain information for inclusion in this circular
"Listing Committee"	the listing sub-committee of the Stock Exchange
"Listing Rules"	the Rules Governing the Listing of Securities on the Stock Exchange
"Magnesite Mine"	the mine area containing magnesite resources located approximately 18 km southwest of Haicheng City of the Liaoning Province and approximately 120 km south of Shenyang, the capital city of Liaoning Province of the PRC, covering a mining area of approximately 0.8643 km^2
"Main Board"	the stock market operated by the Stock Exchange (excluding the Growth Enterprise Market and option market)
"MgO"	magnesium oxide
"Mr. Cheng"	Mr. Cheng Tun Nei, an executive Director, who together with his spouse, is beneficially interested in approximately 24.74% of issued share capital of the Company as at the Latest Practicable Date
"PRC"	the People's Republic of China which, for the purposes of this announcement, excludes Hong Kong, the Macau Special Administrative Region of the PRC and Taiwan
"PRC Company"	海城市東鑫實業有限公司(Haicheng Dongxin Industry Limited#), a company established under the laws of the PRC with limited liability which is owned as to 80% by the Target Company and as to 20% by the PRC Partner
"PRC GAAP"	the generally accepted accounting principles in the PRC
"PRC Partner"	海城市八里鎮東三道村民委員會(Haicheng Bali County Dongsandao Villagers Committee#) which is a villagers autonomous organisation (村民自治組織) set up in Haicheng City, the Liaoning Province of the PRC
"Project"	the construction and installation of new facilities or infrastructure by the PRC Company for the processing of magnesite ore mined at the Magnesite Mine into the Refractory Products

"Promissory Note"	the promissory note with principal amount of HK$320 million to be issued by the Company at Completion to settle part of the Consideration pursuant to the Acquisition Agreement
"Refractory Products"	the final products processed from magnesite ore including electrically fused (granular) magnesite powder, sintered (high density) magnesite powder, MgO slagging ball and MgO dolomite sand
"RMB"	Renminbi, the lawful currency of the PRC
"Sale Loan"	the shareholder's loan owed by the Target Company to the Vendor on the date of Completion.
"Sale Shares"	50,000 issued shares of the Target Company, being its entire issued share capital
"SFO"	Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
"Share(s)"	ordinary share(s) of HK$0.10 each in the share capital of the Company
"SGM"	a special general meeting of the Company to be convened for the purpose of considering, and if thought fit, approve the Acquisition Agreement and the transactions contemplated thereunder (including but not limited to the issue of the Consideration Shares and the issue of the Convertible Note and the Conversion Shares), the increase in the authorised share capital of the Company and the proposed change of the name of the Company
"Shareholder(s)"	holder(s) of the Shares
"Stock Exchange"	The Stock Exchange of Hong Kong Limited
"Substantial Shareholder"	has the meaning ascribed to it under the Listing Rules
"Takeovers Code"	the Hong Kong Code on Takeovers and Mergers, as amended from time to time
"Target Company"	Ling Kit Holding Limited, a company established in the BVI with limited liability which is wholly-owned by the Vendor
"Target Group"	the Target Company and the PRC Company
"US$"	United States dollars, the lawful currency of the United States of America

"Vendor"	Pure Hope Development Limited, a company incorporated in the BVI with limited liability which is wholly-owned by the Guarantor
"Warrants"	warrants in the total amount of HK$5,296,069.20 issued by the Company, entitling holders thereof to convert into new Shares at HK$0.10 each (subject to adjustment)
"km"	kilometer(s)
"km^2"	square kilometer(s)
"%"	per cent

For the purpose of illustration only, amounts denominated in RMB in this circular have been translated into HK$ at the rate of RMB0.96 = HK$1 and amounts denominated in US$ in this announcement have been translated into HK$ at the rate of US$1 = HK$7.8. Such translation should not be construed as a representation that the amounts in question have been, could have been or could be converted at any particular rate at all.

For English translations purposes only

CHINA RISE INTERNATIONAL HOLDINGS LIMITED
華晉國際控股有限公司*

(formerly known as Anex International Holdings Limited)
(Incorporated in Bermuda with limited liability)
(Stock code: 723)

Executive Directors:
Mr. Cheng Tun Nei
Mr. Teoh Tean Chai, Anthony
Ms. Chung Oi Ling, Stella

Non-executive Director:
Ms. Li Wa Hei

Independent non-executive Directors:
Mr. Wu Chi Chiu
Mr. Lo Chi Ho, William
Mr. Chu Kin Wang, Peleus

Registered Office:
Clarendon House
2 Church Street
Hamilton HM11
Bermuda

Principal place of business:
Room 1606-07 West Tower
Shun Tak Centre
168-200 Connaught Road Central
Hong Kong

6 February 2008

To the Shareholders

Dear Sir or Madam,

(1) VERY SUBSTANTIAL ACQUISITION: PROPOSED ACQUISITION OF AN 80% INTEREST IN MAGNESITE MINE; (2) INCREASE IN AUTHORIZED SHARE CAPITAL; AND (3) PROPOSED CHANGE OF NAME OF THE COMPANY

INTRODUCTION

On 7 December 2007, the Board announced that after trading hours on 28 November 2007, the Company entered into the conditional Acquisition Agreement with the Vendor and the Guarantor. Pursuant to the Acquisition Agreement, the Company has conditionally agreed to acquire the Sale Shares and the Sale Loan from the Vendor at a total consideration of HK$1,828 million. The Target Company is an investment holding company solely engaged in the holding of an 80% equity interest in the PRC Company which will be principally engaged in the mining and processing of magnesite ore at the Magnesite Mine after Completion.

* *For identification purpose only*

The Directors also propose to increase the Company's authorised share capital from HK$300,000,000 to HK$1,000,000,000 to be divided into 10,000,000,000 Shares, by the creation of additional 7,000,000,000 unissued Shares. The increase in authorised share capital of the Company is conditional upon the passing of an ordinary resolution by the Shareholders at the SGM.

The Directors also propose to change of name of the Company from "China Rise International Holdings Limited" to "Magnesium Resources Corporation of China Limited". The change of name is conditional on the Completion and is subject to, among others, passing of the special resolution by the Shareholders at the SGM. Upon the change of name becoming effective, the Company will adopt the new Chinese name "中國鎂業資源集團有限公司" in lieu of "華晉國際控股有限公司" for identification purposes only.

The purpose of this circular is to give you, among other information, (i) further details of the Acquisition, the Consideration Shares, the Promissory Note and the Convertible Note; (ii) information required under Chapters 14 and 18 of the Listing Rules; (iii) the increase in the authorised share capital of the Company; (iv) change of name of the Company; (v) a notice of the SGM; and (vi) other information required under the Listing Rules.

THE ACQUISITION AGREEMENT

Date

28 November 2007

Parties

Vendor:	Pure Hope Development Limited, which is a company incorporated in the BVI with limited liability and is solely engaged in the holding of the Target Company
Purchaser:	The Company
Guarantor:	Mr. Yam Tak Cheung, who is the sole beneficial owner of the Vendor, as the warrantor and guarantor of the Vendor

To the best of Directors' knowledge, information and belief having made all reasonable enquiries, each of the Vendor and the Guarantor is an Independent Third Party and is not acting in concert with the Substantial Shareholders. The Vendor and the Guarantor do not have any prior transaction or relationship with the Group that requires aggregation under Rule 14.22 of the Listing Rules.

Assets to be acquired

Under the Acquisition Agreement, the Company conditionally agreed to acquire the Sale Shares, being the entire issued share capital of the Target Company, and the Sale Loan, being the entire shareholder's loan owing by the Target Company to the Vendor on the date of Completion. The loan outstanding from the Target Company to the Vendor amounted to US$9.95 million (or equivalent to approximately HK$77.6 million) as at the Latest Practicable Date.

Consideration

The Consideration for the Sale Shares and the Sale Loan is HK$1,828 million, which will be satisfied by the Company in the following manners at Completion:

(i) as to HK$416 million by the issue of the Consideration Shares to the Vendor or its nominee;

(ii) as to HK$320 million by the issue of the Promissory Note to the Vendor or its nominee at 100% of its face value; and

(iii) as to HK$1,092 million by the issue of the Convertible Note to the Vendor or its nominee at 100% of its face value.

The Consideration was arrived at after arm's length negotiations between the parties to the Acquisition Agreement after taking into account, among others, (i) the inferred magnesite resources of the Magnesite Mine of approximately 27.6 million tonnes, details of which are set out in the section headed "Information on the Magnesite Mine" below; (ii) the prevailing market prices of the Refractory Products as shown below; (iii) the total capital expenditure planned for the Project of approximately US$100 million (equivalent to approximately HK$780 million), details of which are set out in the section headed "Development plan for the Magnesite Mine" below; and (iv) the development plan for the Project, details of which are set out in the section headed "Development plan for the Magnesite Mine" below.

The Directors estimate that the average selling price of the Refractory Products processed from one tonne of magnesite ore of the Project is approximately US$145 (or equivalent to approximately HK$1,130) and the current market prices of the Refractory Products of the Project are as follows:

Refractory Products	**Approximate price per tonne** *(US$)*
Electrically fused (granular) magnesite powder	420
Sintered (high density) magnesite powder	287
MgO slagging ball	47
MgO dolomite sand	160

Coffey Mining considers the above estimates reasonable based on their independent research into the prevailing product price in the PRC market.

Conditions precedent

Completion is subject to the following conditions precedent:

(a) the passing of the necessary resolution(s) by the Shareholders in the SGM to approve:

(i) the increase in the authorised share capital of the Company to HK$1,000,000,000;

(ii) the Acquisition Agreement and the transactions contemplated in or incidental to the Acquisition Agreement and the implementation thereof, including, but not limited to, the Acquisition by the Company of the Sale Shares and the Sale Loan, the issue of the Consideration Shares, the issue of the Convertible Note and the Promissory Note and the issue of the Conversion Shares in accordance with the terms thereof; and

(iii) such other matters as mandatorily required by the Stock Exchange for consummation of the transactions contemplated therein;

in accordance with the requirements of the Listing Rules, the bye-laws of the Company and the applicable laws and regulations;

(b) the Listing Committee granting the listing of, and permission to deal in, the Consideration Shares and the Conversion Shares on the Main Board;

(c) no indication being received on or before Completion from the Stock Exchange to the effect that the listing of the Shares may be withdrawn or objected to (or conditions will or may be attached thereto) including but not limited to as a result of Completion or in connection with the terms of the Acquisition Agreement or transactions contemplated under the Acquisition Agreement or for any reason;

(d) the Company notifying the Vendor and the Vendor's legal adviser in writing that it is satisfied upon inspection and investigation as to (i) the respective financial, corporate, taxation and trading positions of each member of the Target Group; (ii) the title of each member of the Target Group to its respective assets; and (iii) the results of searches by the Company or its advisers and the replies with regard to the Magnesite Mine, the Existing Mining Licences and other aspects of the undertakings of the Target Group (including discontinuance and disposal of all those businesses, assets and liabilities of the Target Group that are not relating to the Magnesite Mine or the magnesite mining business of the Target Group);

(e) the Vendor notifying the Company and the Company's legal adviser in writing that it is satisfied upon inspection and investigation as to (i) the respective financial, corporate, taxation and trading positions of each member of the Group; (ii) the title of each member of the Group to its respective assets; and (iii) the results of searches by the Vendor or its advisers and the replies with regard to the undertakings of the Group;

(f) the Vendor's warranties remaining true and accurate, and not misleading, in all material respects as at Completion;

(g) the Company's warranties remaining true and accurate, and not misleading, in all material respects as at Completion;

(h) the Company having obtained a legal opinion issued by a PRC legal adviser acceptable to the Company (acting reasonably), in respect of the PRC Company and its undertakings, which is in both form and substance satisfactory to the Company and include the following aspects:

(i) the establishment, subsistence, assets, operations and business of the PRC Company and its capital, shareholding and undertakings;

(ii) the validity and sufficiency of the Existing Mining Licences in respect of the Magnesite Mine;

(iii) the rights of the PRC Company to the Magnesite Mine and any land and property interests held by the PRC Company;

(iv) the litigations, claims or other proceedings (actual or potential) by or against the PRC Company or relating to its business or undertakings;

(v) (where applicable) the necessary approval, authorisation, consent, registration and filings required of the PRC Company that may be required to give effect to the transactions contemplated under the Acquisition Agreement; and

(vi) the fees payable for obtaining and maintaining required for or payable under the Existing Mining Licences pursuant to the applicable law in the PRC.

(i) the Company having obtained a report issued by a technical adviser, which complies in all respect with the relevant requirements in the Listing Rules (including Chapters 14 and 18 thereof) and in other respects to the satisfaction of the Company (acting reasonably), on the estimated inferred magnesite resources of the Magnesite Mine to be not less than approximately 27 million tonnes;

(j) documentary evidence provided to the Company or its adviser that all fees due and payable under the Existing Mining Licences have been duly paid and settled;

(k) there not be any material adverse change in the financial position, business or property, results of operations of the Target Group as a whole; and

(l) there not be any material adverse change in the financial position, business or property results of operations of the Group as a whole.

The Company may waive the above conditions precedent (d), (f), (h), (j) and (k), and the Vendor may waive the above conditions precedent (c), (e) (g) and (l).

None of the above conditions has been fulfilled or waived as at the Latest Practicable Date. In the event that all the above conditions precedent are not fulfilled or waived (where applicable) and remain unfulfilled on or before 31 March 2008 (or such later date as may be agreed by the parties in writing), all rights, obligations and liabilities of the parties to the Acquisition Agreement shall cease and determine.

Completion

Completion shall take place on the third Business Day after the date on which the last of the above conditions is fulfilled or waived (where applicable), or such other date as the parties to the Acquisition Agreement may agree in writing prior to Completion.

CONSIDERATION SHARES

HK$416 million of the Consideration is to be satisfied by the issue of the 800,000,000 Consideration Shares at the price of HK$0.52 per Consideration Share by the Company to the Vendor (or its nominees).

The Issue Price of HK$0.52 per Consideration Share was determined with reference to the recent trading price of the Shares and the financial performance of the Company for the year ended 31 March 2007 and for the six months ended 30 September 2007. As set out in the Company's annual report for the year ended 31 March 2007, the Group recorded audited consolidated loss for the year ended 31 March 2007 of approximately HK$55.0 million. Furthermore, the Group recorded unaudited consolidated loss for the six months ended 30 September 2007 of approximately HK$50.2 million as stated in its interim report for the six months ended 30 September 2007 as compared to unaudited consolidated loss of approximately HK$19.2 million for the corresponding period in 2006.

The Issue Price of the Consideration Shares represents

(i) a discount of approximately 7.14% to the closing price of HK$0.56 per Share as quoted on the Stock Exchange on 28 November 2007, being the last trading day prior to suspension of trading in the Shares on the Stock Exchange on 29 November 2007;

(ii) a discount of approximately 3.70% to the average of the closing prices of HK$0.54 per Share as quoted on the Stock Exchange for the last five consecutive trading days up to and including 28 November 2007;

(iv) a discount of approximately 8.29% to the average of the closing prices of HK$0.567 per Share as quoted on the Stock Exchange for the last consecutive 10 trading days up to and including 28 November 2007;

(v) a premium of approximately 123.18% over the closing price of HK$0.233 per Share as quoted on the Stock Exchange on the Latest Practicable Date; and

(iv) a premium of approximately 303.1% over the unaudited net assets value per Share as at 30 September 2007 of approximately HK$0.129.

The 800,000,000 Consideration Shares represent (i) approximately 38.1% of the issued share capital of the Company as at the Latest Practicable Date; (ii) approximately 27.6% of the issued share capital of the Company as enlarged by the issue of the Consideration Shares; and (iii) approximately 16.0% of the issued share capital of the Company as enlarged by the issue of the Consideration Shares and the Conversion Shares upon full conversion of the Convertible Note at the Initial Conversion Price. An application will be made to the Listing Committee for the listing of, and permission to deal in, the Consideration Shares.

A lock-up restriction on the transfer of any Consideration Shares issued to the Vendor will be imposed for a period of 15 months after the date of Completion.

PROMISSORY NOTE

HK$320 million of the Consideration is to be satisfied by the issue of the Promissory Note by the Company to the Vendor or its nominee.

The principal terms of the Promissory Note are as follows:

Issuer:	The Company
Principal amount:	HK$320 million.
Maturity:	The fourth anniversary from the date of issue of the Promissory Note.
Transferability:	The Promissory Note will be freely transferable (in integral multiple of HK$500,000) to any third party (whether such party is a connected person to the Company or not) subject to the Listing Rules and the applicable laws.
Interest rate:	Interest shall accrue on the principle amount of the Promissory Note at 3% per annum and payable annually.
Repayment:	At the sole discretion of the Company, the principal amount of the Promissory Note or part thereof of at least HK$500,000 may be prepaid earlier than the maturity date of the Promissory Note. Otherwise, payment of principal and interest of Promissory Note shall be made in full upon maturity date.

CONVERTIBLE NOTE

HK$1,092 million of the Consideration is to be satisfied by the issue of the Convertible Note by the Company to the Vendor or its nominee.

The principal terms of the Convertible Note are as follows:

Issuer:	The Company
Principal amount:	HK$1,092 million.
Maturity date:	The Business Day falling on the fifth anniversary from the issue date of the Convertible Note.
Interest:	Interest shall accrue on the principal amount of the Convertible Note at 1.5% per annum and payable annually.

Transferability:	The Convertible Note will be freely transferable (in integral multiple of HK$500,000.00) to any third party (whether such party is a connected person of the Company or not) subject to the Listing Rules and the applicable law. The Company undertakes to notify the Stock Exchange upon becoming aware of any dealings in the Convertible Note by any connected persons of the Company as defined in the Listing Rules.
Conversion:	The holder of Convertible Note shall have the right to convert at any time from the date of issue up to the maturity date, the whole or part of the principal amount of the Convertible Note in integral multiple of HK$500,000 into Conversion Shares. However, the holder of the Convertible Note shall not exercise the conversion rights to such an extent that results or will result in (a) the holder and any person acting in concert with it holding or having more than 29% of the then issued ordinary share capital of the Company or otherwise being obliged to make a general offer for the Shares in accordance with the Takeovers Code or (b) the Company in breach of any provision of the Listing Rules (including the minimum 25% public float requirement).
Initial Conversion Price:	The Convertible Note shall be converted at the Initial Conversion Price of HK$0.52 per Conversion Share (subject to adjustment). The Initial Conversion Price of HK$0.52 represents (i) a discount of approximately 7.14% to the closing price of HK$0.56 per Share as quoted on the Stock Exchange on 28 November 2007, being the last trading day prior to suspension of trading in the Shares on the Stock Exchange on 29 November 2007; (ii) a discount of approximately 3.70% to the average of the closing prices of HK$0.54 per Share as quoted on the Stock Exchange for the last five consecutive trading days up to and including 28 November 2007; (iii) a discount of approximately 8.29% to the average of the closing prices of HK$0.567 per Share as quoted on the Stock Exchange for the last consecutive 10 trading days up to and including 28 November 2007; (iv) a premium of approximately 123.18% over the closing price of HK$0.233 per Share as quoted on the Stock Exchange on the Latest Practicable Date; and

(iv) a premium of approximately 301.1% over the unaudited net assets value per Share as at 30 September 2007 of approximately HK$0.129.

The Initial Conversion Price is subject to adjustments upon the occurrence of subdivision or consolidation of Shares, capitalisation issues, capital distribution and rights issues and issue of new Shares or convertible securities at issue or conversion price at more than 5% discount to the then market price per Share.

Voting rights: The holder of the Convertible Note will not be entitled to attend or vote at any general meeting of the Company by reason only of it being the holder of the Convertible Note.

Ranking: The Convertible Note will rank pari passu with all other present and future unsecured and unsubordinated obligations of the Company.

The Conversion Shares falling to be issued upon exercise of the conversion rights attaching to the Convertible Note will, when issued, rank pari passu in all respects with all other Shares in issue as at the date of conversion.

Listing: The Convertible Note will not be listed on the Stock Exchange or any other stock exchange. An application will be made to the Listing Committee for the listing of, and permission to deal in, the Conversion Shares.

Lock-up: There is no provision in the Acquisition Agreement to impose any lock-up restriction on subsequent transfer of the Conversion Shares.

For illustration purposes only, upon full conversion of the Convertible Note at the Initial Conversion Price, a total of 2,100,000,000 Conversion Shares will be issued, representing (i) approximately 100.1% of the issued share capital of the Company as at the Latest Practicable Date; and (ii) approximately 50.0% of the issued share capital of the Company as enlarged by the issue of the Conversion Shares; and (iii) approximately 42.0% of the issued share capital of the Company as enlarged by the issue of the Consideration Shares and the Conversion Shares.

EFFECTS ON SHAREHOLDING STRUCTURE OF THE COMPANY

The following chart sets out the shareholding structure of the Company (i) as at the Latest Practicable Date; (ii) immediately after the issue of the Consideration Shares but before the issue of any Conversion Shares and new Shares upon the exercise of the Warrants; (iii) immediately after the issue of the Consideration Shares and the Conversion Shares upon conversion of the Convertible Note by the Vendor to the extent that the Vendor will hold 29% of the entire issued Shares after such conversion but before the issue of any new Shares upon the exercise of the Warrants; and (iv) immediately after the issue of the

Consideration Shares, the Conversion Shares upon conversion of the Convertible Note by the Vendor to the extent that the Vendor will hold 29% of the entire issued Shares after such conversion and the Shares upon the exercise in full of the Warrants, assuming there is no other change in the issued share capital and shareholding structure of the Company from the Latest Practicable Date.

	As at the Latest Practicable Date		**Immediately after the issue of the Consideration Shares but before the issue of any Conversion Shares and new Shares upon the exercise of the Warrants**		**Immediately after the issue of the Consideration Shares and the Conversion Shares upon conversion of the Convertible Note by the Vendor to the extent that the Vendor will hold 29% of the entire issued Shares after such conversion but before the issue of any new Shares upon the exercise of the Warrants**		**Immediately after the issue of the Consideration Shares, the Conversion Shares upon conversion of the Convertible Note by the Vendor to the extent that the Vendor will hold 29% of the entire issued Shares after such conversion and the Shares upon the exercise in full of the Warrants**	
	Shares	*%*	*Shares*	*%*	*Shares*	*%*	*Shares*	*%*
Mr. Cheng and his spouse *(Note 1)*	519,155,600	24.74	519,155,600	17.91	519,155,600	17.80	522,305,200	17.47
A Director *(Note 2)*	75,000,000	3.57	75,000,000	2.59	75,000,000	2.57	75,000,000	2.51
The Guarantor and his concert parties	–	–	828,500,000	28.58	845,607,116	29.00	867,238,947	29.00
Public								
The Guarantor and his concert parties	28,500,000	1.36	–	–	–	–	–	–
Other public	1,476,123,890	70.33	1,476,123,890	50.92	1,476,123,890	50.62	1,525,934,982	51.02
Sub-total	1,504,623,890	71.69	1,476,123,890	50.92	1,476,123,890	50.62	1,525,934,982	51.02
Total	**2,098,779,490**	**100.00**	**2,898,779,490**	**100.00**	**2,915,886,606**	**100.00**	**2,990,479,129**	**100.00**

Notes:

1. Out of 519,155,600 Shares and 3,149,600 Warrants, 513,595,600 Shares and 2,071,200 Warrants are beneficially owned by Mr. Cheng and 5,560,000 Shares and 1,078,400 Warrants are owned by his spouse Ms. Li Wa Hei, being a non-executive director of the Company. Mr. Cheng and his spouse became the single largest shareholder of the Company in June 2006 and are not party acting in concert with the Guarantor.

2. As at the Latest Practicable Date, Ms. Chung Oi Ling, Stella, an executive Director holds 75 million Shares.

3. Save for the Warrants, the Company does not have any outstanding options, derivatives or securities convertible into Shares as at the Latest Practicable Date.

There will not be a change in control of the Company as a result of the Acquisition.

DILUTION EFFECT ON SHAREHOLDERS

Due to the significant dilutive nature of the Conversion Shares, the Company would adopt the following additional disclosure measures if the Acquisition Agreement is approved by the Shareholders:

(i) the Company will make a monthly announcement ("Monthly Announcement") on the website of the Stock Exchange. Such announcement will be made on or before the fifth business day following the end of each calendar month and will include the following details in a table form;

(a) whether there is any conversion of the Convertible Note during the relevant month. If there is a conversion, details thereof including the conversion date, number of new Shares issued and conversion price for each conversion. If there is no conversion during the relevant month, a negative statement to that effect;

(b) the number of Conversion Shares that may be issued after the conversion, if any;

(c) the total number of Shares issued pursuant to other transactions during the relevant month, including Shares issued pursuant to exercise of options under any share option scheme(s) of the Company and the Warrants, if any; and

(d) the total issued share capital of the Company as at the commencement and the last day of the relevant months.

(ii) in addition to the Monthly Announcement, if the cumulative amount of the Conversion Shares issued pursuant to the conversion of the Convertible Note reaches 5% of the issued share capital of the Company as disclosed in the last Monthly Announcement or any subsequent announcement made by the Company in respect of the Convertible Note (as the case may be) (and thereafter in a multiple of such 5% threshold), the Company will make an announcement on the website of the Stock Exchange including details as stated in (i) above for the period commencing from the date of the last Monthly Announcement or any subsequent announcement made by the Company in respect of the Convertible Note (as the case may be) up to the date on which the total amount of Shares issued pursuant to the conversion amounted to 5% of the issued share capital of the Company as disclosed in the last Monthly Announcement or any subsequent announcement made by the Company in respect of the Convertible Note (as the case may be); and

(iii) the Company forms the view that any issue of Conversion Shares will trigger the disclosure requirements under Rule 13.09 of the Listing Rules, then the Company is obliged to make such disclosures regardless of the issue of any announcements in relation to the Convertible Note as mentioned in (i) and (ii) above.

INFORMATION ON THE GROUP

The Group is principally engaged in home appliances manufacturing business, property development business and building materials business.

Pursuant to the Acquisition Agreement, if so requested by the Vendor, the Board will approve the appointment of up to three nominees of the Vendor as the executive Directors with effect from the date of Completion. The Guarantor, being the sole beneficial owner of the Vendor, has confirmed that the Vendor will not nominate the Guarantor as an executive Director, and therefore the Guarantor will not become a controller (as defined in the Listing Rules) of the Company as a result of the Acquisition. The Board currently has no intention to nominate the nominees of the Vendor (if any) to the Board at Completion to become the chairman of the Company. Further announcement in this regard will be made as and when appropriate. Moreover, the Group plans to recruit certain experts from the mining industry with relevant experiences and qualifications to oversee the operations of the Target Group.

INFORMATION ON THE TARGET GROUP

The Target Company

The Target Company is an investment holding company incorporated in the BVI in August 2007 with limited liability and whose entire issued share capital is owned by the Vendor as at the Latest Practicable Date. The Target Company is solely engaged in the holding of an 80% equity interest in the PRC Company.

Set out below is the audited financial information as prepared under HK GAAP of the Target Company for the period from 20 August 2007 (the date of incorporation) to 31 October 2007:

	From 20 August 2007 (the date of incorporation) to 31 October 2007 *(HK$ '000)*
Revenue	0
Net profit before taxation	0
Net profit after taxation	0
Net assets	388

The PRC Company

The PRC Company was established in the PRC in 1993 and is owned as to 80% by the Target Company and as to 20% by the PRC Partner, which is an Independent Third Party and a villagers autonomous organisation (村民自治組織) set up in Haicheng City, Liaoning Province of the PRC as at the Latest Practicable Date. The PRC Company is principally engaged in the mining of magnesite ore after the transfer of its non-mining businesses, including manufacturing and sales of juice beverages, growing and sales of agriculture products, trading of construction materials and trading of talc materials, to a company owned by the PRC Partner pursuant to a resolution of the PRC Partner in September 2007.

Set out below is the audited financial information as prepared under HK GAAP of the mining business of the PRC Company:

	For the year ended 31 December 2005 *(RMB '000)*	**For the year ended 31 December 2006** *(RMB '000)*
Revenue	1,873	4,215
Profit/(loss) before taxation	433	(23)
Profit/(loss) after taxation	288	(23)
Total assets	637	687
Net assets	453	430

Upon Completion, the Target Company and the PRC Company will become a 100% owned subsidiary and an 80% owned subsidiary of the Company respectively and their results will be consolidated into the Group's consolidated financial statements.

INFORMATION ON THE MAGNESITE MINE

The Magnesite Mine is located approximately 18 km southwest of Haicheng City of Liaoning Province and approximately 120 km south of Shenyang, the capital city of Liaoning Province of the PRC with an aggregate area of 0.8643 km^2.

In 2007, No.404 Brigade of the Liaoning Metallurgical and Geological Bureau (No.404 Brigade) performed a geological survey and audit of the Magnesite Mine, the results of which are set out below:

Category under Chinese standard	**Magnesite resources as at 31 December 2006** *(approximate million tonnes)*
333	27.6
334	120.2
Total	**147.8**

Coffey Mining, an independent technical adviser, has been appointed by the Company to provide an independent technical assessment on the magnesite resources at the Magnesite Mine. As advised by Coffey Mining, it is noted that:

- the above resources classified as 333 category under the Chinese standard are considered to be broadly equivalent to inferred resources under the Australasian Code for the Reporting of Exploration Results, Mineral Resources and Ore Reserves (the "JORC Code") guidelines. The above resources classified as 334 category are too tenuous for classification under the JORC Code, and are therefore considered to constitute exploration potential; and

- although Coffey Mining was not able to verify point data associated with the quoted resources, a visual verification of hard-copy plans suggests that the data applied by the No.404 Brigade in estimation, and the grade-tonnage values derived for the Chinese standard 333 and 334 category resources are reliable with respect to the classifications to which they have been assigned.

The details of the Magnesite Mine and the assessment of Coffey Mining on the Magnesite Mine is set out in the technical report in Appendix V to this circular.

Up to the Latest Practicable Date, the PRC Company has had two mining licences in relation to the mining of magnesite resources in certain areas of the Magnesite Mine, of which one is valid and the other one has expired with the approval of relevant government authorities to renew by way of granting consolidated mining rights (see below). In addition, the PRC Company has entered into an agreement with an Independent Third Party in October 2007 to purchase the mining rights in relation to the mining of magnesite resources in certain areas of the Magnesite Mine not covered by the aforesaid two licences of the PRC Company. The details of the three aforesaid mining licences are summarised below:

Licence number	**Holder of the licence**	**Mining Areas (km^2)**	**Expiry date**
2100000431318	The PRC Company	0.3110	November 2009 *(Note 1)*
2100000330769	The PRC Company	0.2297	May 2004 *(Note 2)*
2100000421523	An Independent Third Party	0.3535	September 2009 *(Note 3)*
		0.8942	

Notes:

1. The PRC Company obtained the relevant mining licence in May 2003 which was extended in November 2004 for a term of five years.

2. The PRC Company obtained the relevant mining licence in May 2003 which was expired in May 2004. The relevant government authorities have approved to renew this licence by way of granting consolidated mining rights (see below).

3. The completion of the purchase of the relevant mining licence is subject to the payment of consideration and approval by the relevant government authorities. In accordance with the Acquisition Agreement, the Vendor shall be responsible for paying and discharging the purchase consideration and related costs in respect of the purchase.

4. To the best of the knowledge of the Directors, the relevant PRC government authorities' approval in respect of the consolidated mining rights (see below) exclude certain minor areas, which represented approximately 3% of the aggregated mining areas of the three mining licences, for the reason that the excluded areas do not contain any magnesite resources.

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 have approved the consolidation of the mines under the above three mining licences into one consolidated mine, which will contain substantial all of the areas of the three mining licences, and have granted the mining rights of such consolidated mine to the PRC Company.

As advised by the Company's PRC legal adviser, the aforesaid approvals from the relevant government authorities can certify that the PRC Company holds the mining rights of the Magnesite Mine and there is no foreseeable legal impediments for the PRC Company to obtain the Consolidated Mining Licence.

To the best of Director's knowledge, information and belief having made all reasonable enquiries, there is no outstanding claims in relation to the Existing Mining Licences.

It is expected that the application for the Consolidated Mining Licence will be made on or before March 2008. As advised by the Company's PRC legal adviser, the Consolidated Mining Licence can be issued within 60 days after relevant application documents have been submitted.

Pursuant to the Acquisition Agreement, the Vendor undertakes to the Company that, among other things, the Target Company will be issued the Consolidated Mining Licence not later than 15 months from the date of the Completion. In the event that the Consolidated Mining Licence is not obtained within the aforesaid timeframe, the Company can claim damages for breach of such undertaking. Based on the review of certain documents in relation to the financial resources of the Guarantor, the Directors are satisfied that the Vendor and the Guarantor have sufficient resources to settle the aforesaid claim for breach of undertaking in accordance with the Acquisition Agreement.

The Directors consider that it is acceptable that the obtaining of the Consolidated Mining Licence is not one of the conditions precedent to Completion, after taking into account (i) the above mentioned undertaking from the Vendor; and (ii) the above mentioned legal opinion from the Company's PRC legal adviser.

DEVELOPMENT PLAN FOR THE MAGNESITE MINE

Currently, the magnesite ore mined by the PRC Company is all for sale in the PRC.

In order to better utilise the magnesite resources of the Magnesite Mine and provide better return to the PRC Company, the Company intends to make a total investment of approximately US$100 million (equivalent to approximately HK$780 million) in the PRC Company after Completion for construction and installation of new facilities and infrastructure as well as for working capitals for the processing of the magnesite ore. The Project will be able to process magnesite ore mined at the Magnesite Mine and produce the Refractory Products including electrically fused (granular) magnesite powder, sintered (high density) magnesite powder, MgO slagging ball and MgO dolomite sand.

The Company currently envisages that the above investment will be funded by internal resources, bank borrowings and/or the placing of new Shares. Further announcement in this regard will be made by the Company as and when appropriate.

REASONS FOR THE ACQUISITION

As set out in the Company's annual report for the year ended 31 March 2007, the Group has been engaged in home appliances manufacturing business, property development business and building materials business. From time to time, the Company will evaluate the performance of its existing businesses and may realise any of them should opportunities arise. On 8 December 2007, the Company entered into a conditional agreement to dispose of its home appliances manufacturing business and the disposal was completed on 31 January 2008. In addition, the Group has been seeking different investment opportunities which are expected to have future growth and enhance shareholders' value.

According to information from the official website of the Ministry of Land and Resources PRC, the PRC is the largest magnesia refractory producer and exporter in the world and has the world's largest reserves of magnesite resources. Haicheng City of Liaoning Province in turns contains the largest resources of magnesite in the PRC. In recent years, the selling price of the magnesite ore and the magnesia refractory products have been on an upward trend spurred by rising demand. The Project will produce electrically-fused granular powder, sintered magnesite powder, MgO slagging ball and MgO dolomite sand. Demand for these high end Refractory Products is strong due to fast development of the steel industry in the PRC.

Based on the above, the Directors consider that the Acquisition will enable the Group to participate in the magnesite mining industry in the PRC which has good business potential and therefore, it will broaden the Group's revenue base by diversifying into the mining and processing of magnesite ore.

The Directors (including independent non-executive Directors) consider that the terms of the Acquisition are on normal commercial terms and are fair and reasonable and in the interest of the Company and the Shareholders as a whole.

The total assets and the total liabilities of the Group will be increased without any immediate material impact on the earnings of the Group as a result of the Acquisition.

RISK FACTORS

Possible risk factors which may be faced by the Company are as follows:

Investments in new business

The Acquisition constitutes an investment in the new business sector. The new business, coupled with the regulatory environment, may pose significant challenges on the Group's administrative, financial and operational resources. Since the Group does not have significant experience in the new business, it is not in a position to estimate the possible return from the new business nor is it in a position to control the operation risks, including the risk of obtaining and renewing the relevant mining licences, that could lead to a loss.

Significant and continuous capital investment

The magnesite business requires significant and continuous capital investment. The Project may not be completed as planned and may exceed the original budgets, and it is not guaranteed to achieve the intended economic results or commercial viability. Actual capital expenditures for the new business may significantly exceed the Company's budgets because of various factors beyond the Company's control, which in turns may affect the Company's financial condition.

Policies and regulations

The new business is subject to extensive governmental regulations, policies and controls. There can be no assurance that the relevant government authorities will maintain the existing laws and regulations or impose additional or more stringent laws or regulations. Failure to comply with the relevant laws and regulations in the Project may adversely affect the Company.

Environmental protection policies

The mining and processing business is subject to environmental protection law and regulations. If the Group fails to comply with existing or future environmental laws and regulations, the Group may be required to take remedial measures, which could have a material adverse effect on the business, operations, financial condition and results of operations of the Group.

INCREASE IN AUTHORISED SHARE CAPITAL

As at the Latest Practicable Date, the existing authorised share capital of the Company is HK$300,000,000 being divided into 3,000,000,000 Shares of par value of HK$0.10 each, of which 2,098,779,490 Shares have been issued and fully paid. As such, the number of Shares which the Company may issue and allot under the existing unissued authorised share capital of 901,220,510 Shares is insufficient to cover the issue of the Consideration Shares and the Conversion Shares. Accordingly, the

Company proposes to increase the authorised share capital of the Company from HK$300,000,000 comprising 3,000,000,000 Shares to HK$1,000,000,000 comprising 10,000,000,000 Shares by the creation of 7,000,000,000 Shares, which will be subject to passing of the ordinary resolution by the Shareholders at the SGM but it is not conditional on the Completion.

FUND RAISING ACTIVITIES OF THE COMPANY IN THE PAST 12 MONTHS

Save as disclosed below, the Company has not carried out any other capital raising activity in the past 12 months immediately before the Latest Practicable Date.

Date of announcement	Event	Placing price	Net proceeds *(HK$'million)*	Intended and actual use of net proceeds
25 June 2007	Top-up placing of new Shares	HK$0.5 per Share	147.5	The net proceeds are intended to be used for general working capital of the Group and they have been applied accordingly

PROPOSED CHANGE OF NAME OF THE COMPANY

The Board proposes to change the name of the Company from "China Rise International Holdings Limited" to "Magnesium Resources Corporation of China Limited". Upon the change of name becoming effective, the Company will adopt the new Chinese name "中國鎂業資源集團有限公司" in lieu of "華晉國際控股有限公司" for identification purposes only. The Company will issue a further announcement in relation to the change of the stock short name.

The proposed change of the Company's name is conditional on the Completion and is subject to, among others, passing of the special resolution by the Shareholders at the SGM and the issue of the relevant certificate of incorporation with regard to the above by the Registrar of Companies in Bermuda to the Company approving such change.

The Company changed its name from "Anex International Holdings Limited" to "China Rise International Holdings Limited" to signify its business focus in China with effect in August 2007. The Company now proposes to change its name to "Magnesium Resources Corporation of China Limited" to signify the Acquisition. The Board considers the proposed new name of the Company provides a better identification of the Company's new development after the Acquisition, which the Board considers it is in the interest of the Company and its Shareholders as a whole.

The proposed change of the Company's name will not affect any of the rights of the Shareholders. All existing Share certificates in issue bearing the present name of the Company, after the proposed change of name of the Company becoming effective, will continue to be evidence of title to the Shares and will be valid for trading, settlement and registration purposes. Accordingly, there will not be any arrangement for free exchange of existing Share certificates for new Share certificates under the Company's new name. Any issue of Share certificates thereafter will be under the new name of the Company.

IMPLICATION UNDER THE LISTING RULES

The Acquisition constitutes a very substantial acquisition for the Company under Chapter 14 of the Listing Rules and is therefore subject to the Shareholders' approval under Chapter 14 of the Listing Rules. As at the Latest Practicable Date, the Guarantor, who is the sole beneficial owner of the Vendor, is beneficially interested in approximately 1.36% of the entire issued Shares. The Guarantor and his associates will abstain from voting at the SGM in respect of the proposed resolution approving the Acquisition.

SGM

The SGM will be held at Boardroom 3 and 4, M/F, Renaissance Harbour View Hotel. No.1 Harbour Road, Wanchai, Hong Kong on Friday, 29 February 2008 at 10:00 a.m. to consider and if thought fit, approve, among other matters, the Acquisition Agreement, the proposed increase in authorised share capital and the proposed change of name of the Company.

A notice convening the SGM is set out on pages 215 to 217 of this circular. Whether or not you are able to attend the meeting, you are requested to complete the accompany form of proxy in accordance with the instructions printed thereon and return the same to the Company's branch share registrar in Hong Kong, Tricor Tengis Limited, at 26th Floor, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong as soon as possible and in any event not less than 48 hours before the time appointed for the holding of the SGM or any adjournment thereof. Completion and return of the form of proxy shall not preclude you from attending and voting in person at the SGM or any adjournment meeting thereof if you so wish.

RECOMMENDATION

The Directors consider that the terms of the Acquisition Agreement and the transactions contemplated thereunder are fair and reasonable and in the interest of the Company and the Shareholders as a whole. Accordingly, the Directors recommend the Shareholders to vote in favour of the resolution to be proposed at the SGM to approve the Acquisition Agreement and the transactions contemplated thereunder. The Directors also recommend the shareholders to vote in favour of the resolutions to be proposed at the SGM to approve the proposed increase in authorised share capital and the proposed change of name of the Company.

ADDITIONAL INFORMATION

Your attention is drawn to the information set out in the appendices to this circular.

Yours faithfully,
For and on behalf of the Board
China Rise International Holdings Limited
Cheng Tun Nei
Chairman

1. SUMMARY OF FINANCIAL INFORMATION OF THE GROUP

A summary of the published results and the assets and liabilities of the Group for the last three financial years ended 31 March 2005, 2006 and 2007 and the six months ended 30 September 2006 and the six months ended 30 September 2007, as extracted from the audited financial statements of the Group for the three years ended 31 March 2005, 2006 and 2007 and the interim report of the Group for the six months ended 30 September 2007 are set out below.

The Group's financial statements for each of the three years ended 31 March 2007 were unqualified.

CONSOLIDATED INCOME STATEMENT

	For the year ended 31 March			For the six month ended 30 September	
	2007	2006	2005	2007	2006
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
			(restated)	(Unaudited)	(Unaudited)
TURNOVER	209,701	182,324	280,937	107,605	109,603
COST OF SALES	(194,901)	(166,051)	(224,685)	(106,988)	(98,364)
GROSS PROFIT	14,800	16,273	56,252	617	11,239
OTHER REVENUE	5,082	901	2,681	11,805	1,931
Selling and distribution expenses	(15,166)	(14,519)	(17,406)	(6,085)	(9,167)
Administrative expenses	(48,279)	(40,686)	(39,645)	(27,708)	(21,690)
Other operating expenses	(3,736)	(16,836)	–	(25,420)	–
(LOSS)/PROFIT FROM OPERATIONS	(47,299)	(54,867)	1,882	(46,791)	(17,687)
Finance costs	(2,671)	(2,334)	(1,832)	(951)	(1,540)
Share of (loss)/profit of an associate	(5,544)	(2,874)	629	–	171
(LOSS)/PROFIT BEFORE TAXATION	(55,154)	(60,075)	679	(47,742)	(19,056)
Income tax	131	176	(304)	(1,012)	(94)
(LOSS)/PROFIT FOR THE YEAR/ PERIODS	(55,383)	(59,899)	375	(48,754)	(19,150)
ATTRIBUTABLE TO:					
Equity shareholders of the Company	(55,027)	(59,736)	293	(50,249)	(19,160)
Minority interests	(356)	(163)	82	1,495	10
(LOSS)/PROFIT FOR THE YEAR/ PERIODS	(55,383)	(59,899)	375	(48,754)	(19,150)
(LOSS)/EARNINGS PER SHARE					
– Basic	(4.06 cents)	(10.13 cents)	0.06 cents	(2.87 cents)	(1.68 cents)
– Diluted	Not applicable	Not applicable	Not applicable	Not applicable	Not applicable

CONSOLIDATED BALANCE SHEET

	As at 31 March			As at 30 September
	2007	**2006**	**2005**	**2007**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
			(restated)	(Unaudited)
NON-CURRENT ASSETS				
Property, plant and equipment	89,332	82,714	86,189	62,166
Investment property	–	–	–	11,313
Interest in leasehold land held for own use under operating leases	4,984	5,142	6,006	3,660
Goodwill	4,957	–	–	4,957
Interest in an associate	–	16,108	18,982	–
Note receivable	–	–	5,105	–
	99,273	103,964	116,282	82,096
CURRENT ASSETS				
Inventories	94,304	34,189	62,909	67,989
Interest in leasehold land held for own use under operating leases	158	226	158	121
Trade and other receivables	48,793	39,655	33,618	55,633
Pledged deposits	12,019	7,320	1,001	15,175
Cash and cash equivalents	45,245	12,242	8,826	159,078
	200,519	93,632	106,512	297,996
CURRENT LIABILITIES				
Bank loans and overdrafts	26,877	23,903	19,044	21,485
Trade and other payables	90,036	58,202	54,450	67,871
Provision for taxation	4,015	–	–	1,955
Finance lease payables	1,657	1,116	678	1,386
	122,585	83,221	74,172	92,697
NET CURRENT ASSETS	77,934	10,411	32,340	205,299
TOTAL ASSETS LESS CURRENT LIABILITIES	177,207	114,375	148,622	287,395
NON-CURRENT LIABILITIES				
Bank loans and overdrafts	–	–	6,900	–
Finance lease payables	833	935	686	217
Deferred tax liabilities	18,235	5,529	4,309	18,235
	19,068	6,464	11,895	18,452
NET ASSETS	158,139	107,911	136,727	268,943

	As at 31 March			As at 30 September
	2007	2006	2005	2007
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
			(restated)	(Unaudited)
CAPITAL AND RESERVES				
Share capital	154,492	76,864	45,752	195,998
Reserves	(10,253)	30,969	90,700	57,215
Total equity attributable to equity shareholders of the Company	144,239	107,833	136,452	253,213
Minority interests	13,900	78	275	15,730
TOTAL EQUITY	158,139	107,911	136,727	268,943

2. AUDITED CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2007

Set out below are the consolidated income statement of the Group for the two years ended 31 March 2007, the consolidated balance sheets of the Group as at 31 March 2006 and 2007, the consolidated statement of changes in equity of the Group for the two years ended 31 March 2007 and the consolidated cash flow statement of the Group for the two years ended 31 March 2007, together with the accompanying notes as extracted from the annual report of the Company for the year ended 31 March 2007:

CONSOLIDATED INCOME STATEMENT

Year ended 31 March 2007

	Notes	**2007** *HK$'000*	**2006** *HK$'000*
TURNOVER	7	209,701	182,324
COST OF SALES		(194,901)	(166,051)
GROSS PROFIT		14,800	16,273
OTHER REVENUE	7	5,082	901
Selling and distribution expenses		(15,166)	(14,519)
Administrative expenses		(48,279)	(40,686)
Other operating expenses	9	(3,736)	(16,836)
LOSS FROM OPERATIONS	8	(47,299)	(54,867)
Finance costs	10	(2,671)	(2,334)
Share of loss of an associate	20(d)	(5,544)	(2,874)
LOSS BEFORE TAXATION		(55,514)	(60,075)
Income tax	13	131	176
LOSS FOR THE YEAR		(55,383)	(59,899)
ATTRIBUTABLE TO:			
Equity shareholders of the Company	14	(55,027)	(59,736)
Minority interests		(356)	(163)
LOSS FOR THE YEAR		(55,383)	(59,899)
LOSS PER SHARE			
– Basic	15(a)	(4.06 cents)	(10.13 cents)
– Diluted	15(b)	Not applicable	Not applicable

CONSOLIDATED BALANCE SHEET
31 March 2007

	Notes	**2007** *HK$'000*	**2006** *HK$'000*
NON-CURRENT ASSETS			
Property, plant and equipment	16	89,332	82,714
Interest in leasehold land held for own use under operating leases	17	4,984	5,142
Goodwill	18	4,957	–
Interest in an associate	20	–	16,108
		99,273	103,964
CURRENT ASSETS			
Inventories	21	94,304	34,189
Interest in leasehold land held for own use under operating leases	17	158	226
Trade and other receivables	22	48,793	39,655
Pledged deposits		12,019	7,320
Cash and cash equivalents	24	45,245	12,242
		200,519	93,632
CURRENT LIABILITIES			
Bank loans and overdrafts	25	26,877	23,903
Trade and other payables	27	90,036	58,202
Provision for taxation	28	4,015	–
Finance lease payables	29	1,657	1,116
		122,585	83,221
NET CURRENT ASSETS		77,934	10,411
TOTAL ASSETS LESS CURRENT LIABILITIES		177,207	114,375
NON-CURRENT LIABILITIES			
Finance lease payables	29	833	935
Deferred tax liabilities	28	18,235	5,529
		19,068	6,464
NET ASSETS		158,139	107,911

	Notes	2007 HK$'000	2006 HK$'000
CAPITAL AND RESERVES			
Share capital	30	154,492	76,864
Reserves	32(a)	(10,253)	30,969
Total equity attributable to equity shareholders of the Company		144,239	107,833
Minority interests		13,900	78
TOTAL EQUITY		158,139	107,911

BALANCE SHEET
31 March 2007

	Notes	2007 HK$'000	2006 HK$'000
NON-CURRENT ASSETS			
Property, plant and equipment	16	629	189
Interest in subsidiaries	19	110,280	112,007
Interest in an associate	20	–	923
		110,909	113,119
CURRENT ASSETS			
Trade and other receivables	22	544	533
Pledged deposits		3,600	–
Cash and cash equivalents	24	10,369	1,283
		14,513	1,816
CURRENT LIABILITIES			
Trade and other payables	27	255	7,291
Finance lease payables	29	70	–
		325	7,291
NET CURRENT ASSETS/(LIABILITIES)		14,188	(5,475)
TOTAL ASSETS LESS CURRENT LIABILITIES		125,097	107,644
NON-CURRENT LIABILITIES			
Finance lease payables	29	64	–
NET ASSETS		125,033	107,644
CAPITAL AND RESERVES			
Share capital	30	154,492	76,864
Reserves	32(b)	(29,459)	30,780
TOTAL EQUITY		125,033	107,644

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Year ended 31 March 2007

		Attributable to equity shareholders of the Company									
	Notes	Share capital HK$'000	Capital reserve HK$'000	Dis-tributable reserve HK$'000	Property revaluation reserve HK$'000	Fair value reserve HK$'000	Exchange fluctuation reserve HK$'000	Retained profits/ (accumulated loss) HK$'000	Sub-total HK$'000	Minority interest HK$'000	Total equity HK$'000
At 1 April 2005		45,752	2,789	4,995	15,865	–	587	66,464	136,452	275	136,727
Surplus on revaluation		–	–	–	1,862	–	–	–	1,862	–	1,862
Deferred tax charged in the revaluation reserve	28(b)	–	–	–	(1,220)	–	–	–	(1,220)	–	(1,220)
Exchange realignment		–	–	–	–	–	(637)	–	(637)	(34)	(671)
Net income recognised directly in equity		–	–	–	642	–	(637)	–	5	(34)	(29)
Revaluation reserve released on disposal		–	–	–	(417)	–	–	417	–	–	–
Placement of shares	30	9,151	–	–	–	–	–	–	9,151	–	9,151
Rights issue	30	21,961	–	–	–	–	–	–	21,961	–	21,961
Loss for the year		–	–	–	–	–	–	(59,736)	(59,736)	(163)	(59,899)
At 31 March 2006		76,864	2,789	4,995	16,090	–	(50)	7,145	107,833	78	107,911
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	28(b)	–	–	–	(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
Net income recognised directly in equity		–	–	(2,779)	7,186	8,783	615	–	13,805	14,178	27,983
Revaluation reserve released on disposal		–	–	–	(709)	–	–	709	–	–	–
Rights issue	30	76,864	–	–	–	–	–	–	76,864	–	76,864
Bonus warrants	30	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
Reserves retained by:											
Company and subsidiaries		154,492	2,789	2,216	22,567	8,783	565	(47,173)	144,239	13,900	158,139
An associate		–	–	–	–	–	–	–	–	–	–
At 31 March 2007		154,492	2,789	2,216	22,567	8,783	565	(47,173)	144,239	13,900	158,139
Company and subsidiaries		76,864	2,789	4,995	16,090	–	(50)	(8,040)	92,648	78	92,726
An associate		–	–	–	–	–	–	15,185	15,185	–	15,185
At 31 March 2006		76,864	2,789	4,995	16,090	–	(50)	7,145	107,833	78	107,911

CONSOLIDATED CASH FLOW STATEMENT

Year ended 31 March 2007

	Notes	2007 HK$'000	2006 HK$'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Loss before taxation		(55,514)	(60,075)
Adjustments for:			
Amortisation of land lease premium		149	142
Finance costs		2,671	2,334
Share of loss of an associate		5,544	2,874
Interest income		(1,326)	(120)
Loss on disposal of a subsidiary		67	–
(Gain)/loss on disposal of property, plant and equipment		(861)	2,162
Depreciation		10,122	10,634
Write-down of inventories		4,344	13,546
Impairment losses on trade and other receivables		1,362	1,723
Impairment loss on goodwill		2,327	–
Operating loss before changes in working capital		(31,115)	(26,780)
(Increase)/decrease in inventories		(12,335)	15,174
Increase in trade and other receivables		(1,824)	(3,053)
Increase in trade and other payables		7,953	2,327
(Decrease)/increase in bank loans		(559)	4,307
Cash used in operations		(37,880)	(8,025)
Overseas taxes refunded		–	176
NET CASH OUTFLOW FROM OPERATING ACTIVITIES		(37,880)	(7,849)
CASH FLOWS FROM INVESTING ACTIVITIES			
Payment to acquire property, plant and equipment and land lease premium	33(d)	(4,543)	(4,732)
Proceeds from disposal of property, plant and equipment		2,693	2,404
Net cash outflow from disposal of a subsidiary	33(b)	(38)	–
Net cash inflow from acquisition of subsidiaries	33(a)	7,191	–
Increase in mould deposits		(5,167)	(6,701)
Settlement of note receivable		–	4,500
Increase in pledged deposits		(4,699)	(6,319)
Interest received		1,326	120
NET CASH OUTFLOW FROM INVESTING ACTIVITIES		(3,237)	(10,728)

	Notes	2007 HK$'000	2006 HK$'000
CASH FLOWS FROM FINANCING ACTIVITIES			
Placing of shares		–	9,151
Rights issue		74,085	21,961
Bonus warrants		764	–
Repayment of other loan		(325)	(5,475)
Interest paid		(2,413)	(2,216)
Interest element of finance lease payments		(258)	(118)
Capital element of finance lease payments		(2,036)	(1,206)
NET CASH INFLOW FROM FINANCING ACTIVITIES		69,817	22,097
NET INCREASE IN CASH AND CASH EQUIVALENTS		28,700	3,520
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR		11,690	8,826
EFFECT OF FOREIGN EXCHANGE RATE CHANGES, NET		770	(656)
CASH AND CASH EQUIVALENTS AT END OF YEAR	24	41,160	11,690

NOTES TO THE FINANCIAL STATEMENTS

31 March 2007

1. CORPORATE INFORMATION

ANEX International Holdings Limited (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 design and manufacture of home appliances, trading of merchandise, real estate development and building materials supply and installation. The real estate development and building materials divisions are newly set up during the year.

2. 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. 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. The adoption of these new and revised HKFRSs has not resulted in any significant impact on the Group's results of operations for the year and financial position as at 31 March 2007.

In prior years, financial guarantees issued by the Group were disclosed as contingent liabilities in accordance with HKFRS 4: Insurance contracts and HKAS 37: Provisions, contingent liabilities and contingent assets. No provisions were made in respect of these guarantees unless it was more likely than not that the guarantee would be called upon.

With effect from 1 April 2006, in order to comply with the amendments to HKAS 39 in respect of financial guarantee contracts, the Group has changed its accounting policy for financial guarantees issued. Under the new policy, financial guarantees issued are accounted for as financial liabilities under HKAS 39 and measured initially at fair value, where the fair value can be reliably measured. Subsequently, they are measured at the higher of the amount initially recognised, less accumulated amortisation, and the amount of the provision, if any, that should be recognised in accordance with HKAS 37. Further details of the new policy are set out in note 3(o)(i).

The adoption of these amendments does not have a significant impact on the Group's and the Company's results of operations and financial position for the financial years 2006 and 2007.

During the year, the Company acquired new subsidiaries which were engaged in real estate development and building materials business. As the manufacturing of home appliances no longer attributed over 90% of the Group's consolidated result and assets, the Group has chosen business segment information as the primary reporting format. Further details of the policy are set out in note 3(u). Comparative figures have been restated to conform with the current year's disclosure requirements, the details of which have been disclosed in note 6 to the financial statements.

3. SUMMARY SIGNIFICANT ACCOUNTING POLICIES

a) BASIS OF PREPARATION OF THE FINANCIAL STATEMENTS

The consolidated financial statements for the year ended 31 March 2007 comprise the Company and its subsidiaries (together referred to as the "Group') and the Group's interest in an associate.

The measurement basis used in the preparation of the financial statements is the historical cost basis except that the following assets and liabilities are stated at their fair value as explained in the accounting policies set out below:

– buildings held for own use (see note 3(e));

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.

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 5.

b) SUBSIDIARIES

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 with 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 3 (k) 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 3(g)), unless the investment is classified as held for sale.

c) ASSOCIATES

An associate is an entity in which the Group or Company has significant influence, but not control or joint control, over its management, including participation in the financial and operating policy decisions.

An investment in an associate 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 associate'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 associates for the year, including any impairment loss on goodwill relating to the investment in associates recognised for the year (see note 3(d) and (g)).

When the Group's share of losses exceeds its interest in the associate, 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 associate. For this purpose, the Group's interest in the associate 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 associate.

Unrealised profits and losses resulting from transactions between the Group and its associates are eliminated to the extent of the Group's interest in the associate, except where unrealised losses provide evidence of an impairment of the asset transferred, in which case they are recognised immediately in income statement.

In the Company's balance sheet, its investments in associates are stated at cost less impairment losses (see note 3(g)), unless it is classified as held for sale.

d) GOODWILL

Goodwill represents the excess of the cost of a business combination or an investment in an associate 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 3(g)). In respect of associates, the carrying amount of goodwill is included in the carrying amount of the interest in the associate.

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 or an investment in associate is recognised immediately in income statement.

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

e) PROPERTY, PLANT AND EQUIPMENT

The properties held for own use are stated in the balance sheet at their revalued amount, being their fair value at the date of the revaluation less any subsequent accumulated depreciation.

Revaluations are performed with sufficient regularity to ensure that the carrying amount of these assets does not differ materially from that which would be determined using fair values at the balance sheet date.

Other items of plant and equipment are stated in the balance sheet at cost less accumulated depreciation and impairment losses.

Changes arising on the revaluation of properties held for own use are generally dealt with in reserves. The only exceptions are as follows:

– when a deficit arises on revaluation, it will be charged to income statement to the extent that it exceeds the amount held in the reserve in respect of that same asset immediately prior to the revaluation; and

– when a surplus arises on revaluation, it will be credited to income statement to the extent that a deficit on revaluation in respect of that same asset had previously been charged to income statement.

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.

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 income statement on the date of retirement or disposal. Any related revaluation surplus is transferred from the revaluation reserve to retained profits.

Depreciation is calculated to write off the cost or valuation 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	Over the unexpired term of lease
Furniture and fixtures	20%
Machinery, engineering and other equipment	10%
Motor vehicles	10%
Moulds	10%

Where parts of an item of property, plant and equipment have different useful lives, the cost or valuation 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.

f) 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 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 leases, with the following exceptions:

Land held for own use under an operating lease, the fair value of which cannot be measured separately from the fair value of a building situated thereon at the inception of the lease, is accounted for as being held under a finance lease, unless the building is also clearly held under an operating lease. For these purposes, the inception of the lease is the time that the lease was first entered into by the group, or taken over from the previous lessee, or at the date of construction of those buildings, if later.

ii) Assets acquired under finance leases

Where the Group acquires the use of assets under finance leases, 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 property, plant and equipment 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 or valuation of the assets over the term of the relevant lease or, where it is likely the Company or Group will obtain ownership of the asset, the life of the asset, as set out in note 3(e). Impairment losses are accounted for in accordance with the accounting policy as set out in note 3(g). Finance charges implicit in the lease payments are charged to income statement 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 written off as an expense of the accounting period in which they are incurred.

iii) Operating lease charges

Where the Group has the use of assets held under operating leases, payments made under the leases are charged to income statement 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 income statement as an integral part of the aggregate net lease payments made. Contingent rentals are written off as an expense of 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 except where the property is classified as an investment property.

g) IMPAIRMENT OF 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 (other than properties carried at revalued amounts);
- pre-paid interests in leasehold land classified as being held under an operating lease;
- investments in subsidiaries and associates; and
- goodwill

If any such indication exists, the asset's recoverable amount is estimated.

– 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 income statement 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 income statement in the year in which the reversals are recognised.

h) INVENTORIES

i) Home appliances manufacturing

Inventories are carried at the lower of cost and net realisable value. Cost, which comprises all costs of purchase and, where applicable, costs of conversion and other costs incurred in bringing the inventories to their present location and condition, is determined on the first-in, first-out basis. 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.

ii) Real estate development

Inventories in respect of real estate development activities are carried at the lower of cost and net realisable value. Cost and net realizable values are determined as follows:

– Property under development for sale

The cost of properties under development for sale comprises specifically identified cost, including the acquisition cost of land, aggregate cost of development, materials and supplies, wages and other direct expenses and an appropriate proportion of overheads. Net realizable value represents the estimated selling price less estimated costs of completion and costs to be incurred in selling the property.

– Completed properties held for sale

In the case of completed properties developed by the Group, cost is determined by apportionment of the total development costs for that development project, attributable to the unsold properties. Net realizable value represents the estimated selling price less costs to be incurred in selling the property.

The cost of completed properties held for sale comprises all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition.

i) TRADE, OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS

Trade, other receivables, deposits and prepayments are initially recognised at fair value and thereafter stated at amortised cost less impairment losses for bad and doubtful debts, 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 impairment losses for bad and doubtful debts (see note 3(g)).

j) 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. Bank overdrafts that are repayable on demand and form an integral part of the Group's cash management are also included as a component of cash and cash equivalents for the purpose of the consolidated cash flow statement.

k) TRADE AND OTHER PAYABLES

Trade and other payables are initially recognised at fair value and thereafter stated at amortised cost unless the effect of discounting would be immaterial, in which case they are stated at cost.

l) 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 cost and redemption value being recognised in income statement over the period of the borrowings using the effective interest method.

m) TAXATION

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 income statement 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. 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 utilized. 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.

n) CONSTRUCTION CONTRACTS

The accounting policy for contract revenue is set out in note 3(p)(ii). When the outcome of a construction contract can be estimated reliably, contract costs are recognised as an expense by reference to the stage of completion of the contract at the balance sheet date. When it is probable that total contract costs will exceed total contract revenue, the expected loss is recognised as an expense immediately. When the outcome of a construction contract cannot be estimated reliably, contract costs are recognised as an expense in the period in which they are incurred.

Construction contracts in progress at the balance sheet date are recorded in the balance sheet at the net amount of costs incurred plus recognised profit less recognised losses and progress billings, and are presented in the balance sheet as the "Gross amount due from customers for contract work" (as an asset) or the "Gross amount due to customers for contract work" (as a liability), as applicable. Progress billings not yet paid by the customer are included in the balance sheet under "Trade receivables". Amounts received before the related work is performed are included in the balance sheet, as a liability, as "Other payables and accruals".

o) 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 income statement on initial recognition of any deferred income.

The amount of the guarantee initially recognised as deferred income is amortised in income statement over the term of the guarantee as income from financial guarantees issued. In addition, provisions are recognised in accordance with note 3(o)(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 3(o)(iii). Contingent liabilities acquired in a business combination that cannot be reliably fair valued are disclosed in accordance with note 3(o)(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 nonoccurrence of one or more future events are also disclosed as contingent liabilities unless the probability of outflow of economic benefits is remote.

p) 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 income statement as follows:

i) Sale of goods

Revenue is recognised when goods are delivered which is taken to be the point in time 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) Contract revenue

When the outcome of a construction contract can be estimated reliably, revenue from a fixed price contract is recognised using the percentage of completion method to determine the appropriate revenue to be recognised in a given period. The stage of completion is measured by reference to the gross billing value of contract work to date as compared to the total contract sum receivable under the contract, or the total costs incurred to date to estimated total contract costs for the contract, whichever is the lower.

When the outcome of a construction contract cannot be estimated reliably, revenue is recognised only to the extent of contract costs incurred that it is probable will be recoverable.

iii) Interest income

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

q) 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 income statement.

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, including goodwill arising on consolidation of foreign operations acquired on or after 1 January 2005, 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. Goodwill arising on consolidation of a foreign operation acquired before 1 January 2005 is translated at the foreign exchange rate that applied at the date of acquisition of the foreign operation.

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.

r) BORROWING COSTS

Borrowing costs are expensed in income statement 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.

s) RELATED PARTIES

For the purpose of these financial statements, parties are 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; or

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

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.

t) EMPLOYEE BENEFITS

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

Salaries, annual bonuses, paid annual leave, contributions to defined contribution 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.

The employees of the Group's subsidiaries which operate in mainland China are required to participate in a central pension scheme operated by the local municipal government. The subsidiaries are required to contribute a percentage of their payroll costs to the central pension scheme. The contributions are charged to income statement as they become payable in accordance with rules of the central pension scheme.

ii) Share-based payments

The fair value of share options granted to employees is recognised as an employee cost with a corresponding increase in a capital reserve within equity. The fair value is measured at grant date using the binomial lattice model, taking into account the terms and conditions upon which the options were granted. Where the employees have to meet vesting conditions before becoming unconditionally entitled to the share options, the total estimated fair value of the share options is spread over the vesting period, taking into account the probability that the options will vest.

During the vesting period, the number of share options that is expected to vest is reviewed. Any adjustment to the cumulative fair value recognised in prior years is charged/credited to income statement 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 vesting date, the amount recognised as an expense is adjusted to reflect the actual number of share options that vest (with a corresponding adjustment to the 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 is exercised (when it is transferred to the share premium account) or the option 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.

u) 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 purpose of these financial statements.

Segment revenue, expenses, results, assets and liabilities include items directly attributable to a segment as well as those that can be allocated on a reasonable basis to that segment. For example, segment assets may include trade receivables and property, plant and equipment. 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.

4. FINANCIAL RISK MANAGEMENT

The Group's activities are exposed to the following risks:

a) Interest rate risk

The Group's interest rate risk arises from interest-bearing borrowings. Borrowings issued at variable rates expose the Group to cash flow interest-rate risk whilst borrowings at fixed rates expose the Group to fair value interest-rate risk. Details of the Group's bank loans and overdrafts have been disclosed in note 25 to the financial statements.

b) Foreign currency risk

The Group mainly operates in mainland China, the USA, Germany and Hong Kong. Most of the Group's transactions, assets and liabilities are dominated in RMB, United States Dollars, Euro Dollars and Hong Kong Dollars.

Foreign exchange risk arises from future commercial transactions, recognised assets and liabilities and net investments in foreign operations. The Group manages its foreign risks by performing regular review and monitoring its foreign exchange exposures.

c) Credit risk

The Group has policies in place to ensure that the sales of products are made to customers with appropriate credit history and the Group performs credit evaluation of its customers. Management has a credit policy in place and the exposures to these credit risks are monitored on an ongoing basis.

d) Liquidity risk

Prudent liquidity risk management implies maintaining sufficient cash and the availability of funding through an adequate amount of committed credit facilities. The Group aims to maintain flexibility in funding by keeping committed credit lines available.

5. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

Estimates and judgments are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

a) Property, plant and equipment and depreciation

The Group management determines the estimated useful lives and related depreciation charges for its property, plant and equipment. This estimate is based on the historical experience of the actual useful lives of property, plant and equipment of similar nature and functions. It could change significantly as a result of technical innovations and competitor actions in response to severe industry cycles. Management will increase the depreciation charge where useful lives are less than previously estimated lives, or it will write-off or write-down technically obsolete or non-strategic assets that have been abandoned or sold.

b) Impairment of assets

The Group tests annually whether assets have suffered any impairment. The recoverable amounts of cash-generating units have been determined on the value-in-use calculation. These calculations require use of estimate.

c) Construction contracts

The Group's revenue and profit recognition on an uncompleted project is dependent on estimating the total outcome of the construction contact, the gross billing to date as well as the work done to date. Based on the Group's recent experience and the nature of the construction activity undertaken by the Group, the Group makes estimates of the point at which it considers the work is sufficiently advanced such that the costs to complete and revenue can be reliably estimated. As a result, until this point is reached the amounts due from customers for contact work as disclosed in note 23 will not include profit which the Group may eventually realize from the work done to date. In addition, actual outcomes in terms of total cost or revenue may be higher or lower than estimated at the balance sheet date, which would affect the revenue and profit recognized in future years as an adjustment to the amounts recorded to date.

d) Write-down/write-off of inventories

Inventories are written down to net realisable value based on an assessment of the realisability of inventories. Write-down/write-off of inventories are recorded where events or changes in circumstances indicate that the balances may not be realised. The identification of write-downs requires the use of judgements and estimates. Where the expectation is different from the original estimate, such difference will impact the carrying value of inventories and write-down/write-off of inventories in the periods in which such estimate has been changed.

6. 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

The Group comprises the following main business segments:

Home appliances: the design and manufacture of electrical appliances and trading of merchandise.

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

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

	Home appliances		Real estate		Building materials		Consolidated	
	2007	2006	2007	2006	2007	2006	2007	2006
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Revenue from external customers	203,010	182,324	–	–	6,691	–	209,701	182,324
Segment result	(27,642)	(49,415)	(1,015)	–	(2,854)	–	(31,511)	(49,415)
Unallocated operating income and expenses							(15,788)	(5,452)
Loss from operations							(47,299)	(54,867)
Finance costs	(2,427)	(2,080)	–	–	(8)	–	(2,435)	(2,080)
Unallocated corporate expenses							(5,780)	(3,128)
Income tax credit							131	176
Loss after taxation							(55,383)	(59,899)
ASSETS								
Segment assets	184,557	179,296	87,871	–	12,089	–	284,517	179,296
Unallocated corporate assets							15,275	18,300
Consolidated total assets							299,792	197,596
LIABILITIES								
Segment liabilities	88,937	76,798	24,946	–	9,140	–	123,023	76,798
Unallocated corporate liabilities							18,630	12,887
Consolidated total liabilities							141,653	89,685
OTHER INFORMATION								
Depreciation and amortisation for the year	10,122	10,768	8	–	12	–	10,142	10,768
Unallocated corporate expenses							129	8
							10,271	10,776
Impairment of								
– trade and other receivables	1,342	1,723	–	–	20	–	1,362	1,723
– positive goodwill	–	–	–	–	2,327	–	2,327	–
Significant non-cash expenses – write-down of inventories							4,344	13,546
Capital expenditure incurred during the year	7,908	9,035	503	–	207	–	8,618	9,035
Unallocated corporate capital expenditure							532	189
							9,150	9,224

Geographical segments

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

	Segment revenue Revenue from external customers 2007 *HK$'000*	2006 *HK$'000*
Europe	92,769	90,544
North America	69,713	58,416
South America	17,095	13,760
Asia Pacific	13,832	11,111
Middle East	11,423	5,752
Oceania	4,869	2,741
	209,701	182,324

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

	Segment assets		Capital expenditure	
	2007	**2006**	**2007**	**2006**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Europe	8,941	4,394	14	13
North America	3,652	7,483	16	–
South America	4,406	6,001	–	–
Asia Pacific	280,802	176,911	9,120	9,211
Middle East	1,401	2,427	–	–
Oceania	590	380	–	–
	299,792	197,596	9,150	9,224

7. 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:

	The Group	
	2007	**2006**
	HK$'000	*HK$'000*
Turnover		
Sales of goods	203,010	182,324
Revenue from construction contracts	6,691	–
	209,701	182,324
Other revenue		
Interest income	1,326	120
Sales of moulds	–	63
Sales of scrap materials	966	333
Gain on disposal of property, plant and equipment	861	–
Others	1,929	385
	5,082	901
	214,783	183,225

8. LOSS FROM OPERATIONS

The Group's loss from operations are arrived at after charging:

		The Group	
		2007	**2006**
		HK$'000	*HK$'000*
a)	Staff costs		
	Salaries, wages and other benefits	46,647	33,375
	Severance payments	371	2,165
	Pension scheme contributions	609	502
		47,627	36,042
b)	Other items		
	Cost of inventories sold*	189,137	166,051
	Depreciation	10,122	10,634
	Amortisation of land lease premium	149	142
	Minimum lease payments under operating leases for land and buildings (including directors' quarters)	1,737	817
	Auditor's remuneration		
	– audit services	600	390
	– other services	110	–
		710	390
	Impairment losses on trade receivables	20	13
	Exchange losses, net	773	509
	Share of an associate's taxation	–	271

* Cost of inventories sold includes depreciation of HK$7,789,000 (2006: HK$8,088,000) and staff costs of HK$21,251,000 (2006: HK$16,163,000), the amount of which is also included in the respective total amounts disclosed separately above.

9. OTHER OPERATING EXPENSES

	The Group	
	2007	**2006**
	HK$'000	*HK$'000*
Impairment loss on goodwill	2,327	–
Impairment losses on mould deposits *(note 22(c))*	1,342	955
Write-down of inventories	–	12,964
Loss on disposal of property, plant and equipment	–	2,162
Impairment loss on note receivable	–	755
Loss on disposal of a subsidiary	67	–
	3,736	16,836

10. FINANCE COSTS

	The Group	
	2007	**2006**
	HK$'000	*HK$'000*
Interest on bank loans and other loans wholly repayable within five years	2,413	2,216
Finance charges on obligations under finance leases	258	118
	2,671	2,334

11. DIRECTORS' REMUNERATION

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

	2007			
	Fees	**Salaries and other benefits**	**Retirement scheme contributions**	**Total**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Executive directors				
Cheng Tun Nei	–	1,289	12	1,301
Cheng Tze Kit, Larry*	–	1,324	12	1,336
Kwok Hon Lam	–	1,564	–	1,564
Kwok Chi Hang, Peter	–	494	–	494
Loo Pak Hong#	–	50	–	50
Siu Miu Man	–	2,578	12	2,590
	–	7,299	36	7,335
Non-executive directors				
To Wing Yee, Janice#	32	–	–	32
Yeung Chee Tat*	61	–	–	61
	93	–	–	93

* Directors appointed on 22 August 2006

\# Directors retired on 22 August 2006

	2007			
	Fees	**Salaries and other benefits**	**Retirement scheme contributions**	**Total**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Independent non-executive directors				
Chan Sun Kwong	180	–	–	180
Chow Nim Sun, Nelson	120	–	–	120
Fung Kwan Yin, James	60	–	–	60
	360	–	–	360
	453	7,299	36	7,788

	2006			
	Fees	**Salaries and other benefits**	**Retirement scheme contributions**	**Total**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Executive directors				
Chau Kwok Wai	–	716	10	726
Cheng Tun Nei	–	168	2	170
Kwok Hon Ching	–	1,120	11	1,131
Kwok Hon Kau, Johnny	–	918	6	924
Kwok Hon Lam	–	1,686	24	1,710
Kwok Chi Hang, Peter	–	420	12	432
Lee Yu Leung	–	233	6	239
Loo Pak Hong	–	–	–	–
Siu Miu Man	–	336	2	338
	–	5,597	73	5,670

	2006			
	Fees	Salaries and other benefits	Retirement scheme contributions	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Non-executive directors				
To Wing Yee, Janice	10	–	–	10
	10	–	–	10
Independent non-executive directors				
Chan Kwok Wai	23	–	–	23
Chan Sun Kwong	25	–	–	25
Chow Cheuk Lap	50	–	–	50
Chow Nim Sun, Nelson	10	–	–	10
Fung Kwan Yin, James	8	–	–	8
Lee Ho Man, Eric	50	–	–	50
Liu Kam Lung, Peter	10	–	–	10
Tsun Kok Chung, Richard	8	–	–	8
Wong Lung Tak, Patrick	50	–	–	50
Wong Tik Tung	23	–	–	23
	257	–	–	257
	267	5,597	73	5,937

12. INDIVIDUALS WITH HIGHEST EMOLUMENTS

The five highest paid individuals during the year included four (2006: four) directors, details of whose emoluments are set out in note 11 above. Details of the emoluments of the remaining one (2006: one) non-director, highest paid individual for the year are as follows:

	The Group	
	2007	2006
	HK$'000	*HK$'000*
Basic salaries, commissions and benefits in kind	1,289	564
Pension scheme contributions	12	12
	1,301	576

13. INCOME TAX IN THE CONSOLIDATED INCOME STATEMENT

a) Income tax in the consolidated income statement represents:

No provision for Hong Kong profits tax has been provided as the Group did not generate any assessable profits arising in Hong Kong for financial years 2006 and 2007.

No provision for overseas profits tax has been provided as the overseas subsidiaries did not generate any profits which would have been subject to profits tax in their relevant countries for financial years 2006 and 2007.

	The Group	
	2007	**2006**
	HK$'000	*HK$'000*
Current tax		
– Hong Kong	(131)	–
– Overseas	–	(176)
Tax credit	(131)	(176)

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

	The Group	
	2007	**2006**
	HK$'000	*HK$'000*
Loss before taxation	(55,514)	(60,075)
Tax at domestic income tax rate applicable of losses in the respective countries	(11,549)	(14,259)
Tax effect of non-taxable income	(1,311)	(210)
Tax effect of non-deductible expenses	1,652	503
Tax losses utilised from previous periods	(9)	–
Tax effect of losses not recognised	11,086	13,790
Tax credit	(131)	(176)

14. LOSS ATTRIBUTABLE TO EQUITY SHAREHOLDERS OF THE COMPANY

The consolidated loss attributable to equity shareholders of the Company includes a loss of HK$57,460,000 (2006: HK$37,250,000) which has been dealt with in the financial statements of the Company.

15. LOSS PER SHARE

a) The calculation of basic loss per share is based on the loss attributable to equity shareholders of the Company of HK$55,027,000 (2006: HK$59,736,000) and the weighted average number of 1,354,138,000 ordinary shares (2006: weighted average number of 589,558,000 ordinary shares after adjusting for the rights issue in the financial year 2007) in issue during the year.

Weighted average number of ordinary shares

	2007	**2006**
	No. of shares	**No. of shares**
	'000	*'000*
Issued ordinary shares at 1 April	768,642	457,525
Effect of issue of ordinary shares under placement and subscription	–	132,033
Effect of issue of ordinary shares under rights issue	585,274	–
Effect of issue of ordinary shares under bonus warrants	222	–
Weighted average number of ordinary shares at 31 March	1,354,138	589,558

b) 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 year ended 31 March 2007.

Diluted loss per share for year ended 31 March 2006 has not been disclosed as no diluting events existed during the year.electrically-fused granular powder, sintered magnesite powder, MgO slagging ball and MgO dolomite sand. Demand for these high end Refractory Products is strong due to fast development of the steel industry in the PRC.

16. PROPERTY, PLANT AND EQUIPMENT

The Group

	Buildings held for own use carried at fair value *HK$'000*	Furniture and fixtures *HK$'000*	Machinery, engineering and other equipment *HK$'000*	Motor vehicles *HK$'000*	Moulds *HK$'000*	Total *HK$'000*
Cost or valuation						
At 1 April 2005	41,235	11,445	18,367	3,434	53,988	128,469
Additions	–	2,367	3,067	–	3,790	9,224
Disposals	(1,471)	–	(2,007)	(3,259)	(2,151)	(8,888)
Written off	–	(2,816)	(3,337)	–	(3,455)	(9,608)
Revaluation surplus	636	–	–	–	–	636
Exchange realignment	–	(76)	–	–	–	(76)
At 31 March 2006	40,400	10,920	16,090	175	52,172	119,757
At 1 April 2006	40,400	10,920	16,090	175	52,172	119,757
Disposal of a subsidiary	–	(27)	–	–	–	(27)
Additions	117	2,872	2,514	585	3,062	9,150
Disposals	(1,530)	(188)	–	–	–	(1,718)
Revaluation surplus	8,030	–	–	–	–	8,030
Exchange realignment	3	64	–	7	–	74
At 31 March 2007	47,020	13,641	18,604	767	55,234	135,266
Analysis of cost or revaluation						
At cost	–	13,641	18,604	767	55,234	88,246
At valuation	47,020	–	–	–	–	47,020
	47,020	13,641	18,604	767	55,234	135,266
Accumulated depreciation						
At 1 April 2005	–	6,366	9,456	3,016	23,442	42,280
Provided for the year	1,230	2,075	1,772	141	5,416	10,634
Write back on disposals	(4)	–	(890)	(3,125)	(956)	(4,975)
Written off	–	(2,816)	(3,337)	–	(3,455)	(9,608)
Write back on revaluation	(1,226)	–	–	–	–	(1,226)
Exchange realignment	–	(62)	–	–	–	(62)
At 31 March 2006	–	5,563	7,001	32	24,447	37,043
At 1 April 2006	–	5,563	7,001	32	24,447	37,043
Provided for the year	1,102	2,036	1,699	54	5,231	10,122
Write back on disposals	(28)	(183)	–	–	–	(211)
Write back on revaluation	(1,075)	–	–	–	–	(1,075)
Exchange realignment	1	54	–	–	–	55
At 31 March 2007	–	7,470	8,700	86	29,678	45,934
Net book value						
At 31 March 2007	47,020	6,171	9,904	681	25,556	89,332
At 31 March 2006	40,400	5,357	9,089	143	27,725	82,714

(a) The net book value of property, plant and equipment held under finance leases included in the total amount of machinery, engineering and other equipment and motor vehicles at 31 March 2007 amounted to HK$5,619,000 (2006: HK$2,877,000).

(b) The Group's properties held for own use were revalued on an open market value at 31 March 2007 by RHL Appraisal Limited, who have among their staff, Fellows of Hong Kong Institute of Surveyors with recent experience in the location and category of property being revalued.

(c) The analysis of net book value of properties at 31 March 2007 is as follows:

	The Group	
	2007	**2006**
	HK$'000	*HK$'000*
Held under medium term leases in		
– Hong Kong	6,810	10,270
– mainland China	40,210	30,130
	47,020	40,400
Representing:		
Properties carried at fair value	47,020	40,400

Had the Group's properties been carried at historical cost less accumulated depreciation and impairment losses, their carrying amounts would have been approximately HK$26,095,000 (2006: HK$29,438,000).

(d) At 31 March 2007, certain of the Group's properties in Hong Kong with net book value of HK$6,810,000 (2006: HK$10,270,000) were pledged to a bank to secure banking facilities granted to the Group (note 25).

The Company

	Furniture and other equipment *HK$'000*	Motor vehicles *HK$'000*	Total *HK$'000*
Cost			
At 1 April 2005	–	–	–
Additions	189	–	189
At 31 March 2006	189	–	189
At 1 April 2006	189	–	189
Additions	190	342	532
At 31 March 2007	379	342	721
Accumulated depreciation			
At 1 April 2005	–	–	–
Provided for the year	–	–	–
At 31 March 2006	–	–	–
At 1 April 2006	–	–	–
Provided for the year	58	34	92
At 31 March 2007	58	34	92
Net book value			
At 31 March 2007	321	308	629
At 31 March 2006	189	–	189

17. INTEREST IN LEASEHOLD LAND HELD FOR OWN USE UNDER OPERATING LEASES

The Group

	HK$'000
Cost	
At 1 April 2005	8,010
Disposals	(830)
At 31 March 2006	7,180
At 1 April 2006	7,180
Additions	240
Disposals	(433)
Exchange realignment	7
At 31 March 2007	6,994
Accumulated amortisation	
At 1 April 2005	1,846
Charge for the year	142
Written back on disposals	(176)
At 31 March 2006	1,812
At 1 April 2006	1,812
Charge for the year	149
Written back on disposals	(109)
At 31 March 2007	1,852
Net book value	
At 31 March 2007	5,142
At 31 March 2006	5,368

a) At 31 March 2007, certain of the Group's leasehold land in Hong Kong with net book value of HK$2,793,000 (2006: HK$3,204,000) was pledged to a bank to secure the banking facility granted to the Group (note 25).

b) Analysed for reporting purpose:

	2007	**2006**
	HK$'000	*HK$'000*
Current portion	158	226
Non-current portion	4,984	5,142
	5,142	5,368

18. GOODWILL

The Group

	HK$'000
Cost	
At 1 April 2005 and 31 March 2006	–
Acquisition of subsidiaries *(note 33(a))*	7,284
At 31 March 2007	7,284
Accumulated impairment losses	
At 1 April 2005 and 31 March 2006	–
Impairment loss	2,327
At 31 March 2007	2,327
Carrying amount	
At 31 March 2007	4,957
At 31 March 2006	–

Impairment test for goodwill

Goodwill is allocated to the Group's cash-generating units ("CGU") identified according to business segment.

	2007	**2006**
	HK$'000	*HK$'000*
Real estate	4,957	–

In accordance with HKAS 36 "Impairment of Assets", and following the allocation of goodwill to CGU, the impairment test for goodwill was carried out by comparing the recoverable amounts to the carrying amounts as at the balance sheet date. The recoverable amount of a CGU is determined based on value-in-use calculations. The calculation uses pre-tax cash flow projections based on financial budgets approved by management covering a two-year period and the estimated terminal value at the end of the two-year period. Management determined profit forecast based on past performance and its expectation for the future changes in costs and sales prices. Future cashflows are discounted at 7.75%. The discount rates used are pre-tax and reflect specific risks relating to the relevant CGU. There was no evidence of impairment arising from tests of reasonable variations of the assumptions used. Based on the above, the directors are of the view that there was no evidence of impairment of goodwill in the real estate segment at 31 March 2007.

BIP (HK) was engaged in construction related activities and provision of project management service, for the purpose of streamlining the overall building materials business operation of the Group, the business of BIP (HK) have been transferred to its fellow subsidiaries. Therefore the business activities of BIP (HK) have slowed down significantly and there is little or no indication of profit generating ability in the foreseeable future. The directors consider that a full provision for impairment of the carrying amount of goodwill of HK$2,327,000 is required. The provision has been charged to the income statement for the year ended 31 March 2007.

19. INTEREST IN SUBSIDIARIES

	The Company	
	2007	**2006**
	HK$'000	*HK$'000*
Unlisted shares, at cost	79,920	60,953
Due from subsidiaries *(note (i))*	240,521	212,236
	320,441	273,189
Less: provision for impairment losses *(note (ii))*	(210,161)	(161,182)
	110,280	112,007

Notes: i) The amounts due from subsidiaries are unsecured, have no fixed terms of repayment and are interest-free, except for an amount due from a subsidiary of HK$Nil (2006: HK$4,050,000), which bears interest at a rate ranging from 5.0% to 7.5% per annum.

ii) The impairment losses represent the write-down of amount due from subsidiaries of HK$210,161,000 (2006: HK$161,182,000).

The subsidiaries engaged in the home appliances activity have recurring operating losses with low liquidity ratios. The directors determine the recoverable amount based on value-in-use calculation using the discount rate at 7.75% and consider that provision on impairment of the amount due from subsidiaries of HK$210,161,000 is required and the amount of HK$48,979,000 has been charged to the income statement of the Company for the year ended 31 March 2007.

Particulars of the subsidiaries are as follows:

Name	Place of incorporation/ registration and operations	Nominal value of ordinary share capital/ registered capital	Percentage of equity attributable to the Company		Principal activities
			directly	indirectly	
Anex Electrical Company Limited ("AECL")	Hong Kong	HK$3,009,000 *(Note (i))*	100	–	Sale of electrical appliances
Anex Industrial Corporation Limited ("Anex Industrial")	Hong Kong	HK$500,000	–	100	Dormant***
Anco Industrial Company Limited	British Virgin Islands/ mainland China	US$100	–	100	Dormant and land right holding
Anex USA Products, Inc. ("Anex USA")	United States of America	US$10,000	–	100	Sale of electrical appliances***
Anco Industrial Company Limited	Hong Kong	HK$10,000	–	100	Dormant
Anex Germany Products GmbH	Republic of Germany	EUR25,565	–	95	Sale of electrical appliances

Name	Place of incorporation/ registration and operations	Nominal value of ordinary share capital/ registered capital	Percentage of equity attributable to the Company directly	indirectly	Principal activities
Antec Appliances Limited	Hong Kong	HK$2	100	–	Investment and assets holding
東莞安達電器製品有限公司*	mainland China	HK$20,000,000	–	100	Manufacturing electrical appliances
Anex Construction and Engineering Limited	Hong Kong	HK$1	–	100	Dormant
Anex International Management Limited	Hong Kong	HK$1	100	–	Human resources management
Anex Construction and Engineering Holdings Limited	British Virgin Islands	US$1	100	–	Investment holding
Anex Properties Holdings Limited	British Virgin Islands	US$1	100	–	Investment holding
Ancen Properties Limited ("Ancen Properties")	Hong Kong	HK$100	70	–	Investment holding
東莞嘉湖山莊建造有限公司** ("東莞嘉湖山莊")	mainland China	RMB128,276,445	–	70	Real estate development
United Anex Engineering Limited	Hong Kong	HK$10,000	–	60	Building material business
United Anex (Macau) Limited	Macau	MOP$25,000	–	60	Building material business
BIP (HK) Company Limited	Hong Kong	HK$10,000	–	100	Construction project
Idealboom Group Limited	British Virgin Islands	US$1	–	100	Properties investment
Anex Far East (Macau) Limited	Macau	MOP$25,000	–	100	Building material business
Total Growth Limited	Hong Kong	HK$1	100	–	Properties investment

Name	Place of incorporation/ registration and operations	Nominal value of ordinary share capital/ registered capital	Percentage of equity attributable to the Company directly	indirectly	Principal activities
Anex Far East Limited	Hong Kong	HK$1	–	100	Building material business
Eagle Island Group Limited	Hong Kong	HK$1	–	100	Properties investment

Note: i) The issued share capital of AECL comprises 30,000 non-voting deferred shares of HK$100 each and 90 ordinary shares of HK$100 each.

The non-voting deferred shares do not entitle the holders thereof to receive notice of or to attend or vote at any general meeting of AECL by virtue or in respect of their holdings of such non-voting deferred shares. The holders of the non-voting deferred shares shall not be entitled to any participation in the profit or assets of AECL except for a fixed non-cumulative dividend at the rate of 5% per annum for any financial year of AECL in respect of which the net profit of AECL available for dividend exceeds HK$1,000,000,000. On a winding-up, the holders of the non-voting deferred shares shall be entitled, out of the surplus assets of AECL, to a return of the capital paid up on the non-voting deferred shares held by them respectively after a total sum of HK$100,000,000,000 has been distributed in such winding-up on respect of each of the ordinary shares of AECL.

* A wholly-foreign owned enterprise registered in mainland China.

** A sino-foreign cooperated corporation registered in mainland China.

*** Anex Industrial and Anex USA were de-registered subsequent to the balance sheet date on 24 April 2007 and 17 April 2007, respectively.

20. INTEREST IN AN ASSOCIATE

	The Group		The Company	
	2007	2006	2007	2006
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Unlisted shares, at cost	–	–	–	–
Share of net assets	–	15,185	–	–
Due from an associate	–	923	–	923
	–	16,108	–	923

Notes:

a) The amount due from an associate is unsecured, interest free and has no fixed terms of repayment.

b) Particulars of the associate at 31 March 2006 are as follows:

Name	Business structure	Place of incorporation and operations	Percentage of ownership interest attributable to the Company directly	indirectly	Principal activity
Ancen Properties Limited	Corporate	Hong Kong	40%	–	Investment holding
東莞嘉湖山莊建造有限公司	Sino-foreign cooperated corporation	mainland China	–	40%	Real estate development

c) Extracts of the financial statements of the Group's associate are as follows:

	2007 *HK$'000*	2006 *HK$'000*
Consolidated income statement		
Turnover	N/A	10,481
Net loss from ordinary activities attributable to shareholders	N/A	(7,186)
Consolidated balance sheet		
Non-current assets	N/A	4,819
Current assets	N/A	58,639
Current liabilities	N/A	(17,713)
Non-current liabilities	N/A	(7,782)

d) During the year, the Company acquired additional 30% equity interest of Ancen Properties and then it became the subsidiary of the Company (note 33(a)). The share of loss of an associate of HK$5,544,000 recorded during the year represent the Group's share of loss of Ancen Properties from 1 April 2006 up to the date of conversion of Ancen Properties from an associate to a subsidiary of the Group.

21. INVENTORIES

(a) Inventories in the balance sheet comprise:

	The Group 2007 *HK$'000*	2006 *HK$'000*
Home appliances		
Raw materials	23,884	12,055
Work in progress	9,690	9,895
Finished goods	7,892	12,239
	41,466	34,189
Real estate		
Property under development for sale	40,115	–
Completed property held for sale	12,723	–
	52,838	–
Total inventories	94,304	34,189

(b) The analysis of carrying value of land held for property under development for sale is as follows:

	2007	2006
	HK$'000	*HK$'000*
Outside Hong Kong – mainland China		
Long term lease	40,000	–

Based on the legal opinion obtained by the Group, the Group continues to enjoy the rights of use of the parcel of land. Income is derived from the parcel of land including lease income and from other lawful means notwithstanding the fact that the certificate of state-owned land use is not under the name of 東莞嘉湖山莊.

(c) The analysis of the amount of inventories recognized as an expense is as follows:

The amount of inventories carried at fair value less costs to sell at 31 March 2007 is HK$1,096,000 (2006: HK$5,361,000).

The amount of write-down of inventories to net realizable value and write-off of inventories recognised as an expense during the year is HK$4,344,000 (2006: HK$582,000) and HK$Nil (2006: HK$12,964,000) respectively.

(d) The amount of property under development for sale expected to be recovered after more than one year is HK$40,115,000. All of the other inventories are expected to be recovered within one year.

22. TRADE AND OTHER RECEIVABLES

	The Group		The Company	
	2007	2006	2007	2006
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Trade receivables *(b)*	24,839	23,832	–	–
Mould deposits *(c)*	10,316	8,862	–	–
Retention receivables	1,672	–	–	–
Prepayments, deposits and other receivables	10,138	6,961	544	533
Amounts due from customers for contract works *(note 23)*	1,828	–	–	–
	48,793	39,655	544	533

(a) All of the trade and other receivables are expected to be recovered within one year.

(b) Trade receivables less provision for impairment losses of HK$20,000 (2006: HK$13,000) with the following aging analysis as of the balance sheet date:

	The Group	
	2007	2006
	HK$'000	*HK$'000*
0 – 30 days	10,451	15,945
31 – 60 days	9,099	7,119
61 – 90 days	2,163	658
Over 90 days	3,126	110
	24,839	23,832

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 60 days after issuance, except for certain well-established customers where the terms are extended to 90 days. 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.

(c) In prior years, the Group incurred labour costs, raw materials and other expenses for mould development and recorded these expenses as mould deposits. Due to the decision of dropping out certain product lines, the directors consider provision on impairment on the carrying amount of these mould deposits of HK$1,342,000 (2006: HK$955,000). The provision has been fully charged to the income statement for the year ended 31 March 2007.

23. CONTRACT WORK IN PROGRESS

	The Group	
	2007	**2006**
	HK$'000	*HK$'000*
Contract costs incurred plus attributable profits less foreseeable losses to date	18,147	–
Progress billings to date	(20,807)	–
	(2,660)	–
Represented by:		
Amounts due from customers for contract works	1,828	–
Amounts due to customers for contract works	(4,488)	–
	(2,660)	–

24. CASH AND CASH EQUIVALENTS

	The Group		The Company	
	2007	**2006**	**2007**	**2006**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Cash at bank and in hand	45,245	12,242	10,369	1,283
Cash and cash equivalents in the balance sheet	45,245	12,242	10,369	1,283
Bank overdrafts, secured *(note 25)*	(4,085)	(552)		
Cash and cash equivalents in the consolidated cash flow statement	41,160	11,690		

Included in cash and cash equivalents in the balance sheet are the following amounts denominated in a currency other than the functional currency of the equity to which they relate:

	The Group		The Company	
	2007	**2006**	**2007**	**2006**
	'000	*'000*	*'000*	*'000*
Renminbi	28,681	5,587	1	–
Euro Dollars	58	226	–	–
US Dollars	580	156	–	–

25. BANK LOANS AND OVERDRAFTS

	The Group	
	2007	**2006**
	HK$'000	*HK$'000*
Bank loans, secured	22,792	23,351
Bank overdrafts, secured	4,085	552
	26,877	23,903
At 31 March 2007, the bank loans and overdrafts were repayable as follows:–		
Within 1 year or on demand	26,877	23,903

Notes:

The Group's bank loans and overdrafts are secured by:

i) mortgages over certain of the Group's leasehold land and buildings which had an aggregate net book value at the balance sheet date of HK$9,603,000 (2006: HK$13,474,000);

ii) the Group's time deposits amounting to HK$7,800,000 (2006: HK$7,320,000);

iii) the director, Kwok Chi Hang, Peter of the Company had given a guarantee amounted to HK$Nil (2006: HK$10,000,000), this guarantee were released during the year;

iv) the former director, Kwok Hon Ching of the Company had given a guarantee amounted to HK$Nil (2006: HK$22,000,000), this guarantee were released during the year; and

v) the minority shareholder of a subsidiary, has given a corporate guarantee amounted to HK$12,000,000 (2006: HK$Nil).

26. DUE TO A DIRECTOR

	The Group and the Company	
	2007	2006
	HK$'000	*HK$'000*
Mr. Cheng Tun Nei ("Mr. Cheng")	–	6,000

The amount was unsecured, interest bearing at a rate of 1% per annum over and above the Hong Kong Dollar Prime Lending Rate as quoted by Hang Seng Bank Limited (the "Prime Rate") and is repayable on or before 28 August 2007. The loan has been fully settled on 29 June 2006. The Prime Rate at 31 March 2007 is 7.75% (2006: 7.75%) per annum.

27. TRADE AND OTHER PAYABLES

	The Group		The Company	
	2007	2006	2007	2006
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Trade payables *(a)*	35,553	31,473	–	–
Other payables and accruals	35,001	16,725	255	1,291
Due to a director *(note 26)*	–	6,000	–	6,000
Amounts due to customers for contract works *(note 23)*	4,488	–	–	–
Due to a minority shareholder *(b)*	7,207	–	–	–
Compensation payable *(c)*	3,680	–	–	–
Provision for long service payment	1,695	1,968	–	–
Mould deposits received	1,312	611	–	–
Other loan *(d)*	1,100	1,425	–	–
	90,036	58,202	255	7,291

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

	The Group	
	2007	2006
	HK$'000	*HK$'000*
0 – 30 days	6,311	11,198
31 – 60 days	3,095	5,951
61 – 90 days	5,457	4,080
Over 90 days	20,690	10,244
	35,553	31,473

(b) The amount is unsecured, interest free and has 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.

(d) The amount is unsecured, bearing interest at rate of 9.00% (2006: 5.25% to 9.00%) per annum and has no fixed terms of repayment.

28. INCOME TAX IN THE CONSOLIDATED BALANCE SHEET

(a) Current taxation in the consolidated balance sheet represents:

	The Group		The Company	
	2007	2006	2007	2006
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
At 1 April	–	–	–	–
Acquisition of subsidiaries	4,146	–	–	–
Charge for the year	(131)	–	–	–
At 31 March	4,015	–	–	–

(b) Deferred tax liabilities

The components of deferred tax liabilities recognised in the consolidated balance sheet and the movement during the year is as follows:

	Fair value gains on property under development for sale	Revaluation on building	Total
	HK$'000	*HK$'000*	*HK$'000*
At 1 April 2005	–	4,309	4,309
Deferred tax charged to reserves	–	1,220	1,220
At 31 March 2006	–	5,529	5,529
At 1 April 2006	–	5,529	5,529
Deferred tax charged to reserves	–	1,892	1,892
Acquisition of subsidiaries *(note 33(a))*	10,814	–	10,814
At 31 March 2007	10,814	7,421	18,235

The Group has tax losses arising in Hong Kong of HK$154,791,000 (2006: HK$142,754,000) that are available for offsetting against future taxable profits of the companies in which the losses arose. Deferred tax assets have not been recognised as it is not probable that future taxable profits against which the losses can be utilised will be available of the companies in which losses arose. The tax losses do not expire under current tax legislation.

Save as disclosed above, there was no other significant deferred tax liabilities that required to be provided for in the consolidated financial statements for both financial years.

29. FINANCE LEASE PAYABLES

The Group and the Company leases certain of its engineering equipment and motor vehicles. These leases are classified as finance leases and have remaining lease terms ranging from two to three years.

At the balance sheet date, the total future minimum lease payments under finance leases and their present values were as follows:

The Group

	2007		2006	
	Present value of the minimum lease payments	**Total minimum lease payments**	**Present value of the minimum lease payments**	**Total minimum lease payments**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Within one year	1,657	1,760	1,116	1,203
After one year but within two years	833	861	757	790
After two years but within five years	–	–	178	182
	833	861	935	972
	2,490	2,621	2,051	2,175
Less: total future interest expenses		(131)		(124)
Present value of lease obligations		2,490		2,051

The Company

	2007		2006	
	Present value of the minimum lease payments	**Total minimum lease payments**	**Present value of the minimum lease payments**	**Total minimum lease payments**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Within one year	70	86	–	–
After one year but within two years	64	78	–	–
After two years but within five years	–	–	–	–
	64	78	–	–
	134	164	–	–
Less: total future interest expenses		(30)		–
Present value of lease obligations		134		–

30. SHARE CAPITAL

The Group and the Company

	2007 No. of shares *'000*	*HK$'000*	2006 No. of shares *'000*	*HK$'000*
Authorised: Ordinary shares of HK$0.10 each				
At 1 April	3,000,000	300,000	800,000	80,000
Increase in authorised share capital *(a)*	–	–	2,200,000	220,000
At 31 March	3,000,000	300,000	3,000,000	300,000
Ordinary shares issued and fully paid:				
At 1 April	768,642	76,864	457,525	45,752
Issue of shares by placement and subscription	–	–	91,505	9,151
Issue of shares by rights issue *(b)*	768,642	76,864	219,612	21,961
Issue of shares by Bonus Warrants *(c)*	7,641	764	–	–
At 31 March	1,544,925	154,492	768,642	76,864

(a) On 30 March 2006, the Company held a special general meeting to increase its authorised share capital from HK$80,000,000 comprising of 800,000,000 shares of HK$0.10 each to HK$300,000,000 comprising of 3,000,000,000 shares of HK$0.10 each by the creation of an additional 2,200,000,000 shares of HK$0.10 each.

(b) On 30 June 2006, rights issue of one rights share for every existing share was made, at an issue price of HK$0.10 per rights share resulting in the issue of 768,641,000 shares of HK$0.1 each for a total cash consideration of HK$76,864,000.

Up to 27 June 2006, the Company had received 22 valid acceptances for a total of 598,828,191 rights shares provisionally allotted under the rights issue and 26 valid applications for a total of 37,747,000 excess rights shares, resulting in a total valid applications for 636,575,000 rights shares, representing applications for 82.8% of the total number of rights shares available under the rights issue. The underwriter has procured the subscription of the remaining 132,067,000 rights shares.

(c) The Company issued 307,457,000 bonus warrants to those person who have validly accepted and paid for rights share as mentioned in note (a) above ("Bonus Warrants"). The Bonus Warrants will expire on 8 July 2008. During December 2006 and March 2007, warrant-holders exercised the Bonus Warrants to subscribe for 72,000 and 7,569,000 ordinary shares respectively in the Company at exercise price of HK$0.10 each.

31. SHARE OPTION SCHEME

The Company operates a share option scheme (the "Scheme") and the principal terms of the Scheme are as follows:

i) Purpose

The purpose of the Scheme is to provide incentives and rewards to eligible participants who contribute to the success of the Group's operation.

ii) Eligible participants

Eligible participants of the share option scheme include the Company's directors and other employees of the Group.

Share options granted to a director, chief executive or substantial shareholder of the Company, or to any of their associates, are subject to approval in advance by the independent non-executive directors. In addition, any share options granted to a substantial shareholder or an independent non-executive director of the Company, or to any of their associates, in excess of 0.1% of the shares of the Company in issue at any time or with an aggregate value (based on the price of the Company's shares at the date of the grant) in excess of HK$5 million, within any 12-month period, are subject to shareholders' approval in advance in a general meeting.

iii) Maximum number of shares

The maximum number of unexercised share options currently permitted to be granted under the Scheme is an amount equivalent, upon their exercise, to 10% of the shares of the Company in issue as at the date of passing the Ordinary Resolution on 22 August 2006. As at the date of this Annual Report, the total number of shares available for issue under the Scheme is 153,728,348, representing 8.03% of the issued share capital.

iv) Maximum entitlement of each eligible participant

The maximum number of shares issuable under share options to each eligible participant in the Scheme within any 12-month period, is limited to 1% of the shares of the Company in issue at any time.

v) Option period

The Scheme became effective on 9 September 2002 and, unless otherwise cancelled or amended, will remain in force for 10 years from that date.

vi) Acceptance of offer

The offer of a grant of share options may be accepted within 28 days from the date of the offer, upon payment of a nominal consideration of HK$1 in total by the grantee. The exercise period of the share options granted is determinable by the directors, and commences after a certain vesting period and ends on the date which is not later than 10 years from the date of the offer of the share options or the expiry date of the Scheme, if earlier.

Share options do not confer rights on the holders to dividends or to vote at shareholders' meetings.

vii) Exercise price

The Exercise price of the share options is determinable by the directors, but may not be less than the highest of (i) the Stock Exchange closing price of the Company's shares on the date of offer of the share options; and (ii) the average Stock Exchange closing price of the Company's shares for the five trading days immediately preceding the date of the offer; and (iii) the nominal value of the Company's shares.

viii) The remaining life of the Scheme

The directors shall be entitled at any time within 10 years commencing on 9 September 2002 to offer the grant of an option to any eligible participants.

No share option has been granted since the Scheme became effective on 9 September 2002.

32. RESERVES

(a) The Group

	Notes	Capital reserve HK$'000	Dis-tributable reserve HK$'000	Property revaluation reserve HK$'000	Fair value reserve HK$'000	Exchange fluctuation reserve HK$'000	Retained profits/ (accumulated) loss) HK$'000	Total HK$'000
At 1 April 2005		2,789	4,995	15,865	–	587	66,464	90,700
Surplus on revaluation		–	–	1,862	–	–	–	1,862
Deferred tax charged in the revaluation reserve	28(b)	–	–	(1,220)	–	–	–	(1,220)
Exchange realignment		–	–	–	–	(637)	–	(637)
Net income recognised directly in equity		–	–	642	–	(637)	–	5
Revaluation reserve released on disposal		–	–	(417)	–	–	417	–
Loss for the year		–	–	–	–	–	(59,736)	(59,736)
At 31 March 2006		2,789	4,995	16,090	–	(50)	7,145	30,969
At 1 April 2006		2,789	4,995	16,090	–	(50)	7,145	30,969
Surplus on revaluation		–	–	9,105	–	–	–	9,105
Rights issue expenses		–	(2,779)	–	–	–	–	(2,779)
Fair value adjustment		–	–	–	8,783	–	–	8,783
Deferred tax charged in the revaluation reserve	28(b)	–	–	(1,892)	–	–	–	(1,892)
Property revaluation reserve		–	–	(27)	–	–	–	(27)
Acquisition of a subsidiary		–	–	–	–	–	–	–
Disposal of a subsidiary		–	–	–	–	–	–	–
Exchange realignment		–	–	–	–	615	–	615
Net income recognized directly in equity		–	(2,779)	7,186	8,783	615	–	13,805
Revaluation reserve released on disposal		–	–	(709)	–	–	709	–
Loss for the year		–	–	–	–	–	(55,027)	(55,027)
At 31 March 2007		2,789	2,216	22,567	8,783	565	(47,173)	(10,253)

(b) The Company

	Contributed surplus *HK$'000*	Distributable reserve *HK$'000*	(Accumulated losses)/ retained profits *HK$'000*	Total *HK$'000*
At 1 April 2005	60,733	4,995	2,302	68,030
Loss for the year	–	–	(37,250)	(37,250)
At 31 March 2006	60,733	4,995	(34,948)	30,780
At 1 April 2006	60,733	4,995	(34,948)	30,780
Loss for the year	–	–	(57,460)	(57,460)
Rights issue expenses	–	(2,779)	–	(2,779)
At 31 March 2007	60,733	2,216	(92,408)	(29,459)

(c) Nature of purposes of the reserves

i) Contributed surplus

The contributed surplus of the Company represents the excess of the fair value of the shares of the subsidiaries acquired pursuant to the Group reorganisation in June 1991, over the nominal value of the Company's shares issued in exchange therefor. Under the Companies Act 1981 of Bermuda (as amended), the contributed surplus is distributable to shareholders in certain circumstances.

ii) Distributable reserve

Pursuant to a special resolution passed on 15 September 2003, the share premium account of the Company was reduced by an amount of HK$103,948,000 to HK$Nil and of which HK$98,953,000 was applied towards the elimination of the accumulated losses of the Company as at 31 March 2003, with the remaining balance of HK$4,995,000 being credited to a distributable reserve of the Company. The reduction of share premium account was effective on 6 October 2003.

iii) Exchange fluctuation reserve

The exchange fluctuation reserve comprises all foreign exchange differences arising from the translation of the financial statements of the overseas subsidiaries. The reserve is dealt with in accordance with the accounting policy set out in note 3(q).

iv) Fair value reserve

The fair value reserve represents the difference between the fair value and the carrying amount of the net assets attributable to the additional interest in a subsidiary being acquired on 20 October 2006 from a minority shareholder.

(d) Distributability of reserves

At 31 March 2007, the aggregate amount of reserves available for the distribution to equity shareholders of the Company calculated in accordance with the Companies Act 1981 of Bermuda (as amended) was HK$Nil (2006: HK$30,780,000) in certain circumstances.

33. NOTES TO THE CONSOLIDATED CASH FLOW STATEMENT

(a) Acquisition of subsidiaries

The net assets acquired in the transactions and the goodwill arising are as follows:

	BIP (HK) Limited *(note (i))*			Ancen Properties Limited *(note (ii))*			
	Acquiree's carrying amount before combination	Fair value adjustment	Fair value	Acquiree's carrying amount before combination	Fair value adjustment	Fair value	Total fair value
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Cash and bank balances	1,571	–	1,571	27,655	–	27,655	29,226
Inventories	–	–	–	19,525	32,769	52,294	52,294
Trade and other receivables	1,192	–	1,192	2,418	–	2,418	3,610
Amounts due from customers for contract works	2,280	–	2,280	–	–	–	2,280
Trade and other payables	(2,570)	–	(2,570)	(12,902)	–	(12,902)	(15,472)
Provision for taxation	(166)	–	(166)	(3,930)	–	(3,930)	(4,096)
Due to shareholders	–	–	–	(8,022)	–	(8,022)	(8,022)
Deferred tax liabilities	–	–	–	–	(10,814)	(10,814)	(10,814)
Amounts due to customers for contract works	(66)	–	(66)	–	–	–	(66)
Loan from a director	(1,500)	–	(1,500)	–	–	–	(1,500)
Minority interest	–	–	–	(7,423)	(6,587)	(14,010)	(14,010)
	741	–	741	17,321	15,368	32,689	33,430
Goodwill			2,327			4,957	7,284
			3,068			37,646	40,714

Analysis of the net inflow of cash and cash equivalents in respect of the acquisition of subsidiaries

Total consideration settled in cash	(22,035)
Cash and cash equivalents in subsidiaries acquired	29,226
Cash inflow on acquisition of subsidiaries	7,191

Notes:

(i) On 1 November 2006, the Group acquired the entire equity interest of BIP (HK) for cash considerations of HK$3,068,000 and the amount of goodwill arising as a result of the acquisition was HK$2,327,000. BIP (HK) was principally engaged in construction projects. BIP (HK) contributed loss of HK$1,344,000 to the Group's loss for the period between the date of acquisition and the balance sheet date.

(ii) On 20 October 2006, the Group acquired 30% equity interest of Ancen Properties for cash considerations of HK$18,967,000 and the amount of goodwill arising as a result of the acquisition was HK$4,957,000. Ancen Properties and its wholly-owned subsidiary ("Ancen Group") were principally engaged in real estate development. Ancen Group contributed loss of HK$1,575,000 to the Group's loss for the period between the date of acquisition and the balance sheet date. The Group originally held 40% equity interest of Ancen Group and was previously accounted for as an associate.

(iii) Goodwill is attributable to the benefit of expected synergies, revenue growth and future market development of BIP (HK) and Ancen Properties. These benefits are not recognised separately from goodwill as the future economic benefits arising from them cannot be reliably measured.

(iv) If the acquisition had been completed on 1 April 2006, total group revenue for the year would have been HK$216,234,000, and loss for the year would have been HK$68,513,000. The pro-forma information is for illustrative purpose only and is not necessarily an indication of revenue and results of the Group that actually would have been achieved had the acquisition been completed on 1 April 2006, nor is it intended to be a projection of future results.

(b) Disposal of a subsidiary

The net liabilities of Anex Japan Corporation, which was dormant, at 31 March 2007 being the date of disposal were as follows:

	HK$'000
Property, plant and equipment	27
Cash and bank balances	38
Other receivables	8
Due from group company	171
Other payables	(40)
	204
Minority interests	(10)
Exchange reserve	44
	238
Loss on disposal of a subsidiary	(67)
	171
Satisfied by:	
Cash consideration	–
Waiver of amount due from group company	171
	171
Net cash outflow arising on disposal:	
Cash received	–
Cash and bank balances disposed of	(38)
Net outflow of cash and cash equivalents in respect of the disposal of a subsidiary	(38)

(c) Moulds

Included in prior year were mould deposits of HK$2,372,000 (2006: HK$3,190,000) which were transferred to moulds under property, plant and equipment in the current year.

(d) Property, plant and equipment and land lease premium

During the year, the Group acquired property, plant and equipment and land lease premium with an aggregate cost of HK$9,390,000 (2006: HK$9,224,000) of which HK$2,475,000 (2006: HK$1,302,000) was acquired by means of finance leases. Cash payments of HK$4,303,000 (net of moulds transferred as mentioned in (c) above) (2006: HK$4,732,000) were made to purchase property, plant and equipment and land lease premium.

34. MATERIAL RELATED PARTY TRANSACTIONS

In addition to the transactions and balances detailed elsewhere in these financial statements, the Group had the following transactions with related parties during the year.

(a) Key management personnel remuneration

The key management personnel of the Group are the directors of the Company. Details of the remuneration paid to them are set out in note 11 to the financial statements.

(b) Other related party transactions

		The Group	
		2007	**2006**
	Notes	*HK$'000*	*HK$'000*
Interest expense paid to a director	(i)	163	45
Rental of director's quarter paid to a related company	(ii)	540	484
Rental of office premises paid to a related company	(iii)	880	73
Motor vehicle purchased from a director	(iv)	342	–
Acquisition of a subsidiary from directors	(v)	3,068	–

Notes:

i) The interest expense related to an advance from a director (see note 26) of the Company, Mr. Cheng. The interest was calculated at a rate of 1% per annum over and above the Prime Rate.

ii) The Company has entered into a lease agreement with a related company, Mountain-Dew Limited, a company controlled by Mr. Kwok Hon Lam, a director of the Company, to lease a director's quarter for a period of 33 months commencing on 1 March 2006 at a monthly rental of HK$45,000 (2006: HK$45,000). No outstanding balance at 31 March 2007.

iii) The Company has entered into a lease agreement with a related company, Gold Regent International Limited, a company controlled by Mr. Cheng, to lease an office premises for a period of two years commencing on 1 March 2006 at a monthly rental of HK$73,000 (2006: HK$73,000). No outstanding balance at 31 March 2007.

iv) The Company has entered into a transfer agreement with Mr. Cheng to transfer his motor vehicle to the Company on 1 April 2006 for a consideration of HK$342,000 (2006: HK$Nil). The consideration was settled in cash of HK$143,000 and the transfer of the outstanding balance of a finance lease. The present value of the minimum lease payment at 31 March 2007 is HK$134,000 (see note 29).

v) During the year, the Group acquired 100% equity interest in BIP (HK) for a consideration of HK$3,068,000 (2006: HK$Nil), in which Mr. Cheng and Mr. Cheng Tze Kit, Larry, a director of the Company, are shareholders and directors of BIP (HK). No outstanding balance at 31 March 2007.

35. CONTINGENT LIABILITIES

Financial guarantee issued

The Group

The Group undertook the obligation under a buy-back undertaking entered with a bank of approximately RMB20,927,000 (equivalent to approximately HK$20,927,000) (2006: HK$Nil) 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 Group is responsible to repay the outstanding mortgage principal balances together with accrued interest and penalties owed by the defaulted purchasers and the Group is entitled to take over the legal title and possession of the related properties. The Group's guarantee period commences from the dates of the drawdown of the relevant mortgage loans and ends when the Group obtains the "property title certificate" for the mortgagees.

A deposit of RMB2,953,000 (equivalent to HK$2,953,000) was pledged to a bank as security for the Group's obligation under the above undertaking.

The Group provided a corporate guarantee and a deposit pledged to a bank for the issuance of a performance bond, in favour of an independent third party relating to a construction contract, amounting to 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 Company

At the balance sheet date, contingent liabilities not provided for in the financial statements were as follows:

	2007	**2006**
	HK$'000	*HK$'000*
Guarantees granted to subsidiaries for		
Banking facilities	42,000	39,800
Finance lease payables	2,355	2,051
	44,355	41,851

The Company is also one of the entities covered by a cross guarantee arrangement issued by the Company and its subsidiaries to a bank in respect of banking facilities granted to the Group which remains in force so long as the Group has drawn down under the banking facilities. Under the guarantee, the Company and all the subsidiaries that are a party to the guarantee are jointly and severally liable for all and any of the borrowings of each of them from the bank which is the beneficiary of the guarantee.

No recognition was made because the fair value of the guarantee was insignificant and that the directors did not consider it probable that a claim would be made against the Company under the guarantee.

36. OPERATING LEASE COMMITMENTS

The Group leases certain of its directors' quarters and office premises under operating lease commitments. Leases for these properties are negotiated for terms ranging one to two years.

At 31 March 2007, the total future minimum lease payments under non-cancellable operating leases are payable as follows:

	The Group		The Company	
	2007	**2006**	**2007**	**2006**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Within one year	1,970	1,420	807	880
In the second to fifth years, inclusive	714	1,707	–	807
	2,684	3,127	807	1,687

37. CAPITAL COMMITMENTS

The Group's capital commitments outstanding at 31 March 2007 not provided for in the financial statements were as follows:

	The Group	
	2007	**2006**
	HK$'000	*HK$'000*
Contracted, but not provided for	1,479	1,450

38. EVENT AFTER BALANCE SHEET DATE

(a) Subsequent to the balance sheet date on 12 June 2007, Anex Properties Holdings Limited, ("APHL") a wholly-owned subsidiary of the Company, as the purchaser and Mr. Li Jianchuan ("Mr. Li"), brother-in-law of Mr. Cheng, as the vendor entered into the sale and purchase agreement (the "Agreement") pursuant to which APHL agreed to acquire 95% equity interest in 東莞市安歷士物業管理有限公司, (Dongguan Anex Property Management Company Limited) ("DAPMCL") from Mr. Li for a consideration of US$1.9 million (equivalent to approximately HK$14.8 million). Upon the completion of the Agreement, DAPMCL will become a subsidiary of the Company.

Mr. Li has given an undertaking in favour of APHL dated 12 June 2007 (the "Undertaking"). Pursuant to the terms of the Undertaking, Mr. Li has undertaken to APHL, among other things, to transfer 52% interest in 北京金濟房地產開發有限公司(Beijing Jinji Property Development Company Limited) ("Beijing Jinji") to DAPMCL for a consideration of RMB5.2 million (equivalent to approximately HK$5.36 million), which represents 52% of the existing registered capital of Beijing Jinji. Save for the Undertaking, the Company and/or APHL and Mr. Li have not entered into any written agreement regarding the proposed transfer of 52% interest in Beijing Jinji.

Such acquisition is subject to the approval by the Company's independent shareholders at a special general meeting to be organised and announced by the Company.

(b) Subsequent to the balance sheet date on 22 June 2007, the Company, Mr. Cheng, a director and a substantial shareholder of the Company, and Taiwan Securities (Hong Kong) Limited ("Placing Agent") entered into an agreement pursuant to which the Placing Agent has agreed to procure, on a best-effort basis, purchasers to purchase up to 307,000,000 existing shares, at the placing price of HK$0.50 per share owned by Mr. Cheng.

Pursuant to the Agreement, Mr. Cheng has conditionally agreed to subscribe up to 307,000,000 new shares at the placing price of HK$0.50 per share.

On 26 June 2007, the Placing Agent has successfully placed 307,000,000 existing shares at placing price of HK$0.50 per share. In addition, the subscription of new shares to Mr. Cheng was completed on 6 July 2007. The net proceeds from the top-up subscription were HK$148.7 million.

(c) Subsequent to the balance sheet date on 2 April 2007 and 20 April 2007, the Company entered into two provisional agreements with two independent third parties to dispose certain properties held for own use at an aggregate consideration of HK$12,188,000. The disposal of the properties were completed on 18 May 2007 and 30 May 2007.

39. COMPARATIVE FIGURES

Certain comparative amounts have been reclassified and restated to conform with the current year's presentation and accounting treatment.

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

The Group has not early applied the following new standards or interpretations that have been issued but are not yet effective. The directors of the Company anticipate that the application of these standards or interpretations will have no material impacts on the financial statements of the Group.

HKAS 1 (Amendment)	Capital Disclosures[1]
HKAS 23 (Revised)	Borrowing Costs[7]
HKFRS 7	Financial Instruments: Disclosures[1]
HKFRS 8	Operating Segments[7]
HK (IFRIC) – INT 8	Scope of HKFRS 2[2]
HK (IFRIC) – INT 9	Reassessment of Embedded Derivatives[3]
HK (IFRIC) – INT 10	Interim Financial Reporting and Impairment[4]
HK (IFRIC) – INT 11	HKFRS 2-Group and Treasury Share Transactions[5]
HK (IFRIC) – INT 12	Service Concession Arrangements[6]

1. Effective for annual periods beginning on or after 1 January 2007.
2. Effective for annual periods beginning on or after 1 May 2006.
3. Effective for annual periods beginning on or after 1 June 2006.
4. Effective for annual periods beginning on or after 1 November 2006.
5. Effective for annual periods beginning on or after 1 March 2007.
6. Effective for annual periods beginning on or after 1 January 2008.
7. Effective for annual periods beginning on or after 1 January 2009.

3. MANAGEMENT DISCUSSION AND ANALYSIS OF THE GROUP FOR EACH OF THE THREE FINANCIAL YEARS ENDED 31 MARCH 2007 AND THE SIX MONTHS ENDED 30 SEPTEMBER 2007

FOR THE YEAR ENDED 31 MARCH 2005

Financial review

During the year under review, the Group had two business segments, namely, the design and manufacturing of electrical appliances and the trading of merchandise. As over 90% of the Group's consolidated turnover, results and assets were related to the design and manufacture of electrical appliances, no further information is presented for the business segments.

Turnover of the Group for the year ended 31 March 2005 was approximately HK$281 million as compared to approximately HK$239 million for the year ended 31 March 2004, representing a growth of 17.5%. Increase in sales was mainly attributable from the growth of sales in all regions, including Europe, America, Asia Pacific, Middle East and Oceania.

Gross profit also increased from approximately HK$48 million for the year ended 31 March 2004 to approximately HK$56 million for the year ended 31 March 2005, representing a rise of 16.8%, which was in line with the increase in sales.

Profit attributable to the equity shareholders of the Company for the year ended 31 March 2005 amounted to HK$293,000, while the Group recorded a significant loss attributable to the equity shareholders of the Company of HK$9.3 million for the year ended 31 March 2004. The turnaround was mainly due to increase in sales and stringent cost control implemented by the Group.

Financial resources

The Group's gearing ratio expressed as a percentage of total interest-bearing borrowings over equity attributable to the Company's equity holders was maintained at similar level during two financial years, which was 20.8% at the beginning of the financial year and 20% as at 31 March 2005.

Working capital stayed at last year's level at HK$32.1 million as the reduction in trade receivable was matched by the same reduction in payable, bank loans and other borrowings during the year.

The Group has HK$27.3 million (2004: HK$29.2 million) interest-bearing borrowings consisted of HK$19 million secured trust receipt loans, factoring loans, bills discounted and packing loans; HK$1.4 million finance lease payable and other loans of HK$6.9 million. The aforesaid loans comprise approximately 72.2% (2004: 61.0%) thereof repayable within one year and 27.3% (2004: 38.3%) thereof repayable within the second year and the balance of 0.5% (2004: 0.7%) thereof repayable in the third to fifth years. All the loans were denominated in Hong Kong dollars. As at 31 March 2005, the Group had total cash and bank balances and pledged deposits amounting to HK$9.8 million (2004: HK$11.4 million).

Charge on assets and pledged deposits

General banking facilities granted to the Group were secured by certain properties of the Group situated in Hong Kong, which comprised leasehold land and buildings at a net book value amounting to HK$15 million (2004: HK$13.9 million) at end of year and time deposits of HK$1.0 million (2004: Nil) at end of year.

In the prior year, the Group's time deposits of HK$2.6 million were pledged to secure the standby letters of credit of HK$5.1 million given to a third party.

Contingent liabilities

The Group had contingent liabilities of HK$9.3 million (2004: HK$1.8 million) in respect of bills discounted with recourse with a bank as at 31 March 2005.

Exposure to exchange risk

The Group had little foreign exchange exposure as its sales revenue was principally denominated in HK$ or in US$ and its borrowings were in HK$.

Financial instruments for hedging purposes

The Group had neither foreign currency hedging activities nor any financial instruments for hedging purposes during the year.

FOR THE YEAR ENDED 31 MARCH 2006

Financial Review

During the year under review, the Group had two business segments, namely, the design and manufacturing of electrical appliances and the trading of merchandise. As over 90% of the Group's consolidated turnover, results and assets were related to the design and manufacture of electrical appliances, no further information is presented for the business segments.

Turnover of the Group for the year ended 31 March 2006 was approximately HK$182 million as compared to approximately HK$280 million for the year ended 31 March 2005, representing a significant drop of sales by 35.1%. Gross profit also decreased from approximately HK$56 million for the year ended 31 March 2005 to approximately HK$16 million for the year ended 31 March 2006, representing a significant drop of 71.1%. The effect of rising raw material costs, appreciation of RMB and rising of workers' wages had increased the product prices. Keen competition in this industry was also a major factor to drive down the Group's performance for the whole year.

Loss attributable to the equity shareholders of the Company for the year ended 31 March 2006 amounted to HK$59.7 million, while the Group recorded a profit attributable to the equity shareholders of the Company of HK$293,000 for the year ended 31 March 2005. The loss was mainly attributable to the significant drop in sales and gross profit margin.

Financial resources

The Group's gearing ratio expressed as a percentage of total interest-bearing borrowings over equity attributable to the Company's equity holders, rose from 20.0% at the beginning of the year to 24.9% as at 31 March 2006. The increase was mainly due to the net worth of the Group dropped as a result of the effect of the loss for the year. Working capital fell from last year's level to HK$10.2 million as the reduction in inventories was made during the year.

The Group had HK$26.8 million (2005: HK$27.3 million) interest-bearing borrowings consisted of HK$23.3 million secured trust receipt loans, factoring loans, bills discounted and packing loans; HK$2.1 million finance lease payable and other loans of HK$1.4 million. The aforesaid loans comprised approximately 96.5% (2005: 72.2%) thereof repayable within one year and 2.8% (2005: 27.3%) thereof repayable within the second year and the balance of 0.7% (2005: 0.5%) thereof repayable in the third year. All the loans are denominated in Hong Kong dollars. As at 31 March 2006, the Group had total cash and bank balances and pledged deposits amounting to HK$19.6 million (2005: HK$9.8 million).

Human resources and remuneration policy

During the year, the Group employed an average total of 1,603 (2005: 2,164) employees mostly in Hong Kong and the PRC. The total amount of remuneration paid by the Group to its employees (including Directors) for the year was HK$36.0 million (2005: HK$39.2 million).

The Group believed that employees' commitments and the provision of a harmonious working atmosphere to employees are important to the Group's success. It rewarded its employees according to prevailing market practices, employees' individual experience and performance. Staff benefits included medical insurance coverage and provident fund scheme. To attract and retain high caliber employees, the Group also awarded discretionary bonuses to its employees based on their performance evaluation and has also maintained a staff share option scheme.

Material acquisitions and disposals of subsidiaries and associated companies

During the year, the Group did not have any material acquisitions and disposals of subsidiaries and associated companies.

Future plans for material investment or capital assets

As at 31 March 2006, the Group had future plans to invest HK$3.0 million and HK$1.5 million in purchasing new machineries and upgrading existing production facilities and in procuring enterprise resource planning system and expansion of electronic networking system respectively.

Charge on assets and pledged deposits

General banking facilities granted to the Group were secured by certain properties of the Group situated in Hong Kong, which comprised leasehold land and buildings at a net book value amounting to HK$13.5 million (2005: HK$15.0 million) at end of year and time deposits of HK$7.3 million (2005: HK$1.0 million) at end of year.

Contingent liabilities

As at 31 March 2006, the Group did not have any significant contingent liabilities.

Exposure to exchange risk

The Group mainly operates in the PRC, the United States, Germany and Hong Kong. Most of the Group's transactions, assets and liabilities were dominated in RMB, US$, Euro and HK$.

Foreign exchange risk arose from future commercial transactions, recognised assets and liabilities and net investments in foreign operations. The Group managed its foreign risks by performing regular review and monitoring of its foreign exchange exposures.

Financial instruments for hedging purposes

The Group had neither foreign currency hedging activities nor any financial instruments for hedging purposes during the year.

FOR THE YEAR ENDED 31 MARCH 2007

Financial review

For the year ended 31 March 2007, the turnover of the Group was HK$209.7 million, representing a 15.0% increase over the corresponding figure of HK$182.3 million in 2006. The increase in turnover was a result of the market promotion in the Group's home appliances business and the launch of the new building materials business.

Nevertheless, the accelerated cost of sales increased from HK$166.1 million for the year ended 31 March 2006 to HK$194.9 million for the year ended 31 March 2007 and accordingly, the gross profit margin decreased from 8.9% for the year ended 31 March 2006 to 7.1% for the year ended 31 March 2007. The deterioration in gross profit margin was mainly attributed to the intense competition in the home appliances business which placed strong pressure on the Group's selling prices and the increase in the price of raw materials.

Loss attributable to the equity shareholders of the Company for the year ended 31 March 2007 amounted to HK$55.0 million, while the Group recorded a loss attributable to the equity shareholders of the Company of HK$59.7 million for the year ended 31 March 2006.

During the year under review, the Group comprised three main business segments: home appliances, real estate, and building materials.

Home appliances:

Turnover from home appliances segment for the year ended 31 March 2007 was approximately HK$203 million as compared to approximately HK$182 million for the year ended 31 March 2006, an increase of 11%. Despite of increase in sales, the segment loss recorded for the financial year was HK$27.6 million, due to significant production costs, overhead costs and administrative expenses.

Real estate:

During the year under review, the Group acquired an additional 30% equity interest of Ancen Properties Limited ("Ancen"), which was principally engaged in real estate development. The Group originally held 40% equity interest of Ancen Group which was previously accounted for as an associate Company.

As the properties were still in development stage, no income was recorded in this financial year. As a result, this segment recorded a net loss of HK$1 million mainly due to administrative expenses incurred during the year.

Building materials:

During the year under review, the Group acquired the entire equity interest of BIP (HK) Company Limited ("BIP"), which was principally engaged in construction projects. As a result, this business segment contributed $6.7 million turnover to the Group. Despite of the income contribution, this business segment still recorded a segment loss of HK$2.8 million mainly due to administrative expenses incurred during the year.

Financial resources

On 30 June 2006, the Company had successfully made a rights issue of one rights share for every existing Share together with an issue of two bonus warrants for every five rights shares, at an issue price of HK$0.10 per rights share, resulting in the issue of 768,642,000 Shares of HK$0.10 each for cash. As a result, a total of 307,457,000 Warrants were issued which entitled the holders thereof to subscribe for new Shares at an initial subscription price of HK$0.10 per Share upon exercise of one Warrant. The gross proceeds amounted to HK$76,864,000 and the net proceeds from the rights issue amounted to HK$74,085,000. The rights issue enlarged the Group's capital base and strengthen its financial position.

The Group's gearing ratio expressed as a percentage of total interest-bearing borrowings over equity attributable to the Company's equity holders, dropped from 24.9% at the beginning of the year to 21.1% as at 31 March 2007. The decrease was mainly due to the enlarged Group's capital base as a result of the aforesaid rights issue. Working capital soared from last year's level to HK$77.9 million due to the increase of cash and bank balance from the aforesaid rights issue and the inclusion of working capital arose from acquisition of Ancen during the year.

The Group had HK$30.4 million (2006: HK$26.8 million) interest-bearing borrowings consisted of HK$26.9 million (2006: HK$23.3 million) overdraft, secured trust receipt loans, factoring loans, bills discounted and packing loans; HK$2.4 million (2006: HK$2.1 million) finance lease payable and other loans of HK$1.1 million (2006: HK$1.4 million). The aforesaid loans comprised approximately 99.7% (2006: 96.5%) thereof repayable within one year and 0.3% (2006: 2.8%) thereof repayable within the second year and the nil balance (2006: 0.7%) thereof repayable in the third year. All the loans were denominated in HK$. As at 31 March 2007, the Group had total cash and bank balances and pledged deposits amounting to HK$57.2 million (2006: HK$19.6 million).

Human resources and remuneration policy

During the year, the Group employed an average total of 1,693 (2006: 1,603) employees mostly in Hong Kong and the PRC. The total amount of remuneration paid by the Group to its employees (including Directors) for the year was HK$47.6 million (2006: HK$36.0 million).

The Group believed that the key to success lies in its staffs and recruits individuals based on their competencies, merit and development potential. It rewarded its employees according to prevailing market practices, employees' individual experience and performance and would review regularly. Apart from provident fund scheme and medical insurance coverage, the Group also awarded discretionary bonuses to its employees based on their performance evaluation and it has also maintained a staff share option scheme.

Material acquisitions and disposals of subsidiaries and associated companies

As announced by the Company on 11 September 2006, the Company entered into a share purchase agreement with an independent third party to acquire 30% further interest in Ancen at a total consideration of HK$18,290,000 (the "Acquisition of Ancen") on 8 September 2006. The principal business of Ancen is real estate development. On 20 October 2006, the Acquisition of Ancen was completed. The consideration was settled by cash and was financed by the net proceeds from the rights issue in June 2006.

As announced by the Company on 16 October 2006, the Company entered into a share purchase agreement with Mr. Cheng Tun Nei and Mr. Cheng Tze Kit, Larry, both are the executive Directors of the Company, to acquire the entire interest in BIP at a consideration of HK$3,068,000 (the "Acquisition of BIP") on 13 October 2006. The principal business of BIP is construction related work and provision of project management service. The Acquisition of BIP was completed on 1 November 2006. The consideration was settled by cash and was funded by internal resources.

Charges on assets and pledged deposits

General banking facilities granted to the Group were secured by certain properties of the Group situated in Hong Kong, which comprised leasehold land and buildings at a net book value amounting to HK$12.1 million (2006: HK$13.5 million) at end of year and time deposits of HK$10.8 million (2006: HK$7.3 million) at end of year.

Contingent liabilities

The Group undertook the obligation under a buy-back undertaking entered with a bank of approximately RMB20,927,000 (equivalent to approximately HK$20,927,000) (2006: HK$Nil) 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 Group is responsible to repay the outstanding mortgage principal balances together with accrued interest and penalties owed by the defaulted purchasers and the Group is entitled to take over the legal title and possession of the related properties. The Group's guarantee period commenced from the dates of the drawdown of the relevant mortgage loans and ends when the Group obtains the "property title certificate" for the mortgagees.

A deposit of RMB2,953,000 (equivalent to HK$2,953,000) was pledged to the bank as security for the Group's obligation under the above undertaking.

The Group provided a corporate guarantee and a deposit pledged to a bank for the issuance of a performance bond, in favour of an independent third party relating to a constructing contract, amounting to HK$3,000,000.

No recognition was made because the fair value of the undertaking was insignificant and that the Directors did not consider it probable that a claim would be made against the Group under the undertaking.

Exposure to exchange risk

The Group mainly operated in the PRC, the USA, Germany, Hong Kong and Macau. Most of the Group's transactions, assets and liabilities are dominated in RMB, US$, Euro and HK$.

Foreign exchange risk arose from future commercial transactions, recognised assets and liabilities and net investments in foreign operations. The Group managed its foreign risks by performing regular review and monitoring of its foreign exchange exposures.

Financial instruments for hedging purposes

The Group had neither foreign currency hedging activities nor any financial instruments for hedging purposes during the year.

FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2007

Review of results

The Group's turnover slightly dropped by 1.8% to approximately HK$107.6 million for the six months ended 30 September 2007 (2006: HK$109.6 million). The decrease was mainly due to the significant drop in the turnover of home appliances manufacturing business by HK$47.3 million. Nevertheless, it was encouraging that the building materials business had recorded a significant growth with a turnover of approximately HK$45.3 million for the period. The gross profit decreased by 94.5% to

HK$0.6 million as compared to HK$11.2 million in the corresponding period last year. The major cause was that there was a gross loss of approximately HK$6.7 million in the home appliances manufacturing business due to its substantial write-off and write-down of inventories of approximately HK$12.3 million arose from the abandon of certain unprofitable product lines during the period. The gross profit for the building materials business for the period was approximately HK$7.3 million. The Group's net loss attributable to shareholders was approximately HK$50.2 million (2006: HK$19.2 million). The further loss was caused by the home appliances manufacturing business which recorded a net loss of approximately HK$45.9 million for the period (2006: HK$12.1 million), after certain exceptional items such as impairment loss on property, plant and equipment and write off of mould deposits by approximately HK$19.7 million and approximately HK$5.5 million respectively due to the abandonment of certain unprofitable product lines, impairment loss on trade receivables of approximately HK$2.5 million as well as gain on disposals of property, plant and equipment of approximately HK$7.1 million.

Financial review

On 6 July 2007, the Company successfully completed the placing of 307,000,000 new Shares at the Placing Price of HK$0.50 per new Share. The net proceeds from the placing of HK$147.5 million have been used to finance general working capital of the Group.

The Group's gearing ratio expressed as a percentage of total interest-bearing borrowings over equity attributable to the Company's equity shareholders, reduced from 21.1% at the beginning of the period to 9.5% as at 30 September 2007. The decrease was mainly due to the enlarged Group's capital base as the result of the aforesaid placing of Shares. As at 30 September 2007, the Group's working capital was approximately HK$205.3 million (2006: HK$47.0 million). Cash and bank balance as at 30 September 2007 was HK$174.3 million.

Business review and prospects

Home Appliances Manufacturing Business

The turnover of the Group's home appliances manufacturing business was approximately HK$62.3 million (2006: HK$109.6 million), a 43.2% decrease over last period. Certain unprofitable product lines had been dropped and the scale of operation had diminished. The business of home appliances had been facing severe competition and envisaged that it would continue in the future. The Group would continue controlling of production costs and its general and administrative expenses. Furthermore, the Group would take appropriate measures in studying the feasibility of restructuring of the home appliances manufacturing business.

Property Development Business

The Group is engaged in the development of property projects in Dongguan, Guangdong Province, the PRC. At present, the Group has a residential property development project namely, Jia Lake Mountain Villa, in Liaobu, Dongguan, the PRC with a gross floor area of approximately 47,000 square meters. Besides, the Group has also renovated and revitalized the existing shopping mall with floor space of approximately 13,000 square meters into investment properties for long term investment and rental purposes.

Building Materials Business

The turnover of the Group's building materials business was approximately HK$45.3 million (2006:HK$nil). The business has been developed with concentrating in marble, trendy and light-weight building materials supply and installation. In view of the rapid development in property market in Macau, the PRC and Hong Kong, the Group expects the contribution from the building material business to be considerable in the coming financial year.

During the past few months, the Group has invited new Directors to the Board. The Board considers that the major task is to consolidate the Group's operation and to realign its business focus to bring it back to profitable.

With The PRC's rapid economic growth, continued rise in people's disposable income, accelerated urbanization, appreciation of RMB and excess capital liquidity, the Group expects the prosperity of the property market will continue to grow. With the strengthened capital structure, the Group is in a better position to carry out measures on the Group's operation and to explore other potential investment opportunities in the future to enhance shareholders' value.

Human resources and remuneration policy

The Group had a total of approximately 999 employees as at 30 September 2007 (2006: 1,784) mostly in Hong Kong and the PRC. The total amount of remuneration paid by the Group to its employees (including directors) for the interim period was approximately HK$20.2 million (2006: HK$23.0 million).

Employees' remuneration were fixed and determined with reference to the market remuneration. In addition to the offering of competitive remuneration packages to the employees, discretionary bonuses may be granted to its employees based on the Group's results and the individual performance of the employees. The Group has also maintained a staff share option scheme. The remuneration policy and packages are reviewed from time to time.

Material acquisition and disposal of subsidiaries and associated companies

During the six months ended 30 September 2007, the Group did not have any material acquisitions and disposals of subsidiaries and associated companies.

Charge on assets and pledged deposits

At 30 September 2007, general banking facilities granted to the Group were secured by certain properties of the Group situated in Hong Kong, which comprised leasehold land and buildings at a net book value amounting to HK$4.4 million (2006: HK$13.3 million) and time deposits of HK$15.2 million (2006: HK$7.3 million).

Contingent liabilities

At 30 September 2007, the Group's contingent liabilities are set out below.

The Group undertook the obligation under a buy-back undertaking entered with a bank of RMB20,046,000 (equivalent to HK$20,647,000) (2006: HK$Nil) 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 Group is responsible to repay the outstanding mortgage principal balances together with accrued interest and penalties owed by the defaulted purchasers and the Group is entitled to take over the legal title and possession of the related properties. The Group's guarantee period commences from the dates of the drawdown of the relevant mortgage loans and ends when the Group obtains the "property title certificate" for the mortgagees.

A deposit of 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 a corporate guarantee and a deposit pledged to a bank for the issuance of a performance bond, in favour of an independent third party relating to a construction contract, amounting to HK$3,000,000.

Exposure to exchange risk

The Group mainly operated in the PRC, Macau, the United States, Europe and Hong Kong. Most of the Group's transactions, assets and liabilities are dominated in RMB, Macau Patacas, US$, Euro and HK$.

Foreign exchange risk arose from future commercial transactions, recognized assets and liabilities and net investments in foreign operations. The Group managed its foreign risks by performing regular review and monitoring of its foreign exchange exposures.

Financial instruments for hedging purposes

The Group currently does not have a foreign currency hedging policy or any financial instruments for hedging purposes during the period.

4. MATERIAL ADVERSE CHANGE

The Directors are not aware of any material adverse change in the financial or trading position of the Group since 31 March 2007, being the date to which the latest audited consolidated financial statements of the Group were made up.

5. INDEBTEDNESS

As at the close of business on 30 November 2007, being the latest practicable date for the purpose of the statement of indebtedness prior to the printing of this circular, the Enlarged Group had aggregate bank facilities of approximately HK$86,164,000, comprising bank overdrafts, bank loans, trust receipts loans, import trade loans, factoring facilities, among which HK$25,230,000 had been utilised by the Enlarged Group at that date. All of the utilised bank borrowings and finance leases of the Enlarged Group are secured.

As at the close of business on 30 November 2007, the Enlarged Group's bank borrowings and finance leases totalling HK$26,570,000 comprising comprised bank overdrafts of approximately HK$6,143,000, packing loans of approximately HK$3,759,000, trust receipt loans and import trade loans of approximately HK$4,006,000 and HK$5,833,000 respectively, factoring loans and bills discounted with recourse of approximately HK$2,528,000 and HK$2,961,000 respectively and finance lease liabilities of approximately HK$1,340,000.

Security and guarantees

As the close of business on 30 November 2007, the Enlarged Group's banking facilities were supported by the following:

(i) pledged deposits of approximately HK$27,060,000;

(ii) the first legal charges over the Enlarged Group's leasehold land and buildings, which are situated in Hong Kong, with carrying values of approximately HK$4,407,000; and

(iii) corporate guarantee provided by the Enlarged Group.

Commitment

As the close of business on 30 November 2007, the Enlarged Group had capital commitment contracted but not provided for in respect of (i) property development expenditure of approximately RMB1,494,000 (equivalent to approximately HK$1,572,000); and (ii) purchases of mining licence of approximately RMB4,000,000 (equivalent to approximately HK$4,209,000).

As the close of business on 30 November 2007, the Enlarged Group had total future minimum lease payments under non-cancelable operating leases in respect of rented premises amounting to approximately HK$1,350,000.

Contingent liabilities

As at 30 November 2007, the Enlarged Group had executed unlimited guarantees in favour of its minority shareholder in respect of the performance of obligation under contracts by Independent Third Parties, with contract sum of approximately HK$39,308,000. In the opinion of the Directors, such contracts have been substantially completed and, accordingly, the provision for the financial guarantee was not probable.

In addition, the Enlarged Group had executed corporate guarantees of approximately HK$12,621,000 to a bank for the issuance of performance bonds in favour of certain Independent Third Parties relating to construction contracts.

The Enlarged Group has granted a buy-back undertaking with a bank in order to facilitate the mortgage arrangements provided by the bank to the buyers of the properties. Under this buy-back undertaking, the Enlarged Group may be obliged to buy back properties in the event of any defaults by the initial mortgagors (who are unrelated to the Enlarged Group) of properties sold. The outstanding mortgage granted by the bank as at 30 November 2007 was approximately RMB19,517,000 (equivalent to approximately HK$20,545,000) and a deposit of RMB2,395,000 (equivalent to approximately HK$2,521,000) was pledged to the bank as security for the Enlarged Group's obligation under the aforesaid undertaking.

The PRC Company, has undertaken a business reorganisation (the "Reorganisation") on 30 October 2007 whereby the bank borrowings, trade and other payables, tax provision, contingent liabilities and commitments in respect of the non-mining business were disposed to the PRC Partner at RMB1. The PRC Partner has agreed to fully indemnify the PRC Company in respect of, among other matters, any losses or expenses incurred by the Reorganisation and which might be payable by the PRC Company in respect of any bank borrowings, trade and other payables, tax provision, contingent liabilities and commitments in respect of the non-mining business on or before 30 October 2007. As at the Latest Practicable Date, such indemnities have been obtained from the PRC Partner.

Save as aforesaid, the Enlarged Group did not have any debt securities issued and outstanding or agreed to be issued, outstanding bank borrowings, bank overdrafts, liabilities under acceptances, acceptance credits, mortgages, changes, other indebtedness, in the nature of borrowing, finance lease or hire purchase commitments, material guarantees or material contingent liabilities as at 30 November 2007.

6. WORKING CAPITAL

With regard to the capital investment on the Project, the Company currently envisages that the Project will be funded by internal resources, bank borrowings and/or the placing of new Shares. The capital investment on the Project shall be significantly contingent on the results of the fund raising activities.

The estimated funds required of the Enlarged Group for the two years following the issue of this circular is US$100 million (equivalent to approximately HK$780 million) for construction and installation of new facilities or infrastructure as well as working capital for the processing of the magnesite ore. As it is expected to take 12 months to 18 months to establish the Project, the Project is not expected to generate any revenue for the Enlarged Group for at least the next 12 months from the date of this circular and after the establishment of the Project, it is expected that the Project may generate cash inflow from the sale of magnesite ore and/or the Refractory Products and incur cash outflow for sales, marketing and administrative activities.

The Directors are of the opinion that taking into account the internal resources and the present available banking facilities of the Group, the Enlarged Group will have sufficient working capital to operate in next 24 months from the date of this circular in the absence of unforeseeable circumstance.

7. FINANCIAL AND TRADING PROSPECTS OF THE ENLARGED GROUP

The Group has been engaged in home appliances manufacturing business, property development business and building materials business. As stated in the recent annual and interim reports of the Company, due to keen competition, the substantial increases in the essential raw materials costs, the gradual rise of labour cost in the PRC and the appreciation of RMB, the Group's home appliances business has recorded consecutive losses in recent years. On 8 December 2007, the Company entered into a conditional agreement to dispose of its home appliances manufacturing business and the disposal was completed on 31 January 2008.

In view of the rapid development in the property market in Macau, the PRC and Hong Kong, the Group expects the contribution from the building materials business to be considerable in the coming financial year.

In view of the Group's property development business, the Group has a property development project in Dongguan in the PRC. Besides, the Group has also renovated and revitalised the existing shopping mall with floor space of approximately 13,000 square meters into investment properties for long-term investment and rental purposes.

Based on the above, the Group has been reformulating its business strategies to place its management's focus to other business including the Project, which the Directors regard would have a more promising business prospects.

The PRC is the largest magnesia refractory producer and exporter in the world and has the world's largest reserves of magnesite resources. Haicheng City of Liaoning Province in turns contains the largest resources of magnesite in the PRC. In recent years, the selling price of the magnesite ore and the magnesia refractory products have trended upward spurred by rising demand. The Project will produce electrically-fused granular powder, sintered magnesite powder, MgO slagging ball and MgO dolomite sand. Demand for these high end Refractory Products is strong due to fast development of the steel industry in the PRC.

Based on the above, the Directors consider that the Acquisition will enable the Group to participate in the magnesite mining industry in the PRC which has good business potential and therefore, it will broaden the Group's revenue base by diversifying into the mining and processing of magnesite ore.

8. WAIVER FROM STRICT COMPLIANCE OF THE LISTING RULES

Under Rule 4.06(1) of the Listing Rules, the Company is required to include the accountants' reports covering the results of the Target Company and the PRC Company for each of the three financial years immediately preceding the issue of the circular. As the circular is despatched in early February 2008, it is considered unduly burdensome for the Target Company and the PRC Company to prepare the accountants' reports within a short period of time after the financial year end date of 31 December 2007. Therefore, the Company has applied to, and the Stock Exchange has granted, a waiver from strict compliance of Rule 4.06(1) of the Listing rules with the conditions that (i) this circular is despatched on or before 6 February 2008 and the SGM will be held by no later than 29 February 2008; and (ii) the Directors will confirm that they have performed sufficient due diligence to ensure that, up to the date of this circular, there has been no material adverse change in the financial position or prospect of the Target Company and the PRC Company since 31 October 2007 which would materially affect the information shown in the accountants reports of the Target Company and the PRC Company. All such conditions have been fulfilled by the Company.

The following is the text of a report of the Target Company, prepared for the sole purpose of inclusion in this circular, received from the Company's reporting accountants, SHINEWING (HK) CPA Limited, Certified Public Accountants, Hong Kong.

信永中和 ShineWing

SHINEWING (HK) CPA Limited
16/F., United Centre
95 Queensway, Hong Kong

6 February 2008

The Directors
China Rise International Holdings Limited

Dear Sirs,

We set out below our report on the financial information relating to Ling Kit Holding Limited ("Ling Kit") including the income statement, statement of changes in equity and cash flow statement of Ling Kit for the period from 20 August 2007 (date of incorporation) to 31 October 2007 (the "Relevant Period") and the balance sheet as at 31 October 2007 and the notes thereto (collectively "the Financial Information") for inclusion in the circular of China Rise International Holdings Limited (the "Company") dated 6 February 2008 (the "Circular") in connection with the proposed acquisition of the entire issued share capital of Ling Kit (the "Sales Shares") and the shareholder's loan (the "Sales Loan") (the "Proposed Acquisition") as described more fully in the section headed "Letter from the Board" contained in the Circular.

Ling Kit was incorporated with limited liability in British Virgin Islands (the "BVI") on 20 August 2007 with an authorised share capital of US$50,000. The registered office of Ling Kit is at Akara Building, 24 De Castro Street, Wickhams Cay 1, Road Town, Tortola, BVI and its principal place of business is located at Room 3002, 30/F, Sino Plaza, 255-257 Gloucester Road, Causeway Bay, Hong Kong.

Ling Kit is an investment holding company. No audited financial statements have been prepared for Ling Kit as it was incorporated on 20 August 2007 and is not subject to any statutory audit requirements. Ling Kit has adopted 31 December as the financial year end date.

For the purpose of this report, the director of Ling Kit has prepared the financial statements of Ling Kit for the Relevant Period in accordance with the Hong Kong Financial Reporting Standards (the "HKFRS Financial Statements"). We have audited the HKFRS Financial Statements in accordance with Hong Kong Standards on Auditing issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA").

RESPECTIVE RESPONSIBILITIES OF DIRECTOR AND REPORTING ACCOUNTANTS

The Financial Information has been prepared based on the audited HKFRS Financial Statements. The director of Ling Kit is responsible for preparing the HKFRS Financial Statements and Financial Information which give a true and fair view. The director of the Company is responsible for the contents of the Circular in which this report is included. In preparing the Financial Information which give a true and fair view, it is fundamental that appropriate accounting policies are selected and applied consistently.

It is our responsibility to express an independent opinion, based on our examination, on the Financial Information and to report our opinion to you. We have examined the Financial Information for the Relevant Period, and carried out such additional procedures as are necessary in accordance with Auditing Guideline 3.340 "Prospectus and the Reporting Accountant" issued by the HKICPA.

We have not audited any financial statements of Ling Kit in respect of any period subsequent to 31 October 2007.

OPINION

In our opinion, the Financial Information, for the purpose of this report, give a true and fair view of the state of affairs of Ling Kit as at 31 October 2007 and of its results and cash flows for the Relevant Period.

I. FINANCIAL INFORMATION OF LING KIT

INCOME STATEMENT

FOR THE PERIOD FROM 20 AUGUST 2007
(DATE OF INCORPORATION) TO 31 OCTOBER 2007

	NOTES	*HK$'000*
Turnover	4	–
Administrative and other operating expenses		–
Loss before taxation	5	–
Taxation	7	–
Loss for the period		–

BALANCE SHEET

AS AT 31 OCTOBER 2007

	NOTES	*HK$'000*
Current asset		
Amount due from a shareholder	8	388
Net asset		388
Represented by:		
Share capital	9	388
Accumulated loss		–
Total equity		388

STATEMENT OF CHANGES IN EQUITY

	Share capital	Accumulated loss	Total
	HK$'000	*HK$'000*	*HK$'000*
Issue of shares at the date of incorporation	388	–	388
Loss for the period	–	–	–
At 31 October 2007	388	–	388

CASH FLOW STATEMENT

FOR THE PERIOD FROM 20 AUGUST 2007
(DATE OF INCORPORATION) TO 31 OCTOBER 2007

	HK$'000
NET CASH FROM OPERATING ACTIVITY	
Loss before taxation and operating cash flows before movements in working capital	–
FINANCING ACTIVITIES	
Issue of shares upon incorporation	388
Increase in amount due from a shareholder	(388)
NET CASH FROM FINANCING ACTIVITIES	–
NET MOVEMENT IN CASH AND CASH EQUIVALENTS	–
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE PERIOD	–
CASH AND CASH EQUIVALENTS AT END OF THE PERIOD, represented by bank balances and cash	–

II. NOTES TO THE FINANCIAL INFORMATION

1. CORPORATION INFORMATION

Ling Kit was incorporated in BVI on 20 August 2007 as a company with limited liability and an authorised share capital of US$50,000 divided into 50,000 ordinary shares of US$1 each. Ling Kit is an investment holding company.

The registered office of Ling Kit is at Akara Building, 24 De Castro Street, Wickhams Cay 1, Road Town, Tortola, BVI and its principal place of business is located at Room 3002, 30/F, Sino Plaza, 255-257 Gloucester Road, Causeway Bay, Hong Kong.

In the opinion of the director, Ling Kit's ultimate holding company and parent company is Pure Hope Development Limited ("Pure Hope"), a company incorporated in BVI with limited liability.

The Financial Information is presented in Hong Kong Dollars, which is the same as the functional currency of Ling Kit.

2. APPLICATION OF HONG KONG FINANCIAL REPORTING STANDARDS

For the purposes of preparing and presenting the Financial Information for the Relevant Period, Ling Kit has consistently applied all of new or revised Hong Kong Accounting Standards ("HKASs"), HKFRSs, amendments and Interpretations ("INTs") (herein collectively referred to as "New HKFRSs") issued by the HKICPA, which are effective for the accounting periods beginning on 1 January 2007.

At the date of this report, HKICPA has issued the following HKASs, HKFRSs, amendment and INTs that are not yet effective.

HKAS 1(Revised)	Presentation of Financial Statements[1]
HKAS 23 (Revised)	Borrowing Costs[1]
HKFRS 8	Operating Segments[1]
HK(IFRIC)-Int 11	HKFRS 2 – Group and Treasury Share Transactons[2]
HK(IFRIC)-Int 12	Service Concession Arrangements[3]
HK(IFRIC)-Int 13	Customer Loyalty Programmes[4]
HK(IFRIC)-Int 14	HKAS 19 – The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction[3]

1 Effective for annual periods beginning on or after 1 January 2009.
2 Effective for annual periods beginning on or after 1 March 2007.
3 Effective for annual periods beginning on or after 1 January 2008.
4 Effective for annual periods beginning on or after 1 July 2008.

The director of Ling Kit expects that the application of these New HKFRSs listed above will not have any significant impact on the financial position and operating results of Ling Kit.

3. SIGNIFICANT ACCOUNTING POLICIES

The Financial Information has been prepared on the historical cost basis and in accordance with the accounting policies adopted by the Company as set out below, which conform with HKFRSs issued by the HKICPA.

These accounting policies have been consistently applied throughout the Relevant Period.

Financial instruments

Financial assets and financial liabilities are recognised on Ling Kit's balance sheet when the entity becomes a party to the contractual provisions of the instrument. Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition, transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognised immediately in profit or loss.

Financial assets

Ling Kit's financial assets are mainly loans and receivables. All regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace. The accounting policies adopted are set out below.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. At each balance sheet date subsequent to initial recognition, loans and receivables (including amount due from a shareholder) are carried at amortised cost using the effective interest method, less any identified impairment losses. An impairment loss is recognised in profit or loss when there is objective evidence that the asset is impaired, and is measured as the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the original effective interest rate. Impairment losses are reversed in subsequent periods when an increase in the asset's recoverable amount can be related objectively to an event occurring after the impairment was recognised, subject to a restriction that the carrying amount of the asset at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

Financial liabilities and equity

Financial liabilities and equity instruments issued by Ling Kit are classified according to the substance of the contractual arrangements entered into and the definitions of a financial liability and an equity instrument. An equity instrument is any contract that evidences a residual interest in the assets of Ling Kit after deducting all of its liabilities. Ling Kit has no financial liabilities as at the period end date. The accounting policy adopted for equity instruments are set out below.

Equity instruments

Equity instruments issued by Ling Kit are recorded at the proceeds received, net of direct issue costs.

Derecognition

Financial assets are derecognised when the rights to receive cash flows from the assets expire or, the financial assets are transferred and Ling Kit has transferred substantially all the risks and rewards of ownership of the financial assets. On derecognition of a financial asset, the difference between the asset's carrying amount and the sum of the consideration received or receivable and the cumulative gain or loss that had been recognised directly in equity is recognised in profit or loss.

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

Translation of foreign currencies

Foreign currency transactions during the Relevant Period 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 consolidated income statement.

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.

Taxation

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

The tax currently payable is based on the results for the Relevant Period. Taxable profit differs from profit as reported in the Financial Information because it excludes items of income or expense that are taxable or deductible in other years and it further excludes income statement items that are never taxable or deductible. The liability for current period of Ling Kit is calculated using tax rates that have been enacted or substantively enacted by the balance sheet date.

Deferred tax is the tax expected to be payable or recoverable on differences between the carrying amount of assets and liabilities in the Financial Information and the corresponding tax bases used in the computation of taxable profit, and is accounted for using the balance sheet liability method. Deferred tax liabilities are generally recognised for all taxable temporary differences, and deferred tax assets are recognised to the extent that it is probable that taxable profit will be available against which deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary differences are related to goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

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

Deferred tax is calculated at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled. Deferred tax is charged or credited to the income statement, except when it relates to items credited or charged directly to equity, in which case the deferred tax is also dealt with in equity.

4. TURNOVER AND SEGMENTAL INFORMATION

Ling Kit did not generate any turnover during the Relevant Period.

No business segment information is presented as Ling Kit had no operation during the Relevant Period. No geographical segment information is presented as the majority of Ling Kit's assets and liabilities are situated in the People's Republic of China (the "PRC").

5. LOSS BEFORE TAXATION

	Period from 20 August 2007 (date of incorporation) to 31 October 2007
	HK$'000
Loss before taxation has been arrived at after charging:	
Auditors' remuneration	–

6. DIRECTOR'S REMUNERATION AND EMPLOYEES' REMUNERATION

During the Relevant Period, no emoluments were paid by Ling Kit to any director and no staff was employed by Ling Kit.

None of the director waived or agreed to waive any emoluments during the Relevant Period.

During the Relevant Period, no emoluments have been paid by Ling Kit to any director or employees as an inducement to join or upon joining Ling Kit, or as compensation for loss of office.

7. TAXATION

No provision for taxation had been made for Ling Kit as it did not generate any assessable profits in Hong Kong or other jurisdiction during the Relevant Period.

No tax reconciliation had been prepared by Ling Kit as it did not carry out any operations since its incorporation on 20 August 2007.

No deferred tax has been provided as Ling Kit did not have any significant temporary differences which gave rise to a deferred tax asset or liability at the balance sheet date for the Relevant Period presented.

8. AMOUNT DUE FROM A SHAREHOLDER

The amount is unsecured, non-interest bearing and repayable on demand. The director is of the opinion that fair value of the amount approximates its carrying amount due to its immediate maturities.

9. SHARE CAPITAL

	No of shares	**31 October 2007**
		US$'000
Ordinary shares of US$1 each		
Authorised, issued and fully paid		
At date of incorporation and 31 October 2007	50,000	50
Shown in the Financial Information at 31 October 2007		HK$388,000

On 20 August 2007, Ling Kit was incorporated with an initial share capital of US$50,000 (equivalent to approximately HK$388,000) divided into 50,000 ordinary shares of US$1.00 each. Upon incorporation, Ling Kit issued 50,000 ordinary shares of US$1 each at par as initial working capital.

10. CAPITAL COMMITMENT

At the balance sheet date, Ling Kit had the following capital commitment, so far as not provided for in the Financial Information, in respect of:

	31 October 2007
	HK$'000
Authorised and contracted for	
Acquisition of interest in a subsidiary, Dongxin	77,500

11. RELATED PARTY TRANSACTIONS

The incorporation expenses and rental expenses for the office premises were borne by Pure Hope during the Relevant Period.

Compensation to key management personnel

No remuneration was paid to director and key management personnel for the Relevant Period.

12. SUBSEQUENT EVENTS

On 28 November 2007, the Company entered into the conditional acquisition agreement (the "Acquisition Agreement") with Pure Hope, the ultimate holding company. Pursuant to the Acquisition Agreement, the Company agrees to acquire and Pure Hope agrees to sell the entire equity interests in Ling Kit. Details of the Acquisition Agreement are set out in Letter from the Board of this Circular.

III. SUBSEQUENT FINANCIAL STATEMENTS

No audited financial statements have been prepared for Ling Kit in respect of any period subsequent to 31 October 2007.

Yours faithfully,
SHINEWING (HK) CPA Limited
Certified Public Accountants
Ip Yu Chak
Practising Certificate Number: P04798
Hong Kong

The following is the text of a report of the PRC Company, prepared for the sole purpose of inclusion in this circular, received from the Company's reporting accountants, SHINEWING (HK) CPA Limited, Certified Public Accountants, Hong Kong.

信永中和 ShineWing

SHINEWING (HK) CPA Limited
16/F., United Centre
95 Queensway, Hong Kong

6 February 2008

The Directors
China Rise International Holdings Limited

Dear Sirs,

We set out below our report on the financial information relating to海城市東鑫實業有限公司 Haicheng Dongxin Industry Company Limited ("Dongxin") including the income statements, statements of changes in equity and cash flow statements of Dongxin for the three years ended 31 December 2004, 2005 and 2006 and the ten months ended 31 October 2006 and 2007 (the "Relevant Periods") and the balance sheets as at 31 December 2004, 2005 and 2006 and 31 October 2007 and the notes thereto (collectively the "Financial Information") for inclusion in the circular of China Rise International Holdings Limited (the "Company") dated 6 February 2008 (the "Circular") in connection with the proposed acquisition of the entire issued share capital of Ling Kit and the shareholder's loan ("Proposed Acquisition") as described more fully in the section headed "Letter from the Board" contained in the Circular.

海城市東鑫實業總公司Haicheng Dongxin Industry Corporation, the predecessor company, was established as a villagers autonomous organisation with registered capital of RMB5,200,000 in the People's Republic of China (the "PRC") on 17 February 1993. On 11 June 2002, its name was changed into海城市東鑫實業公司Haicheng Dongxin Industry Company. Pursuant to the owners' resolution on 30 September 2007 and the approval of relevant PRC government authorities on 28 September 2007, Haicheng Dongxin Industry Company transformed its legal form into a limited liability company and changed its name to Dongxin on 12 October 2007. The registered office and principal place of business of Dongxin are at Dongsandao Village, Bali Town, Haicheng, Anshan, Liaoning, the PRC.

Dongxin is principally engaged in the mining and processing of magnesite ore at the magnesite mine in the PRC. No audited financial statements of Dongxin have been prepared for the period from incorporation to present as it is not subject to any statutory audit requirements. Dongxin has adopted 31 December as the financial year end date.

For the purpose of this report, the director of Dongxin has prepared the financial statements for the Relevant Periods in accordance with the Hong Kong Financial Reporting Standards (the "HKFRS Financial Statements"). We have audited the HKFRS Financial Statements in accordance with Hong Kong Standards on Auditing issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA").

RESPECTIVE RESPONSIBILITIES OF DIRECTOR AND REPORTING ACCOUNTANTS

The Financial Information as set out in Section I to III below has been prepared on the basis set out in note 3 of Section II below and based on the audited HKFRS Financial Statements without any adjustments. The director of Dongxin is responsible for preparing the HKFRS Financial Statements and Financial Information of Dongxin which give a true and fair view. The directors of the Company are responsible for the contents of the Circular in which this report is included. In preparing the Financial Information which gives a true and fair view, it is fundamental that appropriate accounting policies are selected and applied consistently.

It is our responsibility to express an independent opinion, based on our examination, on the Financial Information and to report our opinion to you. We have examined the Financial Information for the Relevant Periods, and carried out such additional procedures as are necessary in accordance with Auditing Guideline 3.340 "Prospectus and the Reporting Accountant" issued by the HKICPA.

The comparative income statement, statement of changes in equity and cash flow statement of Dongxin for the ten months ended 31 October 2006 together with the notes thereon have been extracted from Dongxin's unaudited financial information for the same period (the "31 October 2006 Financial Information") which was prepared by the director of Dongxin solely for the purpose of this report. It is our responsibility to form an independent conclusion, based on our review, and to report our conclusion to you.

For the purpose of this report, we have reviewed the 31 October 2006 Financial Information in accordance with the Statement of Auditing Standard 700 "Engagements to review interim financial reports" issued by the HKICPA. Our review consisted principally of making enquiries of Dongxin's management and applying analytical procedures to the 31 October 2006 Financial Information and bases thereon, assessing whether the accounting policies and presentation have been consistently applied unless otherwise disclosed. A review excludes audit procedures such as tests of controls and verification of assets, liabilities and transactions. It is substantially less in scope than an audit and therefore provides a lower level of assurance than an audit. Accordingly, we do not express an audit opinion on the 31 October 2006 Financial Information.

OPINION AND REVIEW CONCLUSION

In our opinion, the Financial Information, for the purpose of this report and prepared on the basis set out in note 3 of Section II below, give a true and fair view of the state of affairs of Dongxin as at 31 December 2004, 2005 and 2006 and 31 October 2007 and of its results and cash flows for the three years ended 31 December 2004, 2005 and 2006 and the ten months ended 31 October 2007.

Moreover, on the basis of our review which does not constitute an audit, for the purpose of this report and prepared on the basis set out in note 3 of Section II below, we are not aware of any material modification that should be made to the 31 October 2006 Financial Information.

I. FINANCIAL INFORMATION OF DONGXIN

INCOME STATEMENTS

		Year ended 31 December			Ten months ended 31 October	
		2004	**2005**	**2006**	**2006**	**2007**
	NOTES	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
					(Unaudited)	
Turnover	7	1,104	1,873	4,215	3,093	7,421
Cost of sales		(848)	(1,225)	(1,970)	(1,319)	(2,798)
Gross profit		256	648	2,245	1,774	4,623
Administrative expenses		(150)	(215)	(2,268)	(534)	(2,999)
Profit/(loss) before taxation	8	106	433	(23)	1,240	1,624
Taxation	10	(35)	(145)	–	(409)	(536)
Profit /(loss) for the year/ period		71	288	(23)	831	1,088

BALANCE SHEETS

			At 31 December		At 31 October
		2004	**2005**	**2006**	**2007**
	NOTES	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Non-current assets					
Plant and equipment	11	69	44	7	145
Mining licence	12	612	485	358	253
		681	529	365	398
Current assets					
Trade receivables	13	–	–	187	1,800
Prepayments, deposits and other receivables		21	20	20	20
Bank balances and cash	14	95	88	115	62
		116	108	322	1,882
Current liabilities					
Accruals and other payables		632	39	124	191
Provision for taxation		–	145	133	571
		632	184	257	762
Net current (liabilities)/assets		(516)	(76)	65	1,120
Net assets		165	453	430	1,518
Represented by:					
Paid-in capital	15	5,200	5,200	5,200	5,200
Reserves		(5,035)	(4,747)	(4,770)	(3,682)
		165	453	430	1,518

STATEMENTS OF CHANGES IN EQUITY

	Paid-in capital *RMB'000*	Capital surplus *RMB'000*	Retained profits/ (accumulated losses) *RMB'000*	Total *RMB'000*
At 1 January 2004	5,200	1,350	(6,456)	94
Profit for the year	–	–	71	71
At 31 December 2004 and 1 January 2005	5,200	1,350	(6,385)	165
Profit for the year	–	–	288	288
At 31 December 2005 and 1 January 2006	5,200	1,350	(6,097)	453
Loss for the year	–	–	(23)	(23)
At 31 December 2006 and 1 January 2007	5,200	1,350	(6,120)	430
Profit for the period	–	–	1,088	1,088
At 31 October 2007	5,200	1,350	(5,032)	1,518
For the ten months ended 31 October 2006 (Unaudited)				
At 1 January 2006	5,200	1,350	(6,097)	453
Profit for the period	–	–	831	831
At 31 October 2006	5,200	1,350	(5,266)	1,284

The capital surplus arises from capital contribution by the owners in excess of paid-in capital of Dongxin.

CASH FLOW STATEMENTS

	Year ended 31 December			Ten months ended 31 October	
	2004	**2005**	**2006**	**2006**	**2007**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
				(Unaudited)	
OPERATING ACTIVITIES					
Profit/(loss) before taxation	106	433	(23)	1,240	1,624
Adjustments for:					
Amortisation of mining licence	20	127	127	106	105
Depreciation of plant and equipment	25	25	24	21	7
Impairment of plant and equipment	–	–	13	–	–
Operating cash flows before movements in working capital	151	585	141	1,367	1,736
Increase in trade receivables	–	–	(187)	(838)	(1,613)
(Increase)/decrease in prepayments, deposits and other receivables	(21)	1	–	–	–
Increase/ (decrease) in accruals and other payables	632	(593)	85	51	67
Cash from/ (used in) operations	762	(7)	39	580	190
Income tax paid	(35)	–	(12)	–	(98)
NET CASH FROM/ (USED IN) OPERATING ACTIVITIES	727	(7)	27	580	92
INVESTING ACTIVITIES					
Purchases of mining licence	(632)	–	–	–	–
Purchases of plant and equipment	–	–	–	–	(145)
NET CASH USED IN INVESTING ACTIVITIES	(632)	–	–	–	(145)
NET INCREASE/ (DECREASE) IN CASH AND CASH EQUIVALENTS	95	(7)	27	580	(53)
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE YEAR/ PERIOD	–	95	88	88	115
CASH AND CASH EQUIVALENTS AT END OF THE YEAR/ PERIOD, represented by bank balances and cash	95	88	115	668	62

II. NOTES TO THE FINANCIAL INFORMATION

1. COMPANY STRUCTURE, REORGANISATION AND PRINCIPAL ACTIVITIES

海城市東鑫實業有限公司Haicheng Dongxin Industry Company Limited ("Dongxin") is principally engaged in mining and processing of magnesite ore at the magnesite mine in the PRC.

The business operations commenced on 17 February 1993 when海城市東鑫實業總公司Haicheng Dongxin Industry Corporation (the "Predecessor Company"), a collectively-owned enterprise established in Liaoning province by Haicheng Bali County Dongsandao Villagers Committee (the "PRC Partner") commenced the following activities:

(1) Mining and processing of magnesite ore at the magnesite mine in the PRC ("Mining Business"); and

(2) Manufacturing and sales of juice beverages and growing and sales of agriculture products (collectively referred to as "Excluded Business")

On 11 June 2002, its name was changed into海城市東鑫實業公司Haicheng Dongxin Industry Company. Pursuant to the owners' resolution on 30 September 2007 and the approval of relevant PRC government authorities on 28 September 2007, the Predecessor Company transformed its legal form into a limited liability company and changed its name to海城市東鑫實業有限公司Haicheng Dongxin Industry Company Limited on 12 October 2007 and undertaken a business reorganisation (the "Reorganisation") on 30 October 2007.

On 30 October 2007, in view of Dongxin's strategy to concentrate its resources on the development of mining businesses, Dongxin transferred its assets and liabilities related to the Excluded Business at RMB1 to海城市東丰農業有限公司, which is beneficially owned by the PRC Partner.

Upon completion, Dongxin only operates the Mining Business in the PRC.

The registered office and principal place of business of Dongxin are at Dongsandao Village, Bali Town, Haicheng, Anshan, Liaoning, the PRC.

The Financial Information is presented in Reminbi, which is the same as the functional currency of Dongxin.

2. APPLICATION OF HONG KONG FINANCIAL REPORTING STANDARDS

For the purposes of preparing and presenting the Financial Information for the Relevant Periods, Dongxin has consistently applied all of the new or revised Hong Kong Accounting Standards ("HKASs"), HKFRSs, amendments and Interpretations ("INTs") (herein collectively referred to as "New HKFRSs") issued by the HKICPA, which are effective for the accounting periods beginning on 1 January 2005, 1 January 2006 and 1 January 2007.

At the date of this report, HKICPA has issued the following HKASs, HKFRSs, amendments and INTs that are not yet effective.

HKAS 1(Revised)	Presentation of Financial Statements[1]
HKAS 23 (Revised)	Borrowing Costs[1]
HKFRS 8	Operating Segments[1]
HK(IFRIC)-Int 11	HKFRS 2 – Group and Treasury Share Transactons[2]
HK(IFRIC)-Int 12	Service Concession Arrangements[3]
HK(IFRIC)-Int 13	Customer Loyalty Programmes[4]
HK(IFRIC)-Int 14	HKAS 19 – The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction[3]

[1] Effective for annual periods beginning on or after 1 January 2009.
[2] Effective for annual periods beginning on or after 1 March 2007.
[3] Effective for annual periods beginning on or after 1 January 2008.
[4] Effective for annual periods beginning on or after 1 July 2008.

The director of Dongxin expects that the application of these New HKFRSs listed above will not have any significant impact on its financial position and operating results.

3. BASIS OF PRESENTATION

The Financial Information presents the results and financial position of Dongxin as if only the Mining Business is existed at the beginning of the earliest period presented or when such business was established whichever is the shorter period, but excludes the Excluded Business which is not part of Dongxin pursuant to the Reorganisation as if the Excluded Business has historically been managed separately from the Mining Business.

4. SIGNIFICANT ACCOUNTING POLICIES

The Financial Information has been prepared on the historical cost basis and in accordance with the accounting policies adopted by the Company as set out below, which conform with HKFRSs issued by the HKICPA.

These accounting policies have been consistently applied to all the Relevant Periods presented, unless otherwise stated.

Revenue recognition

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

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

Taxation

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

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

Deferred tax is the tax expected to be payable or recoverable on differences between the carrying amount of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit, and is accounted for using the balance sheet liability method. Deferred tax liabilities are generally recognised for all taxable temporary differences, and deferred tax assets are recognised to the extent that it is probable that taxable profit will be available against which deductible temporary differences can be utilised.

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

Deferred tax is calculated at the tax rates that are expected to apply to the period/ year when the asset is realised or the liability is settled. Deferred tax is charged or credited to the income statement, except when it relates to items credited or charged directly to equity, in which case the deferred tax is also dealt with in equity.

Plant and equipment

Plant and equipment are stated at cost less any subsequent accumulated depreciation and accumulated impairment losses.

Depreciation is provided to write off the cost of items of plant and equipment over their estimated useful lives and after taking into account their estimated residual values, using the straight-line method.

An item of plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the item) is included in the income statement in the Relevant Periods in which the item is derecognised.

Impairment loss

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

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

Financial instruments

Financial assets and financial liabilities are recognised on Dongxin's balance sheet when the entity becomes a party to the contractual provisions of the instrument. Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition, transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognised immediately in profit or loss.

Trade receivables, prepayments, deposits and other receivables

Trade receivables, prepayments, deposits and other receivables are measured at initial recognition at fair value, and are subsequently measured at amortised cost using the effective interest rate method. Appropriate allowances for estimated irrecoverable amounts are recognised in profit or loss when there is objective evidence that the asset is impaired. The allowance recognised is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the effective interest rate computed at initial recognition.

Cash and cash equivalents

Cash and cash equivalents comprise cash on hand, demand deposits and other short-term highly liquid investments that are readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value.

Financial liabilities and equity

Financial liabilities and equity instruments issued by Dongxin are classified according to the substance of the contractual arrangements entered into and the definitions of a financial liability and an equity instrument. An equity instrument is any contract that evidences a residual interest in the assets of Dongxin after deducting all of its liabilities. The accounting policies adopted for specific financial liabilities and equity instruments are set out below.

Accruals and other payables

Accruals and other payables are initially measured at fair value, and are subsequently measured at amortised cost, using the effective interest rate method.

Equity instruments

Equity instruments issued by Dongxin are recorded at the proceeds received, net of direct issue costs.

Derecognition

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

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

Translation of foreign currencies

Foreign currency transactions during the Relevant Periods 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 the income statement.

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.

Mining licence

Mining licence are recognised initially at cost. After initial recognition, intangible assets are carried at cost less accumulated amortisation and any accumulated impairment losses. Amortisation for mining licence is provided on straight-line basis over their estimated useful lives.

5. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

In the process of applying Dongxin's accounting policies, management makes various estimates and judgements (other than those involving estimates) based on past experience, expectations of the future and other information. The key sources of estimation uncertainty and the critical judgements that can significantly affect the amounts recognised in the Financial Information are disclosed below:

Allowance for bad and doubtful debts

The policy for allowance of bad and doubtful debts of Dongxin is based on the evaluation of collectibility and aging analysis of accounts and on management's judgment. A considerable amount of judgment is required in assessing the ultimate realisation of these receivables, including the current creditworthiness and the past collection history of each customer. If the financial conditions of customers of Dongxin were to deteriorate, resulting in an impairment of their ability to make payments, additional allowances may be required.

6. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

Dongxin's major financial instruments include trade receivables, prepayments, deposits and other receivables, bank balances and cash, and accruals and other payables. Details of these financial instruments are disclosed in respective notes. The risk associated with these financial instruments and the policies on how to mitigate these risks are set out below. The management manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.

Fair values

The fair values of financial assets and financial liabilities reported in the Financial Information of Dongxin approximate their carrying amounts due to their immediate or short-term maturities.

Credit risk

The carrying amounts of debtors and deposits included in the Financial Information represent Dongxin's maximum exposure to credit risk in relation to its financial assets. No other financial assets carrying a significant exposure to credit risk. Dongxin has no significant concentration of credit risk, with exposure spread over a number of counterparties and customers.

Capital risk management

Dongxin's objectives when managing capital are:

(i) To safeguard Dongxin's ability to continue as a going concern, so that it continues to provide returns and benefits for stakeholders;

(ii) To support Dongxin's stability and growth; and

(iii) To provide capital for the purpose of strengthening Dongxin's risk management capability.

Dongxin actively and regularly reviews and manages its capital structure to ensure optimal capital structure and shareholder returns, taking into consideration the future capital requirements of Dongxin and capital efficiency, prevailing and projected profitability, projected operating cash flows, projected capital expenditures and projected strategic investment opportunities. Dongxin currently does not adopt any formal dividend policy.

The management of Dongxin regards total equity as capital. The amount of capital as at 31 December 2004, 31 December 2005, 31 December 2006 and 31 October 2007 amounted to approximately RMB165,000, RMB453,000, RMB430,000 and RMB1,518,000 respectively, which the management considers as optimal having consider the projected capital expenditures and the projected strategic investment opportunities.

7. TURNOVER AND SEGMENTAL INFORMATION

Turnover represents gross invoiced sales to customers less discounts.

Upon completion of the Reorganisation, Dongxin only operates the Mining Business in the PRC. Accordingly, no business segment information (primary segment information) has been disclosed for the Relevant Periods presented as Dongxin is operating in a single business segment which is the mining and processing of magnesite ore at the magnesite mine in the PRC.

Substantially all of Dongxin's revenues are generated in the PRC and all of Dongxin's assets are located in the PRC and therefore no geographical segment information has been disclosed for the Relevant Periods.

8. PROFIT/(LOSS) BEFORE TAXATION

	Year ended 31 December			Ten months ended 31 October	
	2004	**2005**	**2006**	**2006**	**2007**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* (unaudited)	*RMB'000*
Profit/(loss) before taxation has been arrived at after charging:					
Staff costs, including director's remuneration *(Note 9)*					
– salaries and allowances	237	168	354	275	593
– retirement benefit scheme contributions	26	13	22	28	56
Total staff costs	263	181	376	303	649
Auditors' remuneration	–	–	–	–	–
Amortisation of mining licence	20	127	127	106	105
Depreciation of plant and equipment	25	25	24	21	7
Impairment of plant and equipment	–	–	13	–	–
Write off of amount due from PRC Partner	–	142	2,108	384	2,755

9. DIRECTOR'S REMUNERATION AND EMPLOYEES' REMUNERATION

Director's remuneration

Details of the director's remuneration are as follow:

	Year ended 31 December			Ten months ended 31 October	
	2004	**2005**	**2006**	**2006**	**2007**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* (unaudited)	*RMB'000*
Director's remuneration:					
Mr. Ma Yuying馬玉盈					
– salaries and allowances	9	2	5	9	6
– retirement benefit scheme contributions	1	–	1	1	–
	10	2	6	10	6

The remuneration of the director is below RMB 1,000,000 during the Relevant Periods.

The director has not waived or agreed to waive any emoluments during the Relevant Periods.

The five highest paid individuals of Dongxin for the Relevant Periods include the director of Dongxin whose emoluments are disclosed above. Details of remuneration paid to the remaining four highest paid individuals of Dongxin are as follow:

	Year ended 31 December			Ten months ended 31 October	
	2004	**2005**	**2006**	**2006**	**2007**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* (unaudited)	*RMB'000*
Salaries and allowances	8	51	78	65	90
Retirement benefit scheme contributions	1	4	6	5	7
	9	55	84	70	97

The remuneration of the remaining individuals with the highest remuneration are within the band from Nil to RMB 1,000,000 during the Relevant Periods.

During the Relevant Periods, no emoluments have been paid by Dongxin to any director or employees as an inducement to join or upon joining Dongxin, or as compensation for loss of office.

10. TAXATION

	Year ended 31 December			Ten months ended 31 October	
	2004	**2005**	**2006**	**2006**	**2007**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* (unaudited)	*RMB'000*
Current tax – PRC Enterprise Income Tax	35	145	–	409	536

Taxation in the PRC is calculated at the rates of tax prevailing in the PRC.

The charge for the Relevant Periods can be reconciled to the profit/(loss) before taxation per the income statements as follows:

	Year ended 31 December			Ten months ended 31 October	
	2004	**2005**	**2006**	**2006**	**2007**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* (unaudited)	*RMB'000*
Profit/(loss) before taxation	106	433	(23)	1,240	1,624
Tax at the statutory Enterprise Income Tax rate at 33%	35	143	(8)	409	536
Tax effect of expenses not deductible for tax purpose	–	2	8	–	–
Tax at the statutory Enterprise Income Tax rate at 33%	35	145	–	409	536

No deferred tax has been provided as Dongxin did not have any significant temporary differences which gave rise to a deferred tax asset or liability at the balance sheet date for the Relevant Periods presented.

11. PLANT AND EQUIPMENT

	Machinery and equipment *RMB'000*	Motor vehicles *RMB'000*	Total *RMB'000*
COSTS			
At 1 January 2004, 2005, 2006 and 2007	28	240	268
Additions	145	–	145
At 31 October 2007	173	240	413
ACCUMULATED DEPRECIATION AND IMPAIRMENT			
At 1 January 2004	14	160	174
Provided for the year	2	23	25
At 31 December 2004 and 1 January 2005	16	183	199
Provided for the year	3	22	25
At 31 December 2005 and 1 January 2006	19	205	224
Provided for the year	2	22	24
Impairment loss recognised	–	13	13
At 31 December 2006 and 1 January 2007	21	240	261
Provided for the period	7	–	7
At 31 October 2007	28	240	268
NET CARRYING VALUE			
At 31 October 2007	145	–	145
At 31 December 2006	7	–	7
At 31 December 2005	9	35	44
At 31 December 2004	12	57	69

The following rates are used for the depreciation of plant and equipment after considering their respective useful lives and estimated residual value:

Machinery and equipment	10%
Motor vehicles	10%

12. MINING LICENCE

	RMB'000
COSTS	
At 1 January 2004	–
Additions	632
At 31 December 2004, 2005, 2006 and 31 October 2007	632
ACCUMULATED AMORTISATION	
At 1 January 2004	–
Provided for the year	20
At 31 December 2004 and 1 January 2005	20
Provided for the year	127
At 31 December 2005 and 1 January 2006	147
Provided for the year	127
At 31 December 2006 and 1 January 2007	274
Provided for the period	105
At 31 October 2007	379
NET CARRYING VALUE	
At 31 October 2007	253
At 31 December 2006	358
At 31 December 2005	485
At 31 December 2004	612

Mining licence represent the costs of acquiring the licence for magnesium mine located approximately 18km southwest of Haicheng, Liaoning and approximately 120km south of Shenyang, Liaoning Province, the PRC (the "Magnesium Mine").

Dongxin currently has one mining licence (licence number: 2100000431318) ("Licence A"). It covers a mining area of approximately 0.3110 km^2 and will expire in November 2009.

Dongxin also obtained another mining licence (licence number: 2100000330769) (Licence B") at no consideration. It covers a mining area of approximately 0.2297 km^2 and was expired in May 2004. The relevant PRC government authorities have approved to replace this licence by way of granting consolidated mining rights. Details of which are set out in note 18.

Amortisation for mining licence is provided on straight-line basis over their estimated useful lives.

13. TRADE RECEIVABLES

Dongxin allows an average credit period of 60 – 90 days to its customers.

The aging analysis of trade receivables on each balance sheet date is as follows:

	At 31 December			At 31 October
	2004	2005	2006	2007
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
0-30 days	–	–	–	948
31-60 days	–	–	–	282
61-90 days	–	–	116	283
Over 90 days	–	–	71	287
	–	–	187	1,800

14. BANK BALANCES AND CASH

Bank balances and cash comprise cash held by Dongxin and short-term bank deposits with an original maturity of three months or less. The deposits carry interest at prevailing market rates for the Relevant Periods.

15. PAID-IN CAPITAL

	Year ended 31 December			Ten months ended 31 October	
	2004	2005	2006	2006	2007
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Registered capital:	5,200	5,200	5,200	5,200	5,200
Paid-in capital:	5,200	5,200	5,200	5,200	5,200

The Predecessor Company was established as a villagers autonomous organisation with registered capital of RMB5,200,000 in the PRC on 17 February 1993. On 11 June 2002, its name was changed into海城市東鑫實業公司Haicheng Dongxin Industry Company.

Pursuant to the owners' resolution on 30 September 2007 and the approval of relevant PRC government authorities on 28 September 2007, Haicheng Dongxin Industry Company transformed its legal form into a limited liability company and changed its name to海城市東鑫實業有限公司Haicheng Dongxin Industry Company Limited on 12 October 2007. The registered and paid in capital remained unchanged.

16. CAPITAL COMMITMENT

At the respective balance sheet dates, Dongxin's capital commitments outstanding at 31 October 2007 not provided for in the Financial Information were as follows:

		At 31 December		At 31 October
	2004	2005	2006	2007
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Contracted, but not provided for:				
Purchase of mining licence	–	–	–	4,000

Dongxin has entered into an agreement with a related company, which is beneficially owned by the close family members of the director, on 10 October 2007 to purchase a mining licence (licence number: 2100000421523) ("Licence C") in relation to the mining of magnesite resources in certain areas of the Magnesium Mine other than that of Licence A and Licence B, at a consideration of RMB4,000,000.

17. RELATED PARTY TRANSACTIONS

Except as disclosed in note 16, the rental expenses of Dongxin are borne by the PRC Partner during the Relevant Periods.

Compensation to key management personnel

Save as disclose elsewhere in the Financial Information, no remuneration was paid to other key management personnel.

18. SUBSEQUENT EVENTS

On 9 November 2007, Dongxin transformed its legal form from a domestic company to a sino-foreign equity joint venture.

On 18 October 2007, Ling Kit Holding Limited ("Ling Kit") entered into a conditional acquisition agreement with the PRC Partner. Pursuant to the conditional acquisition agreement, the PRC Partner agreed to sell and Ling Kit agree to acquire 80% interests in Dongxin at a consideration of USD10 million subject to the fulfillment of certain condition. The acquisition completed on 9 November 2007.

In additional of Licence A and Licence B, Dongxin has entered into an agreement with a related company on 10 October 2007 to purchase Licence C.

As advised by Dongxin's PRC legal advisor, the relevant PRC local government authorities have promulgated certain policies to consolidate mines in Liaoning Province for the purpose of improving the utilisation of mines and environmental protection. Pursuant to these policies, the relevant PRC government authorities have approved the consolidation of the mines under Licence A, Licence B and Licence C into one consolidated mine ("Consolidated Mining Rights"), which will contain substantially all of the areas of the three mining licences, and the granting of such mining rights to Dongxin.

As advised by Dongxin's PRC legal advisor, there are no foreseeable legal impediments for Dongxin to obtain the Consolidated Mining Rights.

19. CONTINGENT LIABILITIES

Dongxin has undertaken the Reorganisation on 30 October 2007 whereby the bank borrowings, trade and other payables, tax provision, contingent liabilities and commitments in respect of the Excluded Business were disposed to the PRC Partner at RMB1. The PRC Partner has agreed to fully indemnify Dongxin in respect of, among other matters, any losses or expenses incurred by the Reorganisation and which might be payable by Dongxin in respect of any bank borrowings, trade and other payables, tax provision, contingent liabilities and commitments in respect of the Excluded Business on or before 30 October 2007. As at the date of this report, such indemnities have been obtained from the PRC Partner, accordingly, no such liabilities have been provided in the Financial Information.

III. DIRECTOR'S REMUNERATION

Save as disclosed in this report, no remuneration was paid or payable in respect of the Relevant Periods by Dongxin to its director.

IV. SUBSEQUENT FINANCIAL STATEMENTS

No audited financial statements have been prepared for Dongxin in respect of any period subsequent to 31 October 2007.

Yours faithfully,
SHINEWING (HK) CPA Limited
Certified Public Accountants
Ip Yu Chak
Practising Certificate Number: P04798
Hong Kong

MANAGEMENT DISCUSSION AND ANALYSIS OF THE TARGET GROUP FOR THE THREE YEARS ENDED 31 DECEMBER 2004, 2005, 2006 AND THE TEN MONTHS ENDED 31 OCTOBER 2007

The Target Company

Financial summary

Set out below is certain financial information as extracted from the accountants' report of the Target Company for the period from 20 August 2007, (the date of incorporation) to 30 October 2007.

	From 20 August 2007 to 30 October 2007
	HK$'000
Revenue	–
Loss for the period	–
Net Assets	338

Business review

The Target Company is an investment holding company established for the holding of an 80% interest in the PRC Company. The Target Company has not commenced any operation during the period from 20 August 2007 (the date of incorporation) to 30 October 2007 other than entering into a contract for the acquisition of an 80% interest in the PRC Company.

The PRC Company

Financial summary

Set out below is certain financial information as extracted from the accountant's report of the mining business of the PRC Company for the period/year ended 31 December 2004, 2005, 2006 and the ten months ended 30 October 2007.

	Year 2004	Year 2005	Year 2006	Ten months ended 2007
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Revenue	1,104	1,873	4,215	7,421
Profit/(Loss) for the period/year	71	288	(23)	1,088

Revenue

As at 31 December 2004, 31 December 2005, 31 December 2006 and 31 October 2007, the revenues of the PRC Company were RMB1,104,000, RMB1,873,000, RMB4,215,000 and RMB7,421,000 respectively.

Amount due to a shareholder

As at 31 December 2004, 31 December 2005, 31 December 2006 and 31 October 2007, amount due to shareholder were nil.

Treasury policies

As at 31 December 2004, 31 December 2005, 31 December 2006 and 31 October 2007, there was no other borrowing from bank or financial institution during the period.

Liquidity and financial resources

Net Assets/Liabilities

Set out below is a summary of certain financial information as at 31 December 2004, 2005 and 2006 and 30 October 2007 as extracted or calculated from the accountant's report of the mining business PRC Company:

	As at 31 December			As at 31 October
	2004	2005	2006	2007
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Total assets	797	637	687	2,280
Total liabilities	632	184	257	762
Net assets/(liabilities)	165	453	430	1,518
Gearing ratio	0.79	0.29	0.37	0.33

The gearing ratio is the basis of total liabilities over total assets.

Liquidity

The PRC Company had total cash and bank balances of approximately RMB95,000, RMB88,000, RMB115,000 and RMB62,000 as at 31 December 2004, 31 December 2005, 31 December 2006 and 31 October 2007. The current ratio was approximately 0.18, 0.59, 1.25 and 2.47 respectively.

Contingent liabilities

The PRC Company has undertaken the reorganisation on 30 October 2007 whereby the bank borrowings, trade and other payables, tax provision, contingent liabilities and commitments in respect of the non-mining business were disposed to the PRC Partner at HK$1. The PRC Partner has agreed to fully indemnify the PRC Company in respect of, among other matters, any losses or expenses incurred by the reorganisation and which might be payable by the PRC Company in respect of any bank borrowings, trade and other payables, tax provision, contingent liabilities and commitments in respect of the non-mining business on or before 30 October 2007. As at the date of this circular, such indemnities have been obtained from the PRC Partner.

Charges on assets

As at 31 December 2004, 31 December 2005, 31 December 2006 and 31 October 2007, the PRC Company had no interest bearing borrowings and no assets were pledged.

Foreign exchange exposure

The PRC Company does not hedge its foreign currency risks, as the principal revenue is denominated in RMB.

Employee

As at 31 December 2004, 31 December 2005, 31 December 2006 and 31 October 2007, the PRC Company had employed around 2, 11, 13 and 15 full time staffs in the PRC respectively.

Business Review

The PRC Company is engaged in the mining and processing of magnesite ore at the Magnesite Mine. The increase in mining activities has resulted in rising revenue since 2004 to reach RMB7,421,000 for the ten months ended 30 October 2007. Except for the year ended 31 December 2006, the PRC Company has been profitable throughout the period.

1. UNAUDITED PRO FORMA FINANCIAL INFORMATION OF THE ENLARGED GROUP

The following is the unaudited pro forma financial information of the Enlarged Group prepared in accordance with the Listing Rules for the purpose of illustrating the effect of the acquisition of the entire issued share capital of Ling Kit Holding Limited ("Ling Kit") and the acquisition of 80% equity interests of Haicheng Dongxin Industry Company Limited ("Dongxin") (collectively referred to the "Proposed Acquisitions") as at 31 March 2007 and the results and cash flows of the Enlarged Group for the year ended 31 March 2007. As it is prepared for illustrative purpose only, and because of its nature, it may not give a true picture of the financial position, results and cash flows of the Enlarged Group following completion of the Proposed Acquisitions.

The unaudited pro forma consolidated balance sheet of the Enlarged Group as at 31 March 2007 is prepared based on (i) the audited consolidated balance sheet of the Group as at 31 March 2007 extracted from the published annual report of the Group as of 31 March 2007 as set out in the Appendix I to this Circular; (ii) the audited balance sheet of Ling Kit as at 31 October 2007 as set out in Appendix IIA to this Circular; and (iii) the audited balance sheet of Dongxin as at 31 December 2006 as set out in Appendix IIB to this Circular as if the Proposed Acquisitions had been completed on 31 March 2007.

The unaudited pro forma consolidated income statement and cash flow statement of the Enlarged Group are prepared based on (i) the audited consolidated income statement and cash flow statement of the Group for the year ended 31 March 2007 extracted from the published annual report of the Group as of 31 March 2007 as set out in the Appendix I to this Circular; (ii) the audited income statement and cash flow statement of Ling Kit for the period from 20 August 2007 (date of incorporation) to 31 October 2007 as set out in Appendix IIA to this Circular and (iii) the audited income statement and cash flow statement of Dongxin for the year ended 31 December 2006 as set out in Appendix IIB to this Circular as if the Proposed Acquisitions had been completed on 1 April 2006.

The unaudited pro forma financial information of the Enlarged Group is presented in two stages. The first stage illustrates the effect of the completion of acquisition of 80% equity interests of Dongxin by Ling Kit. The second stage illustrates the effect of the completion of acquisition of Ling Kit Group by the Company.

(a) Unaudited Pro Forma Consolidated Balance Sheet of the Enlarged Group

		Acquisition of Dongxin					Acquisition of Ling Kit Group			
	The Group at 31 March 2007 HK$'000 (Audited) (A)	Ling Kit at 31 October 2007 HK$'000 (Audited) (B)	Dongxin at 31 December 2006 RMB'000 (Audited)	Dongxin at 31 December 2006 HK$'000 (C)	Pro forma adjustments HK$'000 (D)	*Notes*	Proforma consolidated balance sheet of the Ling Kit Group at 31 March 2007 HK$'000 (Unaudited) (E)=(B)+(C)+(D)	Pro forma adjustments HK$'000 (F)	*Notes*	Pro forma consolidated balance sheet of the Enlarged Group at 31 March 2007 HK$'000 (Unaudited) (G)=(A)+(E)+(F)
NON-CURRENT ASSETS										
Property, plant and equipment	89,332	–	7	7			7			89,339
Interest in leasehold land held for own use under operating leases	4,984	–	–	–			–			4,984
Goodwill	4,957	–	–	–	77,142	(2)	77,142	1,750,500	(10)	1,832,599
Mining licence	–	–	358	373			373			373
	99,273	–	365	380			77,522			1,927,295
CURRENT ASSETS										
Inventories	94,304	–	–	–			–			94,304
Amount due from a shareholder	–	388	–	–	(388)	(1)	–			–
Interest in leasehold land held for own use under operating leases	158	–	–	–			–			158
Trade receivables	24,839	–	187	195			195			25,034
Prepayments, deposits and other receivables	23,954	–	20	20			20			23,974
Pledged deposits	12,019	–	–	–			–			12,019
Cash and cash equivalents	45,245	–	115	120			120			45,365
	200,519	388	322	335			335			200,854
CURRENT LIABILITIES										
Amount due to holding company	–	–	–	–	77,112	(1)	77,112	(77,112)	(8), (9)	–
Bank loans and overdrafts	26,877	–	–	–			–			26,877
Trade payables	35,553	–	–	–			–			35,553
Other payables and accruals	54,483	–	124	129			129			54,612
Provision for taxation	4,015	–	133	138			138			4,153
Finance lease payables	1,657	–	–	–			–			1,657
	122,585	–	257	267			77,379			122,852
NET CURRENT ASSETS/(LIABILITIES)	77,934	388	65	68			(77,044)			78,002
NET ASSETS LESS CURRENT LIABILITIES	177,207	388	430	448			478			2,005,297

		Acquisition of Dongxin					Acquisition of Ling Kit Group			
	The Group at 31 March 2007 HK$'000 (Audited) (A)	Ling Kit at 31 October 2007 HK$'000 (Audited) (B)	Dongxin at 31 December 2006 RMB'000 (Audited)	Dongxin at 31 December 2006 HK$'000 (C)	Pro forma adjustments HK$'000 (D)	*Notes*	Proforma consolidated balance sheet of the Ling Kit Group at 31 March 2007 HK$'000 (Unaudited) (E)=(B)+(C)+(D)	Pro forma adjustments HK$'000 (F)	*Notes*	Pro forma consolidated balance sheet of the Enlarged Group at 31 March 2007 HK$'000 (Unaudited) (G)=(A)+(E)+(F)
NON-CURRENT LIABILITIES										
Finance lease payables	833	–	–	–			–			833
Deferred tax liabilities	18,235	–	–	–			–			18,235
Promissory note	–	–	–	–			–	284,168	(6)	284,168
Convertible bonds	–	–	–	–			–	874,983	(7)	874,983
	19,068	–	–	–			–			1,178,219
NET ASSETS	158,139	388	430	448			478			827,078
CAPITAL AND RESERVES										
Share capital	154,492	388	5,200	5,413	(5,413)	(2)	388	(388)	(10)	234,492
								80,000	(5)	
Reserves	(10,253)	–	(4,770)	(4,965)	4,965	(2)	–	336,000	(5)	578,596
								35,832	(6)	
								217,017	(7)	
EQUITY ATTRIBUTABLE TO EQUITY HOLDERS OF THE PARENT	144,239	388	430	448			388			813,088
Minority interests	13,900	–	–	–	90	(2)	90			13,990
TOTAL EQUITY	158,139	388	430	448			478			827,078

(b) Unaudited Pro Forma Consolidated Income Statement of the Enlarged Group

		Acquisition of Dongxin					Acquisition of Ling Kit Group			
	The Group for year ended 31 March 2007	Ling Kit for the period from 20 August 2007 (date of incorporation) to 31 October 2007	Dongxin for the year ended 31 December 2006	Dongxin for the year ended 31 December 2006	Pro forma adjustments	*Notes*	Pro forma consolidated income statement of the Ling Kit Group for the year ended 31 March 2007	Pro forma adjustments	*Notes*	Pro forma consolidated income statement of the Enlarged Group for the year ended 31 March 2007
	HK$'000	HK$'000	RMB'000	HK$'000	HK$'000		HK$'000	HK$'000		HK$'000
	(Audited)	(Audited)	(Audited)				(Unaudited)			(Unaudited)
	(A)	(B)		(C)	(D)		(E)= (B)+ (C)+ (D)	(F)		(G)= (A)+ (E)+ (F)
TURNOVER	209,701	–	4,215	4,388			4,388			214,089
COST OF SALES	(194,901)	–	(1,970)	(2,051)			(2,051)			(196,952)
GROSS PROFIT	14,800	–	2,245	2,337			2,337			17,137
OTHER REVENUE	5,082	–	–	–			–	35,832	(6)	40,914
Selling and distribution expenses	(15,166)	–	–	–			–			(15,166)
Administrative expenses	(48,279)	–	(2,268)	(2,361)			(2,361)			(50,640)
Other operating expenses	(3,736)	–	–	–			–			(3,736)
LOSS FROM OPERATIONS	(47,299)	–	(23)	(24)			(24)			(11,491)
Finance costs	(2,671)	–	–	–			–			(2,671)
Share of loss of an associate	(5,544)	–	–	–			–			(5,544)
LOSS BEFORE TAXATION	(55,514)	–	(23)	(24)			(24)			(19,706)
Taxation	131	–	–	–			–			131
LOSS FOR THE YEAR	(55,383)	–	(23)	(24)			(24)			(19,575)
ATTRIBUTABLE TO:										
Equity shareholders of the Company	(55,027)	–	(23)	(24)	5	(3)	(19)	35,832	(6)	(19,214)
Minority interests	(356)	–	–	–	(5)	(3)	(5)			(361)
LOSS FOR THE YEAR	(55,383)	–	(23)	(24)			(24)			(19,575)

(c) Unaudited Pro Forma Consolidated Cash Flow Statement of the Enlarged Group

		Acquisition of Dongxin					Acquisition of Ling Kit Group	
	The Group for year ended 31 March 2007	Ling Kit for the period from 20 August 2007 (date of incorporation) to 31 October 2007	Dongxin for the year ended 31 December 2006	Dongxin for the year ended 31 December 2006	Pro forma adjustment	*Notes*	Pro forma consolidated cash flow statement of the Ling Kit Group for the year ended 31 March 2007	Pro forma consolidated cash flow statement of the Enlarged Group for the year ended 31 March 2007
	HK$'000	*HK$'000*	*RMB'000*	*HK$'000*	*HK$'000*		*HK$'000*	*HK$'000*
	(Audited)	(Audited)	(Audited)				(Unaudited)	(Unaudited)
	(A)	(B)		(C)	(D)		(E)=(B)+ (C)+ (D)	(F)= (A)+ (E)
CASH FLOWS FROM OPERATING ACTIVITIES								
Loss before taxation	(55,514)	–	(23)	(24)			(24)	(55,538)
Adjustments for:								
Amortisation of land lease premium	149	–	–	–			–	149
Amortisation of mining licence	–	–	127	132			132	132
Finance costs	2,671	–	–	–			–	2,671
Share of loss of an associate	5,544	–	–	–			–	5,544
Interest income	(1,326)	–	–	–			–	(1,326)
Loss on disposal of a subsidiary	67	–	–	–			–	67
Loss on disposal of property, plant and equipment	(861)	–	–	–			–	(861)
Depreciation	10,122	–	24	25			25	10,147
Impairment loss on plant and equipment	–	–	13	14			14	14
Write-down and write-off of inventories	4,344	–	–	–			–	4,344
Impairment losses on trade and other receivables	1,362	–	–	–			–	1,362
Impairment loss on goodwill	2,327	–	–	–			–	2,327
Operating (loss)/profit before changes in working capital	(31,115)	–	141	147			147	(30,968)
Increase in inventories	(12,335)	–	–	–			–	(12,335)
Increase in trade and other receivables	(1,824)	–	(187)	(195)			(195)	(2,019)
Increase in trade and other payables	7,953	–	–	–			–	7,953
Increase in accruals and other payables	–	–	85	88			88	88
(Decrease)/increase in bank loans	(559)	–	–	–			–	(559)
Cash (used in)/generated from operations	(37,880)	–	39	40			40	(37,840)
Tax paid	–	–	(12)	(12)			(12)	(12)
Net cash (used in)/generated from operating activities	(37,880)	–	27	28			28	(37,852)

	The Group for year ended 31 March 2007	Acquisition of Dongxin: Ling Kit for the period from 20 August 2007 (date of incorporation) to 31 October 2007	Dongxin for the year ended 31 December 2006	Dongxin for the year ended 31 December 2006	Pro forma adjustment	Note	Acquisition of Ling Kit Group: Pro forma consolidated cash flow statement of the Ling Kit Group for the year ended 31 March 2007	Pro forma consolidated cash flow statement of the Enlarged Group for the year ended 31 March 2007
	HK$'000	*HK$'000*	*RMB'000*	*HK$'000*	*HK$'000*		*HK$'000*	*HK$'000*
	(Audited)	(Audited)	(Audited)				(Unaudited)	(Unaudited)
	(A)	(B)		(C)	(D)		(E)=(B)+ (C)+ (D)	(F)= (A)+ (E)
CASH FLOWS FROM INVESTING ACTIVITIES								
Payment to acquire property, plant and equipment and land lease premium	(4,543)	–	–	–			–	(4,543)
Proceeds from disposal of property, plant and equipment	2,693	–	–	–			–	2,693
Net cash outflow from disposal of a subsidiary	(38)	–	–	–			–	(38)
Net cash inflow/(outflow) from acquisition of subsidiaries	7,191	–	–	–	92	(12)	92	7,283
Increase in mould deposits	(5,167)	–	–	–			–	(5,167)
Increase in pledged deposits	(4,699)	–	–	–			–	(4,699)
Interest received	1,326	–	–	–			–	1,326
Net cash (used in)/generated from investing activities	(3,237)	–	–	–			92	(3,145)
CASH FLOWS FROM FINANCING ACTIVITIES								
Issue of shares upon incorporation	–	388	–	–			388	388
Increase in amount due to a shareholder	–	(388)	–	–			(388)	(388)
Net proceeds from rights issue	74,085	–	–	–			–	74,085
Bonus warrants	764	–	–	–			–	764
Repayment of other loans	(325)	–	–	–			–	(325)
Interest paid	(2,413)	–	–	–			–	(2,413)
Interest element of finance lease payments	(258)	–	–	–			–	(258)
Capital element of finance lease payments	(2,036)	–	–	–			–	(2,036)
Net cash generated from financing activities	69,817	–	–	–			–	69,817
Net increase in cash and cash equivalents	28,700	–	27	28			120	28,820
Cash and cash equivalents at beginning of year/period	11,690	–	–	–			–	11,690
Effect of foreign exchange rate changes	770	–	–	–			–	770
Cash and cash equivalents at end of year/period	41,160	–	27	28			120	41,280

Notes:

On 18 October 2007, Ling Kit Holding Limited ("Ling Kit"), a limited liability company incorporated in British Virgin Islands ("BVI"), entered into a conditional agreement with Haicheng Bali County Dongsandao Villagers Committee (the "PRC Partner") to acquire 80% equity interests in 海城市東鑫實業有限公司 Haicheng Dongxin Industry Company Limited ("Dongxin"). On 9 November 2007, the conditions for acquisition were fulfilled and accordingly, the acquisition for Dongxin completed.

Dongxin is principally engaged in mining and processing of magnesite ore at the magnesite mine in the PRC. The current business operations commenced on 17 February 1993, when 海城市東鑫實業總公司 Haicheng Dongxin Industry Corporation (the "Predecessor Company"), a collectively-owned enterprise established in Liaoning province by the PRC Partner, commenced the following activities:

(1) Mining and processing of magnesite ore at the magnesite mine in the PRC ("Mining Business"); and

(2) Manufacturing and sales of juice beverages and growing and sales of agriculture products (collectively referred to as "Excluded Business")

On 11 June 2002, its name was changed into 海城市東鑫實業公司 Haicheng Dongxin Industry Company. Pursuant to the owners' resolution on 30 September 2007 and the approval of relevant PRC government authorities on 28 September 2007, the Predecessor Company transformed its legal form into a limited liability company and changed its name to 海城市東鑫實業有限公司 Haicheng Dongxin Industry Company Limited on 12 October 2007 and undertaken a business reorganisation (the "Reorganisation") on 30 October 2007.

On 30 October 2007, in view of Dongxin's strategy to concentrate its resources on the development of mining businesses, Dongxin transferred its assets, liabilities and operations related to the Excluded Business at RMB1 to 海城市東丰農業有限公司, which is beneficially owned by the PRC Partner. Upon completion, Dongxin only operates the Mining Business in the PRC.

The total consideration for the acquisition is US$10,000,000 (equivalent to approximately HK$77,500,000) which is to be satisfied in cash.

1) The adjustment is to reflect the total consideration to be paid for the acquisition.

2) The adjustment is to reflect the effect of the acquisition of 80% equity interests in Dongxin as if the acquisition had taken place on 31 March 2007.

   Details of net identifiable assets and liabilities to be acquired and the goodwill arising on the abovementioned acquisition are as follows:

	HK$'000
Cost of investments	77,500
Less: Fair value of net identifiable assets and liabilities to be acquired 80% x HK$448,000	358
Goodwill	77,142

The net assets and liabilities acquired in the transaction are as follows:

	Acquiree's carrying amount and fair value
	HK$'000
Net assets acquired:	
Plant and equipment	7
Mining licence	373
Trade receivables	195
Prepayments, deposits and other receivables	20
Bank balances and cash	120
Accruals and other payables	(129)
Provision for taxation	(138)
	448
Minority interests	(90)
Net identified assets and liabilities to be acquired	358

For the purpose of preparing the Unaudited Pro Forma Financial Information of the Enlarged Group, the carrying value of the net assets of Dongxin as per the Accountants' Report as set out in Appendix IIB of this Circular are taken to be the fair values.

Upon completion of the acquisition, Dongxin will be accounted for as a subsidiary of Ling Kit. Under HKFRS 3 Business Combinations ("HKFRS 3"), Ling Kit will apply the purchase method to account for the acquisition of 80% equity interests in Dongxin. In applying the purchase method, the identifiable assets, liabilities and contingent liabilities of Dongxin are recorded in the unaudited pro forma consolidated balance sheet of the Ling Kit at their fair values as if the acquisition was completed on 31 March 2007.

The amount of the excess of the cost of acquisition incurred by Ling Kit over its interest in the net fair value of the identifiable assets, liabilities and contingent liabilities of Dongxin is recognised as goodwill in the unaudited consolidated balance sheet as if the acquisition was completed on 31 March 2007.

On completion of the acquisition of Dongxin, the fair value of net identifiable assets, liabilities and contingent liabilities of Dongxin will have to be reassessed. As a result of the assessment, the goodwill may be different from that estimated based on the basis stated above for the purpose of preparation of the Unaudited Pro Forma Financial Information. Accordingly, the actual goodwill at the completion of the transaction may be different from that presented above.

3) Upon completion of the above acquisition, 20% of the equity interest of Dongxin is held by the minority shareholder, the PRC Partner, of the Enlarged Group. The unaudited pro forma adjustment reflects the recognition of net loss for the year attributable to minority interests as if the acquisition was completed on 1 April 2006 in the Unaudited Pro Forma Consolidated Income Statement.

4) On 28 November 2007, China Rise International Holdings Limited ("China Rise") entered into a conditional agreement (the "Conditional Agreement") with Pure Hope Development Limited ("Pure Hope"), a limited liability company incorporated in BVI and the sole shareholder of Ling Kit, to acquire the entire issued share capital of Ling Kit ("Sales Shares") and the shareholder's loan ("Sales Loan") of US$9,950,000 (equivalent to approximately HK$77,112,500) owing by Ling Kit to Pure Hope.

Pursuant to the Conditional Agreement, the total consideration for the Sales Shares and the Sales Loan is HK$1,828,000,000, which will be satisfied by China Rise in the following manner:

	HK$'000
Consideration shares (the "Consideration Shares")	416,000
Promissory note (the "Promissory Note")	320,000
Convertible note (the "Convertible Note")	1,092,000
Total consideration	1,828,000

5) Pursuant to the Conditional Agreement, 800,000,000 ordinary shares of the Company (with par value of HK$0.1 per share) at the price of HK$0.52 (the "Issue Price") per share will be issued on the actual date of completion. Upon completion of acquisition of the entire equity interests in Ling Kit, the share capital and share premium of China Rise will increase by approximately HK$80,000,000 and HK$336,000,000 respectively.

6) Pursuant to the Conditional Agreement, the Promissory Note for the principal amount of HK$320,000,000 will be issued. The fair value of the Promissory Note of approximately HK$284,168,000 and the imputed interest of approximately HK$35,832,000 is calculated by discounting the future cash flow stream from the bonds using an estimated effective interest rate, which equals 6.25% p.a., at which the directors of China Rise believe the Company could borrow funds of similar amount, similar terms of maturity and similar schedule of repayment.

7) Pursuant to the Conditional Agreement, the Convertible Note for the principal amount of HK$1,092,000,000 will be issued. The value of the Convertible Note is split into a debt component of approximately HK$874,983,000, which is carried in the unaudited pro forma consolidated balance sheet as a non-current liability, and an equity component of approximately HK$217,017,000, which is recognised in equity. The fair value of the debt component of the Convertible Note is calculated by discounting the future cash flow stream from the Convertible Note using an estimated effective interest rate, which equals 6.25% p.a., at which the directors of China Rise believe the Company could borrow funds of similar amount, similar terms of maturity and similar schedule of repayment without any conversion option attached. The difference between the face value and the fair value of the debt component so derived is taken as the value of the equity component of the Convertible Note. The split of Convertible Note between the debt and equity components are in accordance with the Hong Kong Accounting Standard 32 "Financial Instruments: Disclosure and Presentation."

8) China Rise acquires the entire equity interest in Ling Kit Group and all the shareholders' loan of US$9,950,000 (approximately HK$77,112,000) advanced to Ling Kit by Pure Hope immediately before the completion of the acquisition. Upon completion of the acquisition, shareholders' loan of approximately HK$77,112,000 will be acquired by China Rise and recorded in the books of China rise as an amount due from subsidiary. In the books of the Ling Kit Group, the amount due to the holding company – Pure Hope is transferred to amount due to the holding company – China Rise to reflect the transfer of the legal title to the debt upon completion of the acquisition of the Ling Kit Group by China Rise.

9) Upon completion of acquisition, the amount due from subsidiary as recorded in the books of China Rise and amount due to holding company as recorded in the books of the Ling Kit Group are eliminated against each other upon the consolidation of China Rise and the Ling Kit Group.

10) The adjustment is to reflect the effect of the acquisition of the entire equity interests in the Ling Kit Group as if the acquisition had taken place on 31 March 2007.

Details of net identifiable assets and liabilities to be acquired and the goodwill arising on the abovementioned acquisition are as follows:

	HK$'000
Cost of investments	1,828,000
Less: Fair value of net identifiable assets and liabilities to be acquired	358
Goodwill	1,827,642

The net assets and liabilities acquired in the transaction are as follows:

	Acquiree's carrying amount and fair value *HK$'000*
Net assets acquired:	
Plant and equipment	7
Mining rights	373
Trade receivables	195
Prepayments, deposits and other receivables	20
Bank balances and cash	120
Accruals and other payables	(129)
Amounts due to shareholders	(77,112)
Provision for taxation	(138)
	(76,664)
Minority interests	(90)
Shareholders loan acquired	77,112
Net identified assets and liabilities to be acquired	358

Upon completion of the acquisition, the Ling Kit Group will be accounted as subsidiaries of China Rise. Under HKFRS 3 Business Combinations ("HKFRS 3"), China Rise will apply the purchase method to account for the acquisition of the entire equity interests in the Ling Kit Group. In applying the purchase method, the identifiable assets, liabilities and contingent liabilities of the Ling Kit Group are recorded in the unaudited pro forma consolidated balance sheet of the Enlarged Group at their fair values as if the acquisition was completed on 31 March 2007.

The amount of the excess of the cost of acquisition incurred by China Rise over its interest in the net fair value of the identifiable assets, liabilities and contingent liabilities of the Ling Kit Group is recognised as goodwill in the unaudited consolidated balance sheet as if the acquisition was completed on 31 March 2007. The goodwill of approximately HK$1,827,642,000 represents goodwill of approximately HK$77,142,000 arising from the acquisition of Dongxin and goodwill of approximately HK$1,750,500,000 arising from the acquisition of the Ling Kit Group, as if both acquisitions were completed on 31 March 2007.

As per the Accountants' Report of Dongxin as set out in Appendix IIB of the Circular, Dongxin is in the process of obtaining the consolidated mining rights. On completion of the acquisition of the Ling Kit Group and after the consolidated mining rights are obtained, the fair value of net identifiable assets, liabilities and contingent liabilities of the Ling Kit Group will have to be reassessed. As a result of the assessment, goodwill may be different from that estimated based on the basis stated above for the purpose of preparation of the Unaudited Pro Forma Financial Information.

11) No adjustments have been made to reflect the costs of the Proposed Acquisition as such costs are not considered to be material.

12) The amount represented the net cash inflow including cash and bank balances approximately of HK$92,000 from Dongxin as at the date of the Proposed Acquisitions.

13) There are not continuing effect in the pro forma adjustments to the unaudited pro forma consolidated income statement and the unaudited pro forma consolidated cash flow statement of the Enlarged Group.

14) On 8 December 2007, the Company entered into the agreement with Ocean Alliance (HK) Limited, an independent third party to dispose of (i) the entire equity interests in Antec Appliances Limited and Anex Electrical Company Limited (collectively referred to as the "Disposal Group"; and (ii) all amounts owing by the Disposal Group to the Company as at the third business day after the completion date of the disposal. Such transaction constitutes to a very substantial disposal transaction of the Company and details of which are set out in the circular as published on 14 January 2008. The unaudited proforma financial information disclosed in above did not include the financial effect of this very substantial disposal transaction as announced by the Company subsequent to 31 March 2007.

15) Basis of translation

Translation of RMB into HK$ is made in the unaudited pro forma financial information of the Enlarged Group at the average rate if HK$1=RMB0.9606 for the preparation of the unaudited pro forma consolidated income statement and cash flow statement and the closing rate of HK$1=RMB0.9606 for the preparation of unaudited pro forma consolidated balance sheet.

2. REPORT ON THE UNAUDITED PRO FORMA FINANCIAL INFORMATION OF THE ENLARGED GROUP

The following is the text of a report, prepared for the sole purpose of inclusion in this circular, received from the independent reporting accountants, SHINEWING (HK) CPA Limited, Certified Public Accountants, Hong Kong.

信永中和 ShineWing

SHINEWING (HK) CPA Limited
16/F., United Centre
95 Queensway, Hong Kong

6 February 2008

The Directors
China Rise International Holdings Limited

Dear Sirs,

We report on the unaudited pro forma financial information of China Rise International Holdings Limited (the "Company") and its subsidiaries (hereinafter collectively referred to as the "Group"), and Ling Kit Holding Limited ("Ling Kit") and its subsidiary (hereinafter collectively referred to as the "Ling Kit Group") (together with the Group hereinafter collectively referred to as the "Enlarged Group") ("Unaudited Pro Forma Financial Information") set out in Appendix III to the Company's circular dated 6 February 2008 (the "Circular"), which has been prepared by the directors of the Company for illustration purpose only, to provide information about how the proposed acquisition of the entire issued share capital of Ling Kit (the "Sales Shares") and the shareholder's loan (the "Sales Loan") (the "Proposed Acquisition") might have affected the financial information presented. The basis of preparation of the Unaudited Pro Forma Financial Information of the Enlarged Group is set out in Appendix III to the Circular.

Respective Responsibilities of Directors of the Company and the Reporting Accountants

It is the responsibility solely of the directors of the Company to prepare the Unaudited Pro Forma Financial Information of the Enlarged Group in accordance with paragraph 29 of Chapter 4 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") and with reference to Accounting Guideline 7 "Preparation of Pro Forma Financial Information for Inclusion in Investment Circulars" issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA").

It is our responsibility to form an opinion, as required by paragraph 29(7) of Chapter 4 of the Listing Rules, on the Unaudited Pro Forma Financial Information and to report our opinion to you. We do not accept any responsibility for any reports previously given by us on any financial information used in the compilation of the Unaudited Pro Forma Financial Information beyond that owed to those to whom those reports were addressed by us at the dates of their issue.

Basis of opinion

We conducted our engagement in accordance with Hong Kong Standard on Investment Circular Reporting Engagements 300 "Accountants' Reports on Pro Forma Financial Information in Investment Circulars" issued by the HKICPA. Our work consisted primarily of comparing the unadjusted financial information with source documents, considering the evidence supporting the adjustments and discussing the Unaudited Pro Forma Financial Information with the directors of the Company. This engagement did not involve independent examination of any of the underlying financial information.

We planned and performed our work so as to obtain the information and explanations we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the Unaudited Pro Forma Financial Information has been properly compiled by the directors of the Company on the basis stated, that such basis is consistent with the accounting policies of the Group and that the adjustments are appropriate for the purposes of the Unaudited Pro Forma Financial Information as disclosed pursuant to paragraph 29(1) of Chapter 4 of the Listing Rules.

Our work did not constitute an audit or review made in accordance with Hong Kong Standards on Auditing or Hong Kong Standards on Review Engagements issued by the HKICPA, and accordingly, we did not express any such assurance on the Unaudited Pro Forma Financial Information.

The Unaudited Pro Forma Financial Information is for illustration purpose only, based on the judgements and assumptions of the directors of the Company, and because of its hypothetical nature, it does not give any assurance or indication that any event will take place in the future and may not be indicative of:

- the results and cash flows of the Enlarged Group for the year ended 31 March 2007 or any future periods; or

- the financial position of the Enlarged Group as at 31 March 2007 or any future date.

Opinion

In our opinion:

a. the Unaudited Pro Forma Financial Information has been properly compiled by the directors of the Company on the basis stated;

b. such basis is consistent with the accounting policies of the Group; and

c. the adjustments are appropriate for the purposes of the Unaudited Pro Forma Financial Information as disclosed pursuant to paragraph 29(1) of Chapter 4 of the Listing Rules.

Yours faithfully,
SHINEWING (HK) CPA Limited
Certified Public Accountants
Ip Yu Chak
Practising Certificate Number: P04798
Hong Kong

The following is the text of a letter, summary of values and valuation certificates, prepared for the purpose of incorporation in this circular received from RHL Appraisal Ltd., an independent valuer, in connection with its valuation as at 30th November 2007 of the property interests held by China Rise International Holdings Limited.

The Directors
China Rise International Holdings Limited
Rooms 1606-7
West Tower
Shun Tak Centre
Nos. 168-200 Connaught Road Central
Central
Hong Kong

6 February 2008

Dear Sirs,

INSTRUCTIONS

In accordance with your instructions to value the property interests held by China Rise International Holdings Limited (referred to as the "Company") and its subsidiaries (hereinafter together referred to as the "Group"), we confirm that we have carried out property inspections, made relevant enquiries and searches and obtained such further information as we consider necessary for the purpose of providing you with our opinion of the market values of the property interests as at 30th November 2007 (the "date of valuation").

This letter which forms part of our valuation report explains the basis and methodology of valuation, clarifying assumptions, valuation considerations and limiting conditions of this valuation.

BASIS OF VALUATION

Our valuation of the property interest represents its market value which we would define as intended to mean "the estimated amount for which a property should exchange on the date of valuation between a willing buyer and a willing seller in an arm's-length transaction after proper marketing wherein the parties had each acted knowledgeably, prudently, and without compulsion".

PROPERTY INTERESTS CATEGORISATION

The property interests held by the Group are categorised as follows:

Group I – Property interests held by the Group for Owner Occupation in Hong Kong
Group II – Property interests held by the Group for Owner Occupation in the PRC
Group III – Property interests held by the Group for Sale in the PRC
Group IV – Property interests held by the Group for Investment in the PRC
Group V – Property interests held by the Group for Future Development in the PRC

METHODS OF VALUATION

In valuing the property interests in Group I and Group II (except Property 3) which are held for owner occupation, the direct comparison method is adopted where comparison based on prices realised on actual sales of comparable properties is made. Comparable properties of similar size, character and location are analysed and carefully weighted against all the respective advantages and disadvantages of each property in order to arrive at a fair comparison of market value.

For the Property 3, we have adopted a combination of the open market and depreciated replacement cost approaches in assessing the land portions of the property and the buildings and structures standing on the land respectively. Hence, the sum of the two results represents the market value of the property as a whole. In the valuation of the land portions, reference has been made to the comparable sales transactions as available in the subject localities as well as the relevant benchmark land prices. As the nature of the buildings and structures cannot be valued on the basis of market value, they have therefore been valued on the basis of their depreciated replacement cost. The depreciated replacement cost approach considers the cost to reproduce or replace in new condition the property appraised in accordance with current construction costs for similar buildings and structures in the locality, with allowance for accrued depreciation as evidenced by observed condition or obsolescence present, whether arising from physical, functional or economic causes. The depreciated replacement cost approach generally furnished the most reliable indication of value for the property in the absence of a known market based on comparable sales.

For the property interests in Group III which have been contracted to be sold but the formal conveyancing procedures of which are yet to be completed, we have valued the property interests by the direct comparison method. We have also taken into account the consideration as stated in its Sale and Purchase Agreement to value the property interests.

For the property interests in Group IV which are held by the Group for investment and currently vacant, we have adopted the direct comparison method.

In valuing the property interests in Group V which are held for future development, we have valued the property interests by the direct comparison approach assuming sale of the property interests in their existing state with the benefit of vacant possession and by making reference to comparable sales transactions as available in the subject localities as well as the relevant benchmark land prices.

VALUATION ASSUMPTIONS

As the property interests are held under long term Government Leases, we have assumed that the Group has free and uninterrupted rights to use the property interests for the whole of the unexpired term of their respective Government Leases without payment of any substantial sum of taxes or expenses. We have valued the property interests on an open market basis assuming sale with vacant possession.

Our valuations have been made on the assumption that the Group sells the property interests in the open market in their existing states without the benefit of a deferred term contracts, leasebacks, joint ventures, management agreements or any similar arrangements, which could serve to affect the values of the property interests.

No allowance has been made in our report for any charges, mortgages or amounts owing on the property interests valued nor for any expenses or taxation which may be incurred in effecting a sale. Unless otherwise stated, it is assumed that the property interests are free from encumbrances, restrictions and outgoings of an onerous nature, which could affect their values.

VALUATION CONSIDERATIONS

In valuing the property interests, we have complied with all the requirements contained in Chapter 5 and Practice Note 12 to the Rules Governing the Listing of Securities issued by The Stock Exchange of Hong Kong Limited; and the HKIS Valuation Standards on Properties (First Edition 2005) published by the Hong Kong Institute of Surveyors effective from 1st January 2005.

In valuing the Property of the Group in Hong Kong held under the Government Lease expiring before 30th June 1997, we have taken account of the stipulations contained in Annex III of the Joint Declaration of the Government of the United Kingdom and the Government of the People's Republic of China on the question of Hong Kong and the New Territories Leases (Extension) Ordinance 1988 that such leases have been extended without premium until 30th June 2047 and that a rent of three per cent of the then rateable value is charged per annum from the date of extension.

TITLE INVESTIGATION

We have been shown copies of various documents including State-owned Land Use Rights Certificates, Construction Land Use Planning Permit, Construction Project Planning Permit and official plans relating to the Properties in the PRC, caused searches to be made at the Hong Kong Land Registry in respect of Hong Kong property and have made relevant enquiries. We have not examined the original documents to verify the existing title to the Properties in the PRC and any material encumbrances that might be attached to the Properties or any lease amendments. However, we have relied considerably on the advice given by the Company's PRC legal adviser, (廣東約克律師事務所) on the Group's title to those property interests.

LIMITING CONDITIONS

We have relied to a considerable extent on information given by the Group, in particular, but not limited to, the sales records, tenure, planning approvals, statutory notices, easements, particulars of occupancy, floor areas and all other relevant matters.

We have inspected the exterior and, where possible, the interior of the property interests. However, no structural survey has been made, but in the course of our inspection, we did not note any serious defects. We are not, however, able to report whether the property interests are free of rot, infestation or any other structural defects. No tests were carried out on any of the services.

We have not carried out detailed site measurements to verify the correctness of the site areas in respect of the property interests but have assumed that the site areas shown on the documents are correct. All documents have been used as reference only and all dimensions, measurements and areas are approximations. No on-site measurement has been taken.

We have had no reason to doubt the truth and accuracy of the information provided to us by the Group. We have also been advised by the Group that no material factors have been omitted from the information supplied. We consider that we have been provided with sufficient information to reach an informed view, and we have no reason to suspect that any material information has been withheld.

Liability in connection with this valuation report is limited to the client to whom this report is addressed and for the purpose for which it is carried out only. We will accept no liability to any other parties or any other purposes.

This report is to be used only for the purpose stated herein, any use or reliance for any other purpose, by you or third parties, is invalid. No reference to our name or our report in whole or in part, in any document you prepare and / or distribute to third parties may be made without written consent.

EXCHANGE RATE

Unless as otherwise stated, all monetary sums stated in this report are in Hong Kong Dollars (HK$).

Our valuations are summarised below and the valuation certificates are attached.

Yours faithfully,
For and on behalf of
RHL Appraisal Ltd.

Serena S. W. Lau	**Ian K. F. Ng**
FHKIS AAPI RPS(GP)	*MBA BSc(EstMan) BSc MHKIS MRICS RPS(GP)*
Managing Director	*Senior Manager*

Ms. Serena S. W. Lau is a Registered Professional Surveyor with over 16 years' experience in valuation of properties in HKSAR, Macau SAR, mainland China and the Asia Pacific Region. Ms. Lau is an Associate of Australian Property Institute, a Fellow of The Hong Kong Institute of Surveyors as well as a registered real estate appraiser in the PRC.

Mr. Ian K. F. Ng is a Registered Professional Surveyor with over 4 years' experience in valuation of properties in HKSAR, Macau SAR and mainland China. Mr. Ng is a Professional Member of The Hong Kong Institute of Surveyors as well as a chartered surveyor of The Royal Institution of Chartered Surveyors.

SUMMARY OF VALUATIONS

GROUP I – PROPERTY INTERESTS HELD BY THE GROUP FOR OWNER OCCUPATION IN HONG KONG

	Property	Market Value in existing state as at 30th November 2007 *HK$*	Interest Attributable to the Group *(%)*	Value Attributable to the Group as at 30th November 2007 *HK$*
1.	Factory Units C and D on 9th Floor and Car Parking Space Nos. 5, 6, 7, 8, 23, 24 and 25 on Ground Floor Mai Shun Industrial Building Nos. 18/24 Kwai Cheong Road Kwai Chong New Territories Hong Kong	10,720,000	100%	10,720,000
	SUB-TOTAL:	10,720,000		10,720,000

GROUP II – PROPERTY INTERESTS HELD BY THE GROUP FOR OWNER OCCUPATION IN THE PRC

	Property	Market Value in existing state as at 30th November 2007 *HK$*	Interest Attributable to the Group *(%)*	Value Attributable to the Group as at 30th November 2007 *HK$*
2.	2 residential units and 2 street-front shops of Jiayi Garden, Dongguan Jia Lake Mountain Villa Jinyinling Section Guanzhang Highway Hengkeng Administration District Liaobu Town Dongguan City Guangdong Province The PRC	880,000	70%	616,000
3.	An industrial complex and a parcel of land located at Anbao Industrial Area Youganpu Village Fenggang Town Dongguan City Guangdong Province The PRC	No commercial value	100%	No commercial value
	SUB-TOTAL:	880,000		616,000

GROUP III – PROPERTY INTERESTS HELD BY THE GROUP FOR SALE IN THE PRC

	Property	Market Value in existing state as at 30th November 2007	Interest Attributable to the Group	Value Attributable to the Group as at 30th November 2007
		HK$	*(%)*	*HK$*
4.	38 street-front shops of Jiayi Garden, Dongguan Jia Lake Mountain Villa Jinyinling Section Guanzhang Highway Hengkeng Administration District Liaobu Town Dongguan City Guangdong Province The PRC	6,000,000	70%	4,200,000
	SUB-TOTAL:	6,000,000		4,200,000

GROUP IV – PROPERTY INTERESTS HELD BY THE GROUP FOR INVESTMENT IN THE PRC

	Property	Market Value in existing state as at 30th November 2007	Interest Attributable to the Group	Value Attributable to the Group as at 30th November 2007
5.	11 street-front shops of Jiayi Garden, Jiafu Garden and Phase 1 of Jiahui Garden, 201shops on Levels 1 & 2, Restaurant, Karaoke & Supermarket on Level 2 of Jia Lake Shopping Mall Dongguan Jia Lake Mountain Villa Jinyinling Section Guanzhang Highway Hengkeng Administration District Liaobu Town Dongguan City Guangdong Province The PRC	19,200,000	70%	13,440,000
	SUB-TOTAL:	19,200,000		13,440,000

GROUP V – PROPERTY INTERESTS HELD BY THE GROUP FOR FUTURE DEVELOPMENT IN THE PRC

	Property	Market Value in existing state as at 30th November 2007	Interest Attributable to the Group	Value Attributable to the Group as at 30th November 2007
		HK$	*(%)*	*HK$*
6.	A parcel of land located at the northwest junction of Wuhuan Road and Guanzhang Road Hengkeng Village Liaobu Town Dongguan City Guangdong Province The PRC	42,500,000	70%	29,750,000
	SUB-TOTAL:	42,500,000	70%	29,750,000
	TOTAL:	**79,300,000**		**58,726,000**

VALUATION CERTIFICATE

GROUP I – PROPERTY INTERESTS HELD BY THE GROUP FOR OWNER OCCUPATION IN HONG KONG

	Property	Description and tenure	Particulars of occupancy	Market Value in existing state as at 30th November 2007 *HK$*
1.	Factory Units C and D on 9th Floor and Car Parking Space Nos. 5, 6, 7, 8, 23, 24 and 25 on Ground Floor Mai Shun Industrial Building Nos. 18/24 Kwai Cheong Road Kwai Chong New Territories Hong Kong 25/659th parts or shares of and in Kwai Chung Town Lot No. 29	The property comprises 2 factory units on level 9th Floor and 7 car parking spaces on ground floor of a 17-storey industrial building which was completed in about 1972. The total saleable area of the factory units is approximately 8,211 square feet with breakdown as follows: **Units** — **Saleable Area** *(sq.ft.)* Unit C : 4,401 Unit D : 3,810 **Total : 8,211** The property is held under New Grant No. 4629 for a term of 99 years commencing on 1st July 1898 and statutorily renewed until 30th June 2047. The current Government Rent payable for the property is an amount equal to 3% of the rateable value for the time being of the property per annum.	The property is currently occupied for industrial and car parking purposes.	10,720,000 (100% Interest Attributable to the Group: 10,720,000)

Notes:

1. The registered owner of the property is Total Growth Limited vide Memorial No.07071101760529 for a consideration of part of $16,250,000.00 dated 15th February 2007.

2. The property is subject to a Deed of Mutual Covenant registered vide Memorial No. TW96318 dated 10th July 1972.

3. As advised by the Group, Total Growth Limited is 100% interest-owned by the Group.

4. The property is currently zoned for purpose under Other Specified Uses (Business) under Approved Kwai Chung Outline Zoning Plan No. S/KC/21 in July 2004.

VALUATION CERTIFICATE

GROUP II – PROPERTY INTERESTS HELD BY THE GROUP FOR OWNER OCCUPATION IN THE PRC

	Property	Description and tenure	Particulars of occupancy	Market Value in existing state as at 30th November 2007 *HK$*
2.	2 residential units and 2 street-front shops of Jiayi Garden, Dongguan Jia Lake Mountain Villa Jinyinling Section Guanzhang Highway Hengkeng Adminstration District Liaobu Town Dongguan City Guangdong Province The PRC	The subject development (namely Dongguan Jia Lake Mountain Villa (東莞嘉湖山莊) is a composite development comprising various phases of development. Currently three phases of residential development known as Jiayi Garden (嘉怡苑), Jiafu Garden (嘉富苑) and Jiahui Garden (嘉輝苑) were completed. In between Jiayi Garden and Jiafu Garden there is a shopping mall known as Jia Lake Shopping Mall (嘉湖商場). The above phases and shopping mall were completed in various stages between 1994 and 1997. The property comprises 2 residential units (No. 15, Unit D of Ground Floor and No. 15, Unit C of Level 1) and 2 street-front shops (Units S002 and S003) in Jiayi Garden. The total gross floor area of the property is approximately 269.51 square meters with breakdown as follows: **User** / **GFA** *(sq.m.)* Residential : 153.07 Commercial : 116.44 **Total : 269.51** The land use rights of the property were granted for a term of 70 years commencing on January 1993 and expiring on January 2063 for commercial and residential uses.	The property is occupied by東莞嘉湖山莊建造有限公司for residential and commercial uses	880,000 (70% Interest Attributable to the Group: 616,000)

Notes:

1. Pursuant to the State-owned Land Use Rights Grant Contract – Dong Guo Chu Rang He (1992) Di No. 364 entered into between the Land Bureau of Dongguan City, Guangdong Province (the "grantor") and 東莞市寮步鎮房地產開發公司 (the correct name should be 東莞市寮步房地產開發公司 which was subsequently named as 東莞市寮步房地產開發總公司 as confirmed by the Group's legal adviser) (the "grantee") dated 15th December 1992, the land use rights of the subject land with a site area of 66,000 square meters were granted to the grantee for a term of 70 years commencing on the date of issue of the relevant State-owned Land Use Rights Certificate(s) at a consideration of RMB660,000. As stipulated in the Land Use Conditions, the subject development shall comprise commercial and residential composite buildings with ancillary facilities with major development parameters as follows:

Maximum plot ratio	:	1.8
Maximum site coverage	:	29.2%
Maximum Gross Floor Area (square meters)	:	316,678
Minimum Greenery Ratio	:	30%

2. Pursuant to the State-owned Land Use Rights Certificate – Dong Fu Guo Yong (1993) Zi Di No. Te 10 dated 12th January 1993 issued by People's Government of Dongguan City, the land use rights of the subject land of the development with a total site area of 26,715 square meters were granted to 東莞市寮步鎮房地產開發公司 (the correct name should be 東莞市寮步房地產開發公司 which was subsequently named as 東莞市寮步房地產開發總公司 as confirmed by the Group's legal adviser) for a term of 70 years commencing on January 1993 and expiring on January 2063 for commercial and residential uses.

3. Pursuant to the State-owned Land Use Rights Certificate – Dong Fu Guo Yong (1993) Zi Di No. Te 12 dated 25th September 1997 issued by People's Government of Dongguan City, the land use rights of the subject land of the development with a total site area of 36,967 square meters were granted to 東莞市寮步房地產開發總公司 for a term of 70 years commencing on January 1993 and expiring on January 2063 for commercial and residential uses.

4. Pursuant to a Construction Land Use Planning Permit – Liao Gui Zi 93-001 issued by the Town Development and Planning Office of Liaobu Town, Dongguan City dated 27th April 1993, the proposed land use for the development on the subject land with a site area of 82,945 square meters was approved.

5. Pursuant to a Construction Project Planning Permit – Liao Gui Zi 93-001 issued by the Town Development and Planning Office of Liaobu Town, Dongguan City dated 27th April 1993, the proposed subject development was approved.

6. The property is subject to a joint venture arrangement set up in 1992 between 安生置業有限公司 (Ancen Properties Limited) ("Party A") and 東莞市寮步房地產開發公司 (subsequently named as 東莞市寮步房地產開發總公司) ("Party B"). Party A and Party B entered into a legally binding agreement (the "Agreement") whereby Party A paid for all costs relating to the obtaining of the land use right of the property and that Party B, a PRC party, holds the title to the property. In the same year, The parties established a joint venture, 東莞嘉湖山莊建造有限公司, in which Party A is entitled to the net income derived from the property. The Agreement also stated that Party B can only transfer the title of the property to 東莞嘉湖山莊建造有限公司 and that 東莞嘉湖山莊建造有限公司 is the sole investor and user of the property.

7. The major certificates and relevant approvals of the property are summarized as follows:

i.	State-owned Land Use Rights Grant Contract	Yes
ii.	State-owned Land Use Rights Certificates	Yes
iii.	Construction Land Use Planning Permit	Yes
iv.	Construction Project Planning Permit	Yes
v.	Real Estate Title Certificate	No

8. We have been provided with a legal opinion regarding the property interests by the Group's legal adviser, which is, inter alia, summarized as follows:

(a) The property is subject to a joint venture arrangement set up in 1992 between 安生置業有限公司 (Ancen Properties Limited) ("Party A") and 東莞市寮步房地產開發公司 (subsequently named as東莞市寮步房地產開發總公司) ("Party B"). Party A and Party B entered into an agreement (the "Agreement") whereby Party A paid for all costs relating to the obtaining of the land use right of the property and that Party B, a PRC party, holds the title to the property. In the same year, The parties established a joint venture, 東莞嘉湖山莊建造有限公司, in which Party A is entitled to the net income derived from the property. The Agreement also stated that Party B can only transfer the title of the property to 東莞嘉湖山莊建造有限公司 and that 東莞嘉湖山莊建造有限公司 is the sole investor and user of the property. The Agreement is legally binding.

(b) 東莞嘉湖山莊建造有限公司 a 70% interest-owned by the Group has obtained the land use rights of the property and has the legal rights to occupy, use, lease, transfer and mortgage the property;

(c) 東莞嘉湖山莊建造有限公司 has obtained all requisite approvals from the relevant authorities for the construction and pre-sale of Dongguan Jia Lake Mountain Villa and the development is legal and valid; and

(d) The property is not subject to any mortgage.

VALUATION CERTIFICATE

	Property	Description and tenure	Particulars of occupancy	Market Value in existing state as at 30th November 2007 *HK$*
3.	An industrial complex and a parcel of land located at Anbao Industrial Area Youganpu Village Fenggang Town Dongguan City Guangdong Province The PRC	The property comprises an industrial complex erected on a parcel of land with a site area of approximately 54,000 square meters; its extension on a slope with a site area of approximately 6,000 square meters on which was erected a 2-storey villa together with a tennis court and swimming pool; and a vacant industrial site with a site area of approximately 10,108.68 square meters. The total gross floor area of the buildings erected on the land parcels is approximately 62,727 square meters (Please refer to Note 5 for area breakdown). They were completed in various stages between 1991 and 1993. The land use rights of the property are for a term of 50 years commencing on 31st January 1991 and expiring on 31st January 2041.	The property is currently occupied for production, ancillary office and dormitory purposes.	No commercial value (Please also refer to Note no. 5)

Notes:

1. Pursuant to a Land Use Rights Transfer Contract ("Contract 1") entered into between the Youganpu Management Area, Fenggang Town, Dongguan City, Guangdong Province (廣東省東莞市鳳崗鎮油甘埔管理區)("Party A") and Anco Industrial Company Limited (香港安寶實業有限公司)("Party B") dated 14th May 1991, the land use rights of portion of the subject land ("Parcel 1") with a site area of approximately 54,000 square meters were transferred to Party B at a consideration of HK$2,430,000 subject to payment of annual management fees. The land use rights are for a term of 50 years commencing on 31st January 1991 and expiring on 31st January 2041 for industrial uses. Besides, a parcel of land of site area of approximately 1,000 square meters in consideration of HK$20,000 was transferred to Party B for staff quarters use.

2. Pursuant to another Land Use Rights Transfer Contract ("Contract 2") entered into between Party A and Party B dated 25th September 1991, the land use rights of 4 additional land parcels ("Parcels 2, 3, 4 and 5") adjoining to Parcel 1 with site areas of 12,000 square meters and 11,550 square meters, 3,900 square meters and 5,000 squares meters respectively were transferred to Party B. The Parcels 2, 3 and 4 of total site area of approximately 27,450 square meters are for industrial use while Parcel 5 for villa uses. The consideration for Parcel 2 and Parcel 3 is RMB60 per square meters (RMB1,413,000), for Parcel 3 HK$45 per square meter (HK$175,500) and for Parcel 4 HK$10 per square meter (HK$50,000). As stipulated in the conditions, the Contract 2 forms part of the Contract 1.

3. Pursuant to a Land Resumption Agreement (the "Agreement 1") dated 21st January 2005 entered into between 鳳崗鎮人民政府 (Party C) and東莞鳳崗油甘埔安寶塑膠電器制品廠 (Party D), Party C resumed a portion of land of site area of approximately 27,003.50 square meters (27,450 square meters as confirmed by the Group) by compensation of a land parcel ("Parcel 6") of site area of approximately 10,108.68 square meters to Party D. The land use rights and the lease term are in accordance with the original agreement. Pursuant to the subsequent agreement (the "Agreement 2") dated 18th January 2007, the Parcel 6 will be handed over to the Party D pending the completion of site formation.

4. As per information provided by the Group, the breakdown of the approximate gross floor area of the property is as follows.

Property		**Gross Floor Area** *(sq.m.)*
Workshops	:	46,578
Dormitories/Villas	:	14,835
Office Building	:	900
Guardhouse	:	30
Power sub-station	:	384
TOTAL	**:**	**62,727**

5. We have attributed no commercial value to the property since the land use rights of the property are collective-owned in which the alienation of the property is restricted and cannot be freely transferred, sublet and mortgaged. For reference purpose, we are of the opinion that the market value of the property in its existing states as at the date of valuation, assuming all land premium, taxes and expenses have been fully settled; the relevant Land Use Rights Certificates and Building Ownership Certificates are obtained; and the Group is entitled to freely dispose of the property in the market, would be HK$66,500,000 (100% interest attributable to the Group: 66,500,000).

6. The major certificates and relevant approvals of the property are summarized as follows:

i.	Land Use Rights Transfer Contract	Yes
ii.	State-owned Land Use Rights Certificate	No
iii.	Real Estate Title Certificate	No

7. We have been provided with a legal opinion regarding the property interests by the Group's legal adviser, which is, inter alia, summarized as follows:

(a) Anco Industrial Company Limited and 東莞鳳崗油甘埔安寶塑膠電器制品廠 are 100% interest-owned by the Group.

(b) The land use rights of the property are collectively owned. Upon paying the premium and obtaining the state-owned land use rights certificate(s) and building ownership certificates, the Group is entitled to freely transfer, mortgage or otherwise handle the land use rights and building ownership rights of the property without payment of any substantial sum of taxes and expenses.

(c) The property is not subject to any mortgage.

VALUATION CERTIFICATE

GROUP III – PROPERTY INTERESTS HELD BY THE GROUP FOR SALE IN THE PRC

	Property	Description and tenure	Particulars of occupancy	Market Value in existing state as at 30th November 2007 *HK$*
4.	38 street-front shops of Jiayi Garden, Dongguan Jia Lake Mountain Villa Jinyinling Section Guanzhang Highway Hengkeng Adminstration District Liaobu Town Dongguan City Guangdong Province The PRC	The subject development (namely Dongguan Jia Lake Mountain Villa (東莞嘉湖山莊) is a composite development comprising various phases of development. Currently three phases of residential development known as Jiayi Garden (嘉怡苑), Jiafu Garden (嘉富苑) and Jiahui Garden (嘉輝苑) were completed. In between Jiayi Garden and Jiafu Garden there is a shopping mall known as Jia Lake Shopping Mall (嘉湖商場). The above phases and shopping mall were completed in various stages between 1994 and 1997. The property comprises 38 unsold street-front shops in Jiayi Garden. The total gross floor area of the property is approximately 1,773.99 square meters. The land use rights of the property were granted for a term of 70 years commencing on January 1993 and expiring on January 2063 for commercial and residential uses.	The property is held by 東莞嘉湖山莊建造有限公司 for sale.	6,000,000 (70% Interest Attributable to the Group: 4,200,000)

Notes:

1. Pursuant to the State-owned Land Use Rights Grant Contract – Dong Guo Chu Rang He (1992) Di No. 364 entered into between the Land Bureau of Dongguan City, Guangdong Province (the "grantor") and 東莞市寮步鎮房地產開發公司 (the correct name should be 東莞市寮步房地產開發公司 which was subsequently named as東莞市寮步房地產開發總公司 as confirmed by the Group's legal adviser) (the "grantee") dated 15th December 1992, the land use rights of the subject land with a site area of 66,000 square meters were granted to the grantee for a term of 70 years commencing on the date of issue of the relevant State-owned Land Use Rights Certificate(s) at a consideration of RMB660,000. As stipulated in the Land Use Conditions, the subject development shall comprise commercial and residential composite buildings with ancillary facilities with major development parameters as follows:

Maximum plot ratio	:	1.8
Maximum site coverage	:	29.2%
Maximum Gross Floor Area (square meters)	:	316,678
Minimum Greenery Ratio	:	30%

2. Pursuant to the State-owned Land Use Rights Certificate – Dong Fu Guo Yong (1993) Zi Di No. Te 10 dated 12th January 1993 issued by People's Government of Dongguan City, the land use rights of the subject land of the development with a total site area of 26,715 square meters were granted to 東莞市寮步鎮房地產開發公司 (the correct name should be 東莞市寮步房地產開發公司 which was subsequently named as 東莞市寮步房地產開發總公司 as confirmed by the Group's legal adviser) for a term of 70 years commencing on January 1993 and expiring on January 2063 for commercial and residential uses.

3. Pursuant to the State-owned Land Use Rights Certificate – Dong Fu Guo Yong (1993) Zi Di No. Te 12 dated 25th September 1997 issued by People's Government of Dongguan City, the land use rights of the subject land of the development with a total site area of 36,967 square meters were granted to 東莞市寮步房地產開發總公司 for a term of 70 years commencing on January 1993 and expiring on January 2063 for commercial and residential uses.

4. Pursuant to a Construction Land Use Planning Permit – Liao Gui Zi 93-001 issued by the Town Development and Planning Office of Liaobu Town, Dongguan City dated 27th April 1993, the proposed land use for the development on the subject land with a site area of 82,945 square meters was approved.

5. Pursuant to a Construction Project Planning Permit – Liao Gui Zi 93-001 issued by the Town Development and Planning Office of Liaobu Town, Dongguan City dated 27th April 1993, the proposed subject development was approved.

6. The property is subject to a joint venture arrangement set up in 1992 between 安生置業有限公司 (Ancen Properties Limited) ("Party A") and 東莞市寮步房地產開發公司 (subsequently named as東莞市寮步房地產開發總公司) ("Party B"). Party A and Party B entered into a legally binding agreement (the "Agreement") whereby Party A paid for all costs relating to the obtaining of the land use right of the property and that Party B, a PRC party, holds the title to the property. In the same year, The parties established a joint venture, 東莞嘉湖山莊建造有限公司, in which Party A is entitled to the net income derived from the property. The Agreement also stated that Party B can only transfer the title of the property to 東莞嘉湖山莊建造有限公司 and that 東莞嘉湖山莊建造有限公司 is the sole investor and user of the property.

7. The property is subject to a Sale and Purchase Agreement dated 4th June 2007, it was agreed that 東莞嘉湖山莊建造有限公司 sold the property to Chen Xiao Tang in a consideration of RMB4,456,263.

8. The major certificates and relevant approvals of the property are summarized as follows:

i.	State-owned Land Use Rights Grant Contract	Yes
ii.	State-owned Land Use Rights Certificates	Yes
iii.	Construction Land Use Planning Permit	Yes
iv.	Construction Project Planning Permit	Yes
v.	Real Estate Title Certificate	No

9. We have been provided with a legal opinion regarding the property interests by the Group's legal adviser, which is, inter alia, summarized as follows:

   (a) The property is subject to a joint venture arrangement set up in 1992 between 安生置業有限公司 (Ancen Properties Limited) ("Party A") and 東莞市寮步房地產開發公司 (subsequently named as 東莞市寮步房地產開發總公司) ("Party B"). Party A and Party B entered into an agreement (the "Agreement") whereby Party A paid for all costs relating to the obtaining of the land use right of the property and that Party B, a PRC party, holds the title to the property. In the same year, The parties established a joint venture, 東莞嘉湖山莊建造有限公司, in which Party A is entitled to the net income derived from the property. The Agreement also stated that Party B can only transfer the title of the property to 東莞嘉湖山莊建造有限公司 and that 東莞嘉湖山莊建造有限公司 is the sole investor and user of the property. The Agreement is legally binding.

   (b) 東莞嘉湖山莊建造有限公司 a 70% interest-owned by the Group has obtained the land use rights of the property and has the legal rights to occupy, use, lease, transfer and mortgage the property;

   (c) 東莞嘉湖山莊建造有限公司 has obtained all requisite approvals from the relevant authorities for the construction and pre-sale of Dongguan Jia Lake Mountain Villa and the development is legal and valid; and

   (d) The property is not subject to any mortgage.

VALUATION CERTIFICATE

GROUP IV – PROPERTY INTERESTS HELD BY THE GROUP FOR INVESTMENT IN THE PRC

	Property	Description and tenure	Particulars of occupancy	Market Value in existing state as at 30th November 2007 *HK$*
5.	11 street-front shops of Jiayi Garden, Jiafu Garden and Phase 1 of Jiahui Garden, 201shops on Levels 1 & 2, Restaurant, Karaoke & Supermarket on Level 2 of Jia Lake Shopping Mall Dongguan Jia Lake Mountain Villa Jinyinling Section Guanzhang Highway Hengkeng Adminstration District Liaobu Town Dongguan City Guangdong Province The PRC	The subject development (namely Dongguan Jia Lake Mountain Villa (東莞嘉湖山莊) is a composite development comprising various phases of development. Currently three phases of residential development known as Jiayi Garden (嘉怡苑), Jiafu Garden (嘉富苑) and Jiahui Garden (嘉輝苑) were completed. In between Jiayi Garden and Jiafu Garden there is a shopping mall known as Jia Lake Shopping Mall (嘉湖商場). The above phases and shopping mall were completed in various stages between 1994 and 1997. The property comprises 11 street-front shops in Jiayi Garden, 201 shops on Levels 1 & 2, Restaurant, Karaoke & Supermarket on Level 2 of Jia Lake Shopping Mall. The total gross floor area of the property is approximately 11,792.80 square meters with breakdown as follows:	The property is currently vacant.	19,200,000 (70% Interest Attributable to the Group: 13,440,000)

User		GFA *(sq.m.)*
11 street-front shops	:	644.10
201shops on Levels 1 & 2	:	7,622.96
Restaurant	:	1,725.38
Karaoke	:	850.71
Supermarket	:	949.65
Total	**:**	**11,792.80**

The land use rights of the property were granted for a term of 70 years commencing on January 1993 and expiring on January 2063 for commercial and residential uses

Notes:

1. Pursuant to the State-owned Land Use Rights Grant Contract – Dong Guo Chu Rang He (1992) Di No. 364 entered into between the Land Bureau of Dongguan City, Guangdong Province (the "grantor") and 東莞市寮步鎮房地產開發公司 (the correct name should be 東莞市寮步房地產開發公司 which was subsequently named as東莞市寮步房地產開發總公司 as confirmed by the Group's legal adviser) (the "grantee") dated 15th December 1992, the land use rights of the subject land with a site area of 66,000 square meters were granted to the grantee for a term of 70 years commencing on the date of issue of the relevant State-owned Land Use Rights Certificate(s) at a consideration of RMB660,000. As stipulated in the Land Use Conditions, the subject development shall comprise commercial and residential composite buildings with ancillary facilities with major development parameters as follows:

Maximum plot ratio	:	1.8
Maximum site coverage	:	29.2%
Maximum Gross Floor Area (square meters)	:	316,678
Minimum Greenery Ratio	:	30%

2. Pursuant to the State-owned Land Use Rights Certificate – Dong Fu Guo Yong (1993) Zi Di No. Te 10 dated 12th January 1993 issued by People's Government of Dongguan City, the land use rights of the subject land of the development with a total site area of 26,715 square meters were granted to 東莞市寮步鎮房地產開發公司 (the correct name should be 東莞市寮步房地產開發公司 which was subsequently named as 東莞市寮步房地產開發總公司 as confirmed by the Group's legal adviser) for a term of 70 years commencing on January 1993 and expiring on January 2063 for commercial and residential uses.

3. Pursuant to the State-owned Land Use Rights Certificate – Dong Fu Guo Yong (1993) Zi Di No. Te 12 dated 25th September 1997 issued by People's Government of Dongguan City, the land use rights of the subject land of the development with a total site area of 36,967 square meters were granted to 東莞市寮步房地產開發總公司 for a term of 70 years commencing on January 1993 and expiring on January 2063 for commercial and residential uses.

4. Pursuant to a Construction Land Use Planning Permit – Liao Gui Zi 93-001 issued by the Town Development and Planning Office of Liaobu Town, Dongguan City dated 27th April 1993, the proposed land use for the development on the subject land with a site area of 82,945 square meters was approved.

5. Pursuant to a Construction Project Planning Permit – Liao Gui Zi 93-001 issued by the Town Development and Planning Office of Liaobu Town, Dongguan City dated 27th April 1993, the proposed subject development was approved.

6. The property is subject to a joint venture arrangement set up in 1992 between 安生置業有限公司 (Ancen Properties Limited) ("Party A") and 東莞市寮步房地產開發公司 (subsequently named as 東莞市寮步房地產開發總公司) ("Party B"). Party A and Party B entered into a legally binding agreement (the "Agreement") whereby Party A paid for all costs relating to the obtaining of the land use right of the property and that Party B, a PRC party, holds the title to the property. In the same year, The parties established a joint venture, 東莞嘉湖山莊建造有限公司, in which Party A is entitled to the net income derived from the property. The Agreement also stated that Party B can only transfer the title of the property to 東莞嘉湖山莊建造有限公司 and that 東莞嘉湖山莊建造有限公司 is the sole investor and user of the property.

7. The property is subject to a Sale and Purchase Agreement dated 4th June 2007, it was agreed that 東莞嘉湖山莊建造有限公司 sold the property to Anex International Holdings Limited in a consideration of RMB10,936,640.94. Anex International Holdings Limited is the previous name of the Group.

8. The major certificates and relevant approvals of the property are summarized as follows:

i.	State-owned Land Use Rights Grant Contract	Yes
ii.	State-owned Land Use Rights Certificate	Yes
iii.	Construction Land Use Planning Permit	Yes
iv.	Construction Project Planning Permit	Yes
v.	Real Estate Title Certificate	No

9. We have been provided with a legal opinion regarding the property interests by the Group's legal adviser, which is, inter alia, summarized as follows:

(a) The property is subject to a joint venture arrangement set up in 1992 between 安生置業有限公司 (Ancen Properties Limited) ("Party A") and 東莞市寮步房地產開發公司 (subsequently named as 東莞市寮步房地產開發總公司) ("Party B"). Party A and Party B entered into an agreement (the "Agreement") whereby Party A paid for all costs relating to the obtaining of the land use right of the property and that Party B, a PRC party, holds the title to the property. In the same year, The parties established a joint venture, 東莞嘉湖山莊建造有限公司, in which Party A is entitled to the net income derived from the property. The Agreement also stated that Party B can only transfer the title of the property to 東莞嘉湖山莊建造有限公司 and that 東莞嘉湖山莊建造有限公司 is the sole investor and user of the property. The Agreement is legally binding.

(b) 東莞嘉湖山莊建造有限公司 a 70% interest-owned by the Group has obtained the land use rights of the property and has the legal rights to occupy, use, lease, transfer and mortgage the property;

(c) 東莞嘉湖山莊建造有限公司 has obtained all requisite approvals from the relevant authorities for the construction and pre-sale of Dongguan Jia Lake Mountain Villa and the development is legal and valid; and

(d) The property is not subject to any mortgage.

VALUATION CERTIFICATE

GROUP V – PROPERTY INTERESTS HELD BY THE GROUP FOR FUTURE DEVELOPMENT IN THE PRC

	Property	Description and tenure	Particulars of occupancy	Market Value in existing state as at 30th November 2007 *HK$*
6.	A parcel of land located at the northwest junction of Wuhuan Road and Guanzhang Road Hengkeng Village Liaobu Town Dongguan City Guangdong Province The PRC	The property comprises an undeveloped portion of land with a site area of 13,031 square metres of a composite development known as Dongguan Jia Lake Mountain Villa (東莞嘉湖山莊). The land use rights of the property were granted for a term of 70 years commencing on January 1993 and expiring on January 2063 for commercial and residential uses.	The property is currently vacant.	42,500,000 (70% Interest Attributable to the Group: 29,750,000)

Notes:

1. Pursuant to the State-owned Land Use Rights Grant Contract – Dong Guo Chu Rang He (1992) Di No. 364 entered into between the Land Bureau of Dongguan City, Guangdong Province (the "grantor") and 東莞市寮步鎮房地產開發公司 (the correct name should be 東莞市寮步房地產開發公司 which was subsequently name as東莞市寮步房地產開發總公司 as confirmed by the Group's legal adviser) (the "grantee") dated 15th December 1992, the land use rights of the subject land (the property forms part of the land) with a site area of 66,000 square meters were granted to the grantee for a term of 70 years commencing on the date of issue of the relevant State-owned Land Use Rights Certificate(s) at a consideration of RMB660,000. As stipulated in the Land Use Conditions, the subject development shall comprises commercial and residential composite buildings with ancillary facilities with major development parameters as follows:

Maximum plot ratio	:	1.8
Maximum site coverage	:	29.2%
Maximum Gross Floor Area (square meters)	:	316,678
Minimum Greenery Ratio	:	30%

2. Pursuant to the State-owned Land Use Rights Certificate – Dong Fu Guo Yong (1993) Zi Di No. Te 10 dated 12th January 1993 issued by People's Government of Dongguan City, the land use rights of the subject land of the development with a total site area of 26,715 square meters were granted to 東莞市寮步鎮房地產開發公司 (the correct name should be 東莞市寮步房地產開發公司 which was subsequently named as 東莞市寮步房地產開發總公司 as confirmed by the Group's legal adviser) for a term of 70 years commencing on January 1993 and expiring on January 2063 for commercial and residential uses.

3. Pursuant to the State-owned Land Use Rights Certificate – Dong Fu Guo Yong (1993) Zi Di No. Te 12 dated 25th September 1997 issued by People's Government of Dongguan City, the land use rights of the subject land of the development with a total site area of 36,967 square meters were granted to 東莞市寮步房地產開發總公司 for a term of 70 years commencing on January 1993 and expiring on January 2063 for commercial and residential uses.

4. The property is subject to a joint venture arrangement set up in 1992 between 安生置業有限公司 (Ancen Properties Limited) ("Party A") and 東莞市寮步房地產開發公司 (subsequently named as 東莞市寮步房地產開發總公司) ("Party B"). Party A and Party B entered into a legally binding agreement (the "Agreement") whereby Party A paid for all costs relating to the obtaining of the land use right of the property and that Party B, a PRC party, holds the title to the property. In the same year, The parties established a joint venture, 東莞嘉湖山莊建造有限公司, in which Party A is entitled to the net income derived from the property. The Agreement also stated that Party B can only transfer the title of the property to 東莞嘉湖山莊建造有限公司 and that 東莞嘉湖山莊建造有限公司 is the sole investor and user of the property.

5. As advised by the Company, the development plan of the property is in an initial stage and not yet finalized. Our valuation is based on the development conditions of plot ratio of 1.8 and site coverage of 29.2% as stated in the land use rights grant contract.

6. We have not noted any conditions imposed as to construction of roadway, drainage and other facilities or services for public use which will have material effect on our valuation of the property.

7. The major certificates and relevant approvals of the property are summarized as follows:

i.	State-owned Land Use Rights Grant Contract	Yes
ii.	State-owned Land Use Rights Certificate	Yes
iii.	Construction Land Use Planning Permit	No

8. We have been provided with a legal opinion regarding the property interests by the Group's legal adviser, which is, inter alia, summarized as follows:

   (a) The property is subject to a joint venture arrangement set up in 1992 between 安生置業有限公司 (Ancen Properties Limited) ("Party A") and 東莞市寮步房地產開發公司 (subsequently named as 東莞市寮步房地產開發總公司) ("Party B"). Party A and Party B entered into an agreement (the "Agreement") whereby Party A paid for all costs relating to the obtaining of the land use right of the property and that Party B, a PRC party, holds the title to the property. In the same year, The parties established a joint venture, 東莞嘉湖山莊建造有限公司, in which Party A is entitled to the net income derived from the property. The Agreement also stated that Party B can only transfer the title of the property to 東莞嘉湖山莊建造有限公司 and that 東莞嘉湖山莊建造有限公司 is the sole investor and user of the property. The Agreement is legally binding.

   (b) 東莞嘉湖山莊建造有限公司 a 70% interest-owned by the Group has obtained the land use rights of the property and is entitled to use, occupy, lease, transfer and mortgage the property without payment of any substantial sum of taxes and expenses or land premium.

   (c) There is no legal impediments to obtain all prerequisite development permits / approvals from the relevant government authorities for the development of the property.

   (d) All land premium has been paid in full; and

   (e) The property is not subject to any mortgage.

The following is the text of the technical report in respect of the Magnesite Mine prepared by Coffey Mining, for the purpose of inclusion in this circular.

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INDEPENDENT TECHNICAL REVIEW OF THE LISHUGOU MAGNESITE PROJECT, LIAONING PROVINCE, CHINA

The Directors
China Rise International Holdings Limited
Room 1606-7,
West Tower, Shun Tak Centre,
168-200 Connaught Road Central,
Hong Kong

6 February 2008

Dear Sirs,

Coffey Mining Pty Limited ("Coffey Mining") has been commissioned by China Rise International Holdings Limited ("CRIH") to provide an Independent Technical Review of the Lishugou Magnesite Project located in Liaoning Province, the Peoples Republic of China. CIRH is going to acquire the entire interest in Ling Kit Holding Limited ("LKH"), which indirectly holds an 80% interest In the Lishugou Magnesite Project.

In accordance with the rules governing the listing of securities on the Stock Exchange of Hong Kong Limited ("the Hong Kong Stock Exchange Listing Rules"), CRIH is required to issue a circular to shareholders in relation to the acquisition of LKH and a technical report shall be included therein. Coffey Mining has conducted its review and preparation of this technical report in accordance with the relevant aspects of Chapter 18 of the Hong Kong Stock Exchange Listing Rules.

A final draft of the report was also provided to CRIH, along with a written request to identify any material errors or omissions prior to lodgement. Where appropriate, consent has been obtained to quote data and opinions expressed in unpublished reports prepared by other professionals on the property concerned.

The legal status of the Lishugou Magnesite Project has not been independently verified by Coffey Mining. The present status of tenements listed in this report is based on information provided by CRIH and the report has been prepared on the assumption that the tenements will prove lawfully accessible for evaluation.

The Independent Technical Review has been prepared in accordance with the Code for the Technical Assessment and Valuation of Mineral and Petroleum Assets and Securities for Independent Expert Reports (the VALMIN Code) and the Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves (the JORC Code), which are binding upon Members of the Australasian Institute of Mining and Metallurgy (AusIMM).

Coffey Mining is a mining industry consulting firm, which has been providing services and advice to the international minerals industry and financial institutions since 1987. This report has been compiled by Mr Bielin Shi of 4 Angus Crt, Duncraig, WA 6023, Australia, who holds a PhD in Geology and is a professional geologist with 25 years experience in the exploration and evaluation of mineral properties worldwide, and Mr Rick Yeates, of 120 Williams Road Gooseberry Hill, WA, 6076 who holds a BSc in Geology and is a professional geologist with 26 years experience in exploration and evaluation of mineral properties worldwide. Bielin Shi is a Specialist Consultant within Coffey Mining's Resource Division, and a Member of the Australasian Institute of Mining and Metallurgy ("AusIMM"). Rick Yeates is a Senior Principal of Coffey Mining, and a Member of the AusIMM. Both authors have the appropriate relevant qualifications, experience, competence and independence to be considered as "Experts" and "Competent Persons" under the definitions provided in the VALMIN and JORC codes respectively.

Neither Coffey Mining, nor the authors of this report, have or have previously had, any interest in CRIH or the mineral properties in which CRIH has an interest. Our relationship with CRIH is solely one of professional association between client and independent consultant. This report is prepared in return for professional fees based upon agreed commercial rates and the payment of these fees is in no way contingent on the results of this report.

Yours faithfully
Coffey Mining
Bielin Shi
Specialist Consultant – Resources

EXECUTIVE SUMMARY

Introduction

China Rise International Holdings Limited (CRIH) requested Coffey Mining Pty Ltd (Coffey Mining) to prepare an Independent Technical Report (ITR) of the Lishugou Magnesite Project, held by Haicheng Dongxin Industry Limited (Dongxin). The Lishugou Project is situated 120km south of Shenyang, the capital city of Liaoning Province, in the People's Republic of China (PRC).

The project comprises three granted Mining Licences, aggregating to an area of 0.8943km^2. The project tenement is held 100% by Dongxin, which is a joint venture company that intends to redevelop the Lishugou Magnesite Project. It is understood that CRIH will hold an 80% interest in Dongxin and manage the Lishugou Project, while the remaining 20% interest will be retained by Haicheng City Bali County Dongsandao Villagers Committee, the original shareholder of Dongxin.

Coffey Mining has not independently verified the legal status of the Dongxin tenement, nor is it qualified to do so. This report is prepared on the understanding that the tenements are (or will prove to be) lawfully accessible for evaluation and development.

Geology

The Lishugou magnesite deposits occur on the northwest limb of a regional synclinal fold structure associated with the Ximu anticlinorium. The fold limb dips approximately 40˚ towards the southeast, and the axial plane strikes 045˚. Most of the magnesite mineralisation is hosted in dolomites and altered granulites of the Dashiqiao Formation of the Lower Proterozoic Liaohe Group. The deposits occur within structurally deformed, so-called broken zones and contact zones, forming the Yingkou Qiaotaipu – Haicheng Fanjiapuzi mineralised belt.

Exploration and Mining History

Magnesite was discovered at Lishugou in 1930's and the deposits were mined by the Japanese during the Second World War.

Modern exploration at Lishugou commenced in 1983 when the Anshan Metallurgical Geology Exploration Bureau commenced a trenching program, consisting of 400m spaced trenches to confirm the continuity of geology and mineralisation in the Lishugou area. In 1985, theNo.5 Geological Brigade of the Liaoning Geological Exploration Bureau (No.5 Brigade) completed further trenching and channel sampling, culminating in a provisional resource estimate.

In 2007, No.404 Brigade of the Liaoning Metallurgical and Geological Bureau (No.404 Brigade) performed a geological survey and audit of the Lishugou magnesite resources, based on the work completed by the No.5 Brigade in 1985.

Dongxin commenced mining at Lishugou in 1999. The company currently has three operating open pits within the property. Magnesite production between 2000 and 2005 was undertaken at an approximate combined rate of 600,000tpa, increasing to between 700,000tpa and 800,000tpa in the last two years. The pits have been mined to an average depth of 100m vertically below the natural surface of the hillside.

Resources

The Lishugou magnesite resources are categorised in accordance with the Chinese Standard, as reported by the No.404 Brigade of the Liaoning Metallurgical Geological Bureau in 2007. The resources are summarised in the table below.

Lishugou Project
Magnesite Resources
(No.404 Brigade – 2007)

		Average Grade (%)		
Chinese Standard Resource Category	**Tonnes**	**MgO**	**CaO**	**SiO_2**
333	27,626,500	45.90	0.82	2.23
334	120,229,000	45.80	0.80	2.89
Total (333+334)	**147,855,500**	45.80	0.81	2.75

Resources classified as 333 category under the Chinese Standard are considered to be broadly equivalent to Inferred Resources under the JORC Code guidelines. Those classified as 334 category are too tenuous for classification under the JORC Code, and are therefore considered to constitute exploration potential only.

Although Coffey Mining was not able to verify point data associated with the quoted resources, a visual verification of hard-copy plans suggests that the data applied by the No.404 Brigade in estimation, and the grade-tonnage values derived for the Chinese Standard 333 and 334 category resources, are reliable with respect to the classifications to which they have been assigned. Consistency with the JORC classifications (and subsequent reporting according to JORC guidelines) cannot be undertaken due to the lack of information relating to quality control applied in sampling and assaying.

Exploration Potential

The exploration potential associated with the Lishugou Magnesite Project is entirely encapsulated within the 333 category resources identified above. This potential reflects the along strike and up-dip extensions to the 334 category resources, all of which are understood to lie above the base of the current open pits.

It should be noted that the exploration potential is not based on drilling or development, but relies on surface trenching and areas of historic magnesite mining. The potential quantity is only conceptual, and it is uncertain if further exploration will result in a Mineral Resource.

Current Operations

Five deposits are being mined from three existing open pit operations within three separate, but contiguous licence areas. Mining undertaken as a standard drill, blast, load and haul operation, which incorporates both resource material and a large quantum of exploration potential. Dongxin has not declared Ore Reserves.

The current mining cut-off grade is 41% MgO. Each pit produces approximately 250,000t of ore per year, representing aggregate production from the three pits of approximately 750,000tpa at a strip ratio of 0.70t of waste to each tonne of ore (0.70:1). Each operation employs approximately 45 personnel. Mining costs are quoted at ¥20/t of ore (US$2.67/t). Ore from the Lishugou open cut operations is directly sold to Chinese magnesite processing facilities.

The site inspection identified that the recommended geotechnical parameters are essentially being ignored during mining operations. Few berms remain, the pit walls are in poor condition and the pit slopes are steeper than designated. The Lishugou Project is located within a rural environment, however a number of potential environmental issues exist, including dust, noise and amenity impacts.

Proposed Mining and Processing Operations

CRIH is planning to invest US$92.3M to redevelop the Lishugou operations. The preliminary feasibility studies for the proposed development were completed by the Northeast Exploration Bureau Metallurgical Industry Ministry Department of Mining Design in 2000 and the Design Institute of Liaoning Science and Technology University in 2007 for the mining and processing components respectively.

The JORC Code guidelines stipulate that only Indicated and Measured Resources should be considered for conversion to Ore Reserves via the application of mining, metallurgical, economic, marketing, legal, environmental, social and governmental factors. In the absence of these, however, the relevant agencies have completed a preliminary economic assessment on the 333 (notionally Inferred) category resources.

Mining is proposed to be undertaken as a standard drill, blast, load and haul operation. Loading and hauling is to be undertaken using front-end loaders and on-highway dump trucks, combined with a number of hydraulic rock breakers to deal with the oversize material. An ore mining rate of 0.5Mtpa is proposed and it is understood that the mining cut-off grade will remain at 41% MgO. Mining costs are estimated to be ¥20/t (US$2.67/t) of ore.

A new processing plant is planned to be constructed, producing 200tpd of electrically-fused (granular) magnesite powder (<20µm), 366tpd of fine sintered (high density) magnesite powder (<150µm), 192tpd of MgO slagging ball and 83tpd of MgO dolomite sand (150µm-5mm).

1 INTRODUCTION

1.1 Scope of Work

China Rise International Holdings Limited (CRIH) has requested Coffey Mining Pty Limited (Coffey Mining) to prepare an Independent Technical Report (ITR) on the Lishugou Magnesite Project in northeast China. The project comprises open-pit magnesite mines at Dongsandao, owned by Haicheng Dongxin Industry Limited (Dongxin).

Dongxin is a joint venture entity in which CRIH will hold an 80% equity interest and Haicheng City Bali County Dongsandao Villagers Committee, the original shareholder of Dongxin, will retain the remaining 20% interest. It is understood that the ITR is required to facilitate the acquisition of Dongxin as required by the Hong Kong Stock Exchange for a very substantial acquisition under Chapter 14 of the Listing Rules.

Coffey Mining has not independently verified the legal status of the Dongxin tenements, nor is it qualified to do so. This report is prepared on the understanding that the tenements are (or will prove to be) lawfully accessible for evaluation and development.

This report has been prepared in accordance with the Code and Guidelines for the Technical Assessment and Valuation of Mineral and Petroleum Assets and Securities for Independent Expert Reports (The VALMIN Code), as adopted by the Australasian Institute of Mining and Metallurgy (AusIMM) in April 2005.

1.2 Principal Sources of Information

The principal sources of information used to compile this report comprise technical reports, data and operating reports provided by Dongxin, supported by discussions with Dongxin operational personnel and corporate management. A listing of the principal sources of information is included in Section 11 of this report.

The data provided to Coffey Mining to complete the ITR includes the following:-

- Tenement schedules.
- Geology and exploration reports, including maps, plans and sections prepared by No.5 Brigade of the Liaoning Provincial Geology Exploration Bureau in 1985.
- Resource evaluation report prepared by No.404 Brigade of the Liaoning Metallurgical Geological Bureau in 2007.
- Open pit mining plans and sections prepared by the Lishugou magnesite mine in 2007.
- Preliminary processing feasibility study prepared by the Design Institute of Liaoning Science and Technology University in 2007.

A site visit was also undertaken to the Lishugou Project by the primary author of this report between the 7th and 10th of August 2007. All reasonable enquiries have been made to confirm the validity and completeness of the technical data upon which this report is based. A final draft of this report was also provided to CRIH, along with a request to identify any material errors or omissions, prior to final submission.

1.3 Qualifications, Experience and Independence

Coffey Mining is a mining industry consulting firm, which has been providing services and advice to the international minerals industry and financial institutions since 1987. With reference to Hong Kong Stock Exchange Listing Rule 18.09(1), a selection of more recent Independent Expert Reports and Valuations completed by Coffey Mining in all international jurisdictions is provided in Table 1.3_1 below.

Table 1.3_1
Previous Relevant Experience of the Technical Advisor
Selected Examples of Recent Independent Expert Reports and Valuations

Midas Resources Limited	January 2003 (IPO report)
Cambrian Mining plc	February 2003 (IGR)
Kenor ASA	March 2003 (QPR for Toronto Listing)
West Coast Mining Limited	May 2003 (IGR & Valuation)
Navigator Resources Limited	June 2003 (IGR)
AIM Nickel Limited	June 2003 (Valuation of Australian nickel projects)
Tritton Resources Limited	June 2003 (IER & Valuation)
KPMG Corporate Finance	July 2003 (Valuation for Spinifex/Gallery merger)
East African Gold Mines Limited	August 2003 (Independent Technical Consultants Report)
A1 Minerals Limited	August 2003 (IGR)
Cougar Metals NL	August 2003 (IGR)
AIM Nickel Limited	September 2003 (IGR)
Ausquest Limited	September 2003 (IGR)
Traka Resources Limited	September 2003 (IGR)
Hannans Reward NL	October 2003 (IPO report)
Discovery Nickel Limited	October 2003 (IGR)
Hannans Reward NL	October 2003 (IGR)
Northern Star Resources Limited	October 2003 (IGR)
Adamus Resources Limited	November 2003 (QPR)
Albidon Limited	December 2003 (IGR)
McWatters Mining Inc	December 2003 (Valuation)
Titan Resources Limited	December 2003 (Valuation)
Birim Goldfields Inc.	January 2004 (QPR)
Champion Resources Limited	February 2004 (Revised QPR)
Platmin Limited	February 2004 (QPR)

Table 1.3_1
Previous Relevant Experience of the Technical Advisor
Selected Examples of Recent Independent Expert Reports and Valuations

Kenor ASA	March 2004 (QPR)
Zambezi Resources Limited	May 2004 (CPR)
Arcourt Resources NL	June 2004 (IGR)
Eurogold Ltd & RFC Corporate Finance Ltd	June 2004 (CPR)
Matilda Minerals Limited	June 2004 (IGR)
Perseus Mining Limited (Afminex)	June 2004 (IGR)
Ongopolo Mining and Processing Limited	July 2004 (Valuation)
Lalo Ventures Limited	December 2004 (QPR)
Abra Mining Limited	January 2005 (IGR)
Argonaut Capital Ltd / Nova Energy Ltd	March 2005 (IGR)
Vital Metals Limited	June 2005 (IGR)
Tritton Resources Ltd / HLB Mann Judd	June 2005 (Valuation)
Leyshon Resources Limited	September 2005 (CPR)
Azumah Resources Limited	January 2006 (IGR)
Encounter Resources	March 2006 (IGR)
Magma Metals	March 2006 (CPR)
Solomon Gold	March 2006 (CPR)
Castle Minerals	April 2006 (IGR)
Sphere Investments	June 2006 (CPR & Valuation)
Centamin Egypt	April 2007 (43-101)
Extract Resources	April 2007 (43-101)
3D Resources	March 2007 (IGR)
Kasbah Resources	April 2007 (IGR)
Burey Gold	December 2006 (IGR)
Osisko Exploration	October 2006 (QPR)
ABM Resources	February 2007 (CPR)
Sphere Investments	June 2006 (QPR & Valuation)
Hazelwood Resources	October 2006 (IGR)
Investor Resources	November 2006 (CPR)
Kimberley Diamond Co.	September 2006 (CPR)
African Gold	October 2006 (IGR)
Majestic Diamonds & Metals	August 2006 (IGR)
Kalgoorlie-Boulder Resources	February 2007 (IGR)
Weatherly International	June 2006 (CPR)
Southern Hemisphere Mining	August 2006 (IGR)
Western China Resources	February 2007 (CPR)
Wild Horse Energy	November 2006 (IGR)
Barplats	January 2006 (43-101)
Global Resource Ventures	March 2006 (CPR)
Uranco	December 2005 (CPR)

With reference to Hong Kong Stock Exchange Listing Rule 18.09(1), the primary author of this report is Dr Bielin Shi of 4 Angus Crt, Duncraig, WA 6023, Australia, who holds a PhD in Geology and is a professional geologist with 25 years experience in the exploration and evaluation of mineral properties worldwide. Dr Shi is a Specialist Consultant within Coffey Mining's Resource Division, and a Member of the Australasian Institute of Mining and Metallurgy (AusIMM).

Again with reference to Hong Kong Stock Exchange Listing Rule 18.09(1), the co-author of this report is Mr Rick Yeates of 120 Williams Road Gooseberry Hill, WA, 6076, Australia, who holds a BSc in Geology and is a professional geologist with 26 years experience in exploration and evaluation of mineral properties worldwide. Mr Yeates is a Senior Principal of Coffey Mining, and a Member of both the AusIMM and the Australian Institute of Geoscientists (AIG).

Both authors have the appropriate relevant qualifications, experience, competence and independence to be considered as "Experts" and "Competent Persons" under the definitions provided in the VALMIN and JORC codes respectively.

With reference to Hong Kong Stock Exchange Listing Rule 18.09(1), a selection of more recent Independent Reports completed by one or the other or both authors of this report on PRC assets (including capital raisings on the Hong Kong and Shanghai stock exchanges) is provided in Table 1.3_2 below.

Table 1.3_2
Recent PRC Experience of Authors

Company	Country	Assignment	Contributing Author	Date
Well Pacific Holdings	PRC	Technical Review & Valuation	Rick Yeates	July 2007
Macquarie Securities	PRC	Technical Audit	Bielin Shi	Aug 2007
Indochina Minerals	PRC	Scoping Study	Bielin Shi	Sept 2007
Western China Resources	PRC	Competent Person's Report	Rick Yeates	Dec 2005
China Gold Mines	PRC	Due Diligence	Rick Yeates	July 2006
Hainan Mining Corporation	PRC	Independent Technical Review	Rick Yeates	Mar 2006
Leyshon Resources	PRC	Competent Person's Report	Rick Yeates	Aug 2005
Global Resource Ventures	PRC	Competent Person's Report	Rick Yeates	Aug 2005
Redox Diamonds	PRC	Competent Person's Report	Rick Yeates	Jan 2005
Wedgetail Exploration	PRC	Independent Technical Review	Rick Yeates	Jun 2004

2 PROJECT SETTING

The Lishugou Magnesite Project is located approximately 120km south of Shenyang, the capital city of Liaoning Province, and 18km southwest of Haicheng City, in the Peolpes Republic of China (PRC) (Figure 2_1). The site is easily accessible by sealed roads from Haicheng to the project area.

Figure 2_1
Lishugou Project
Location Plan

The majority of the mine workforce resides in nearby Mafeng County, which has a population of approximately 30,000 people. A large number of employees have been recruited locally and there is strong local government support for the project.

Infrastructure associated with the Lishugou Project includes a storage facility and offices. The site is well supplied by water and grid power is available via a 10kV transmission line to two 1.25MVA transformers. The site is also fully serviced by international telecommunications, including broadband access for internet services.

Weather conditions are not severe, with the area characterised by warm summers and cold, dry winters.

3 TENURE

The Lishugou Project comprises three granted Mining Licences, aggregating to an area of 0.8943km^2 and is based on co-ordinates issued by the Liaoning Provincial State-owned Land Resources Bureau as set out in Table 3_1. Coffey Mining understands from CRIH's PRC lawyer that the three Mining Licences have been approved by the relevant authorities in China to be consolidated into one single licence.

Table 3_1
Lishugou Project
Tenement Coordinates

Point #	X-Coordinate	Y-Coordinate
1	4,512,684	41,487,185
2	4,513,020	41,487,640
3	4,513,239	41,487,895
4	4,513,454	41,488,353
5	4,513,520	41,489,162
6	4,513,279	41,489,207
7	4,512,962	41,488,494
8	4,513,054	41,488,459
9	4,512,666	41,487,851
10	4,512,353	41,487,428
11	4,512,574	41,487,238

The status of the project tenements has been provided by Dongxin. Coffey Mining has not independently verified the legal status of the tenements, nor is it qualified to do so. This report is prepared on the understanding that the tenements are (or will prove to be) lawfully accessible for evaluation and development.

The Chinese central and provincial governments have strict environmental guidelines and processes to ensure that mining proponents adhere to regulations and requirements. It is understood that all necessary environmental and planning permits are in place for the existing operations.

4 GEOLOGY

In accordance with the Hong Kong Stock Exchange Listing Rule 18.09-6b, a description of the geological characteristics of the Lishugou Project is described below.

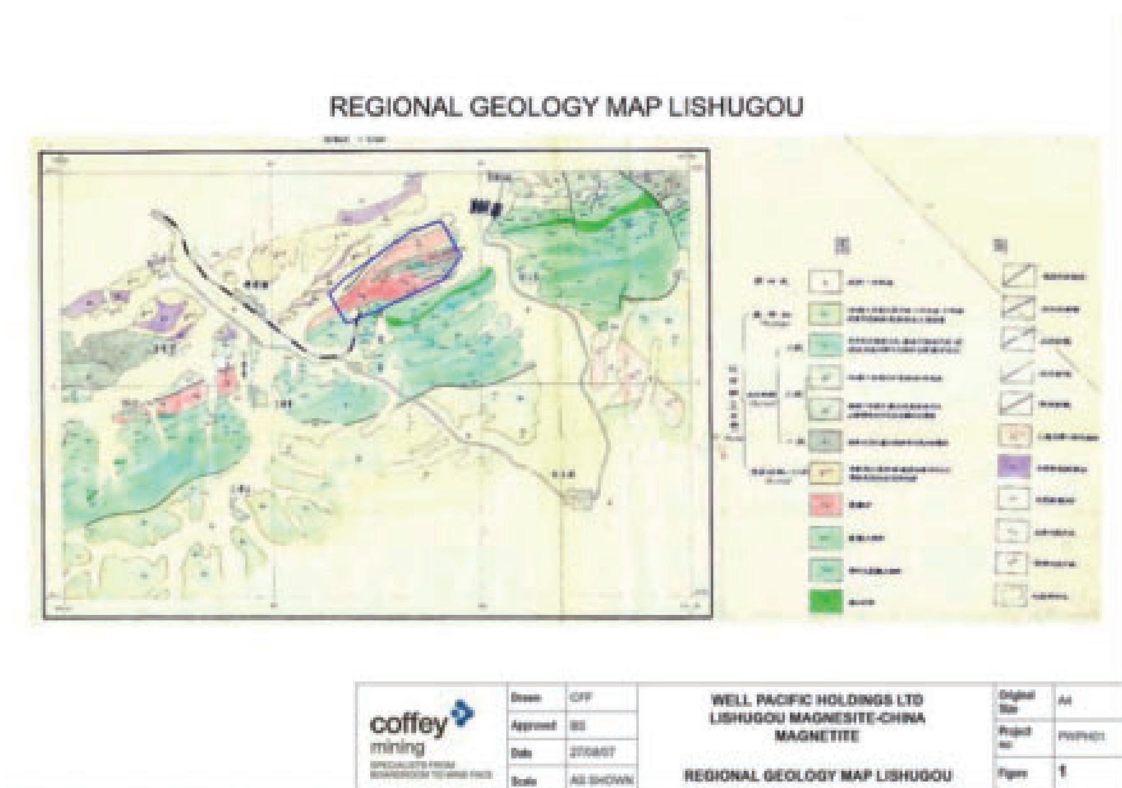
4.1 Regional Setting

The Dongxin tenements are located at the junction between the eastern extremity of the east-west trending Yingshan-Tianshan tectonic zone and the uplifted northeast structural zone. Subordinately, the project lies within the major Yingluo-Caohekou-Taipingshao synclinorium, located at the western end of Yingkou-Kuandian structural zone (Figure 4.1_1).

The Early Proterozoic metamorphic succession developed within the Yingluo-Caohekou-Taipingshao synclinorium represents a parasitic fold of the larger Jiaoliao (Jiandong-Liaoning) Anticline in the north-eastern portion of the North China Platform. The Early Proterozoic volcano-sedimentary succession of the Liaohe Group overlies Archaean metamorphosed basement comprising the Anshan Group.

The Archaean cratonic basement comprises two separate components, split by a palaeo-rift in the eastern portion of Liaoning Province, which incorporates the Liaohe Group. The fault defining the northern margin of the palaeo-rift extends along a line linking the towns of Dashiqiao, Longchang, Caohekou and Huanren, and the southern margin of the rift extends through the cities of Gaixian, Xiuyan and Yongdian. The rift is in-filled with basin sediments of the Liaohe Group, which dip relatively steeply towards the north along the southern margin and more gently towards the south along the northern margin. Although differing in age, successions comprising both the basement and rift basin are similar in composition.

Figure 4.1_1
Lishugou Project - Regional Geology



4.2 Stratigraphy

The stratigraphy of the project area consists of Early Proterozoic Liaohe Group dolomites, marbles and granulites Liaohe Group dolomites, unconformably overlain by Late Jurassic volcanic rocks. Table 4.2_1 summarises the stratigraphy within the project area. The Gaixian Formation, which is mainly comprised of clastic rocks, represents the principal host to magnesite mineralisation. Mesozoic granite plutons intrude the sediments, with skarn development in Mg-rich carbonates at granite contacts.

4.3 Structure

A significant northeast trending fault zone extends from Wujiapuzi to Wangjiakanzi reservoir and is located between the Daxigou-Fuzhuang anticline and the Ximu anticline. The fault zone consists of three to five parallel faults that are broadly conformable. The compressional shear planes mainly dip towards the northwest at a shallow angle to the Liaohe Group stratigraphy. The northern rift boundary, separating the Liaohe and Anshan groups, roughly coincide with the north-western margin of the structural zone.

4.4 Mineralisation

A number of magnesite deposits are associated with the Liaohe Group sediments comprising the rift basin, hosted by Mg-rich carbonate formations throughout eastern Liaoning Province. The deposits represent the combined result of metamorphism of the magnesium-rich sediments in the Early Proterozoic and superimposed hydrothermal activity. Most of the Lishugou magnesite deposits are hosted by dolomites and granulites of the Early Proterozoic Dashiqiao Formation, representing a member of the Liaohe Group. The deposits are associated with deformation zones and intrusive contacts, which collectively comprise the Yingkou Qiaotaipu–Haicheng Fanjiapuzi mineralised corridor. Within the broad mineralised zone, there are six large magnesite deposits (over 50Mt) and seventeen medium to small deposits (10-50Mt), which have been defined by exploration to date.

Within the immediate Lishugou area, there are three large adjacent magnesite deposits, each within a separate tenement, aligned approximately east-west. These comprise the Haicheng Magnesite Mine, the Haicheng Second Magnesite Mine and the Haicheng Zhengbo Mine (Figure 4.4_1).

The magnesite mineralisation strikes approximately 070˚-080˚ (east-northeast) and dips 65˚-75˚ towards the southeast. The northeast trending and southeast dipping bedding parallel faults provide the main control on mineralisation. Magnesite mineralisation tends to be best developed where the faults intersect dolomite-marble units on the western limb of the synclinal structure, creating brittle fracture zones.

Table 4.2_1
Lishugou Magnesite Project
Local Stratigraphy and Relationship with Mineralisation

Eon	Group/ System	Formation	Member	Symbol	Thickness (m)	Description of Lithology	Mineralisation
Cenozoic	Quaternary			Q	5-101	Alluvia, sandy conglomerate.	
Late Proterozoic	Sinian	Diaoyutai		Z_1d	225	Grey white quartzite, glauconite quartzite.	
Early Proterozoic	Liaohe Group	Gaixian		Pt_1lhgx	2897	Biotite (sericite) quartz schist, two-mica schist, staurolite two-mica schist, garnet two-mica schist, fibrolite two-mica schist, two-mica granulitite with quartzite and metamorphism quartzy sandstone.	
		Dashiqiao	3	Pt_1lhd^3	275-2746	Dolomitic marble, tremolite dolomitic marble, magnesite with chlorite schist and phyllite.	Magnesite, Talc
			2	Pt_1lhd^2	197-724	Two-mica schist, staurolite two-mica schist, garnet two-mica schist, fibrolite two-mica schist with tremolite augitite, calcite marble, calcite marbel with silicious strips.	
			1	Pt_1lhd^1	384-775	Grey coloured Calcite marble with thin bedded structure, carbon-bearing grey coloured tremolite augitite, carbon-bearing sericite schist, dolomitic calcite marble with white coloured strips.	
		Gaojiayu		Pt_1lhg	370-557	Graphitic sandy slate, carbon-bearing quartz calcite marble, carbon-bearing calcareous slate, biotite sericite schist, two-mica schist, garnet two-mica schist.	
		Lieryu		Pt_1lhlr	853-1601	White coloured granulite, carbon-bearing two-mica schist, two-mica granulite with tourmaline, actinolite granulite, chlorite serpentinite, tourmaline quartzite, tremolite and actinolite granulite with dolomitic calcite marble.	
		Langzishan		Pt_1lhlr	293-1619	Carbon-bearing two-mica granulite, muscovite quartz schist, two-mica schist, two-mica quartz schist, quartzite at the bottom.	
Archaean Grou	Anshan Group	Cigou		Aranc	>498	Amphibolite laminated with migmatitic gneiss, chlorite amphibole schist, amphibole schist, biotite granulite with two-mica quartz schist, amphibole granulite with magnetite quartz schist.	
		Gaojiayu	Pt_1lhg		370-557	Graphitic sandy slate, carbon-bearing quartz calcite marble, carbon-bearing calcareous slate, biotitie sericite schist, two-mica schist, garnet two-mica schist.	
		Lieryu	Pt_1lhlr		853-1601	White coloured granulite, carbon-bearing two-mica schist, two-mica granulite with tourmaline, actinolite granulite, chlorite serpentinite, tourmaline quartzite, tremolite and actinolite granulite with dolomitic calcite marble.	
		Langzishan	Pt_1lhlr		293-1619	Carbon-bearing two-mica granulite, muscovite quartz schist, two-mica schist, two-mica quartz schist, quartzite at the bottom.	
Archaean	Anshan Group	Cigou		Aranc	>498	Amphibolite laminated with migmatitic gneiss, chlorite amphibole schist, amphibole schist, biotite granulite with two-mica quartz schist, amphibole granulite with magnetite quartz schist.	

The magnesite mineralisation occurs along a strike length of 2,500m from west to east. Individual mineralised zones are generally 600m long, and range from 2m to 76m wide. Six major magnesite zones occur within the project area, comprising stacked southeast dipping layers spaced at approximately 30m to 80m. Current mining activity has targeted the major mineralised lenses, however these remain essentially untested along strike and down-dip. Table 4.4_1 provides details of the more significant magnesite zones.

Figure 4.4_1
Lishugou Project
Geology Map with Lease Boundary

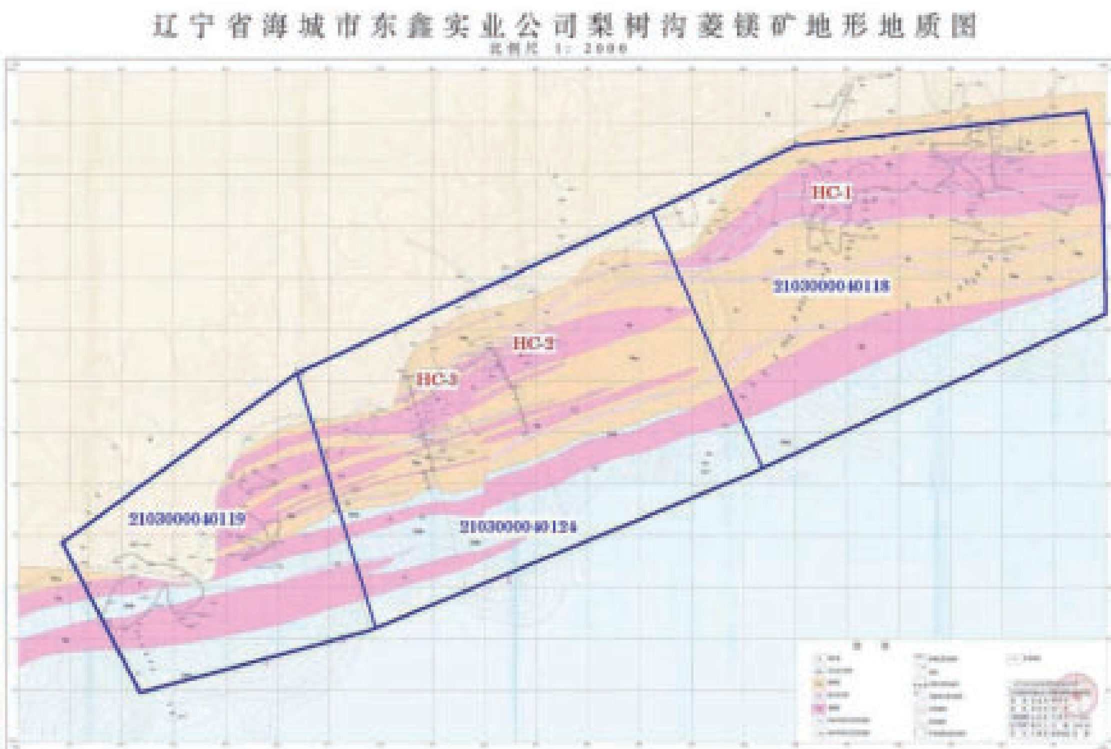


Table4.4_1
Lishugou Project
Magnesite Mineralised Zones

Exploration Line		III		0		IV		Average Thickness (m)	Length (m)
Ore Body		Azimuth/ Dip	Thickness (m)	Azimuth/ Dip	Thickness (m)	Azimuth/ Dip	Thickness (m)		
1		177°/70°		177°/70°		177°/70°		45	880
2		155°/60°	17	170°/60°	57	161°/67°	71	48	950
3		160°/70°	35					35	330
4	4-1		33		2	157°/78°	10	810	300
	4-2	165°/70°		165°/70°		157°/78°	18	450	280
	4-3	160°/66°	6		4			430	300
5		160°/ 73°	20		26	157°/ 78°	43	30	>2000
6		160°/66°	47	171°/71°	25			36	820

The magnesite ore can be subdivided into two categories, based on paragenesis and magnesite content:

- Fully metamorphosed mineralisation with MgO grades above 46% (Figure 4.4_2).

- Semi-metamorphosed mineralisation with MgO grades of 40-46%, and relics of talc and dolomite.

Figure 4.4_2
Lishugou Project
High Grade Magnesite Ore

Dongxin postulates that primary magnesite and dolomite layers were modified by metamorphism and later silica-rich hydrothermal solutions, which metasomatised the Mg-rich carbonates to upgrade the magnesite. The magnesite ore contains alginate, forming blastobiogenic structures with ellipsoidal concentric-ring textures. This paragenesis is common to many mesothermal magnesite deposits in the region and, in Coffey Mining's opinion, the Dongxin model is considered reasonable.

5 EXPLORATION AND DEVELOPMENT HISTORY

No drill holes have been completed in the Lishugou Magnesite Project and therefore the Hong Kong Stock Exchange Listing Rule 18.09-6a is not applicable. However, a description of the exploration and development history of the Lishugou Project is described below.

Magnesite was discovered at Lishugou in 1930's and the deposits were mined by the Japanese during the Second World War.

In 1964, exploration work was recommenced by the Liaoning Bureau of Geology and Mineral Resources (BGMR).

In 1983, the Anshan Metallurgical Geology Exploration Bureau commenced a trenching program, consisting of 400m spaced trenches to confirm the continuity of geology and mineralisation in the Lishugou area.

In 1985, the No.5 Brigade of the BGMR conducted exploration over a 1.05km^2 area in the Lishugou Project, completing geological mapping, trenching and channel sampling. Geological mapping at 1:2,000 scale was completed over a 1,500m^2 area, followed by 1,258.77m of trenching. A total of 520 channel samples were collected and analysed. Continuous channel samples were collected from trenches using a rock saw and chisel from channels approximately 10cm wide and 5cm deep. The length of individual samples ranged from 1.0m to 3.2m and averaged approximately 2.0m.

The samples were analysed for MgO, CaO, SiO_2 at the Analytical Centre of the No.5 Brigade of the BGMR. This facility is accredited with the Chinese Government. The documentation suggests good reproducibility of assay results, although no other supporting data was supplied to Coffey Mining to validate results.

On the basis of trenching and channel sampling, a total magnesite resource of 32.75Mt at 46% MgO was estimated and classified as D (333) Category under the Chinese Resource Standard.

In 2007, No.404 Brigade of the Liaoning Metallurgical and Geological Bureau (No.404 Brigade) performed a geological survey and audit of the Lishugou magnesite resources, based on the work completed by the No.5 Brigade of the BGMR in 1985.

The current phase of open pit mining development at Lishugou commenced in 1999, targeting near-surface mineralisation associated with Orebodies I, II, III, IV and V (Figures 5_1 to 5_3).

Figure 5_1
Lishugou Project
Magnesite Mineralisation - Section 0

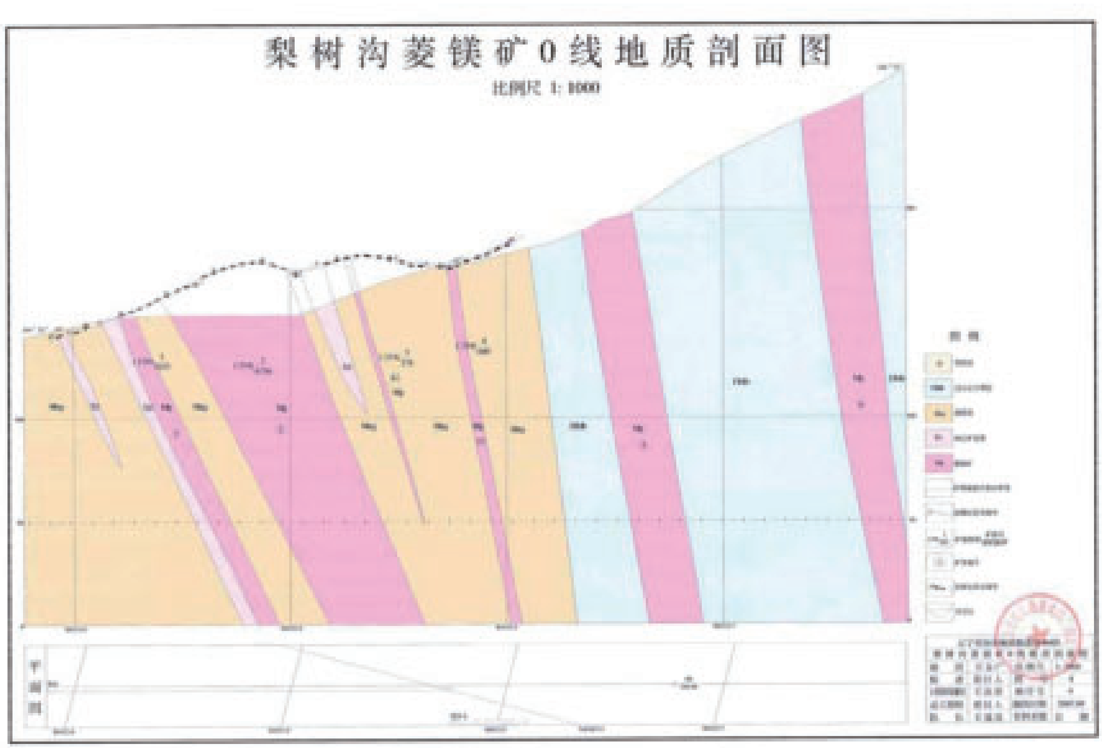


Figure 5_2
Lishugou Project
Magnesite Mineralisation - Section 3

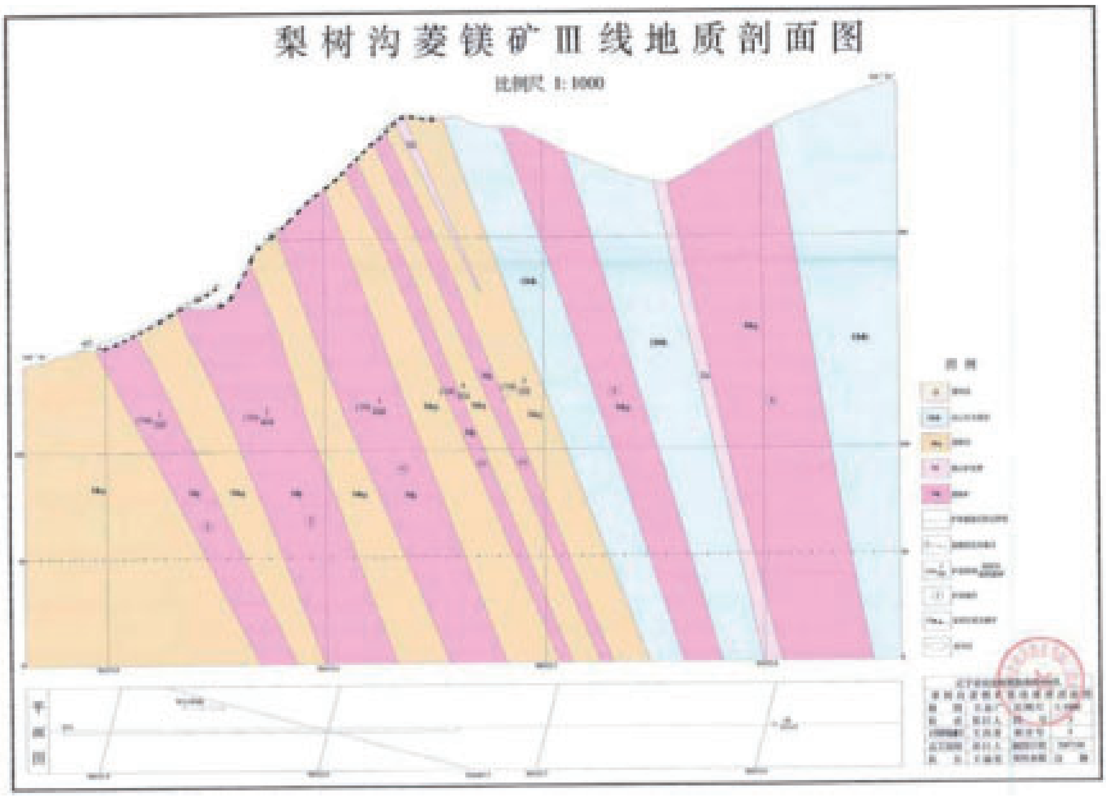
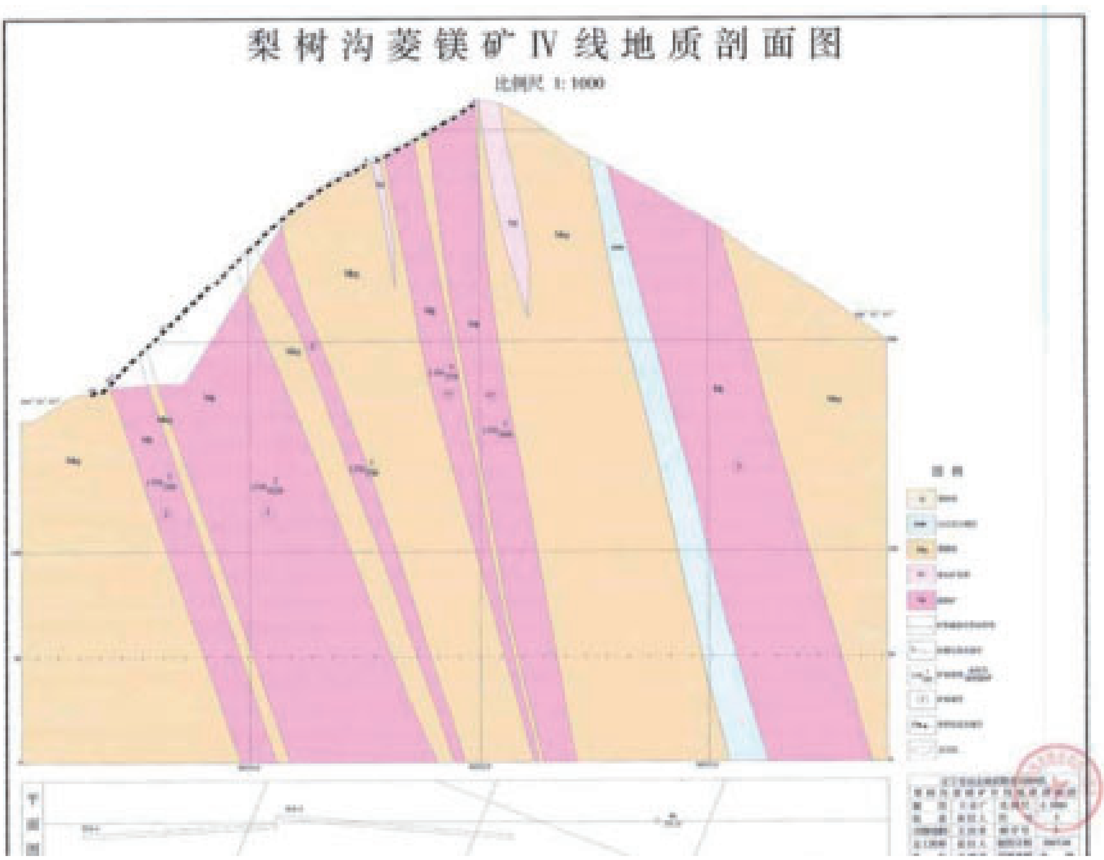


Figure 5_3
Lishugou Project
Magnesite Mineralisation - Section 4



In order to provide limited validation of magnesite grades, Coffey Mining completed a very limited program of check sampling of open pit walls. The location of the three chip samples is shown in Figure 4.4_1. The samples were submitted to SGS laboratories in Tianjin for analysis. The results are provided in Table 5_1. Based on the limited check sample results, magnesite ore from the Haicheng Dongxin Lishugou Second Mining Magnesite Company and the Haicheng Zhenbo Magnesite Mining Company open pits appears to meet the criteria for high quality magnesite ore, based on the industrial indicators. The grade of the sample collected from the Haicheng Dongxin Lishugou Second Mining Magnesite Company deposit is similar to those reported by the No.5 Brigade of the BGMR for the same area.

Table 5_1
Lishugou Project
Check Magnesite Analyses

Sample Number	Grade (%)			
	MgO	**CaO**	**SiO_2**	**$Fe2O_3$**
HC-1	46.67	0.78	1.26	0.17
HC-2	46.64	1.12	0.6	0.16
HC-3	46.65	0.68	2.57	0.14

6 MINERAL RESOURCES

In accordance with the Hong Kong Stock Exchange Listing Rule 18.09-6(e), a summary of the resource estimate of the Lishugou Project is described below.

6.1 Industrial Indicators

Based on the Chinese Industrial Indicators, No.5 Brigade of the BGMR set the following magnesite specification parameters for resource estimation at the Lishugou Project:

- Marginal grade: MgO≥40%; CaO ≥1.5%; SiO_2 ≥3.5%.
- Industrial grade: MgO≤43%; CaO ≥1.5%; SiO_2 ≥3.5%.
- Minimum mineable thickness: 2m.
- Maximum internal dilution: 2m.

The ore material is sorted for quality on the basis of four categories under the Lishugou classification system (Table 6.1_1). Aside from an additional classification in the Chinese Standard Industrial Indicator system (Table 6.1_2), the Lishugou system is identical with respect to cutoff grade, however is slightly more stringent with respect to minimum mining width and internal dilution.

According to the Lishugou Industrial Indicators, the Lishugou resource comprises:-

- 3% of the mineralisation classified as Grade I.
- 2% of the mineralisation classified as Grade II.
- 95% of the mineralisation classified as Grade III.

Table 6.1_1
Lishugou Project
Lishugou Industrial Indicators

Item		Classification			
		Super	I	II	III
MgO	%	≥47	≥46	≥45	≥43
CaO	%	≤0.6	≤0.8	≤1.5	≤1.5
SiO_2	%	≤0.6	≤1.2	≤1.5	≤3.5
Minimum mineable thickness	(m)	2			
Maximum internal dilution thickness	(m)	2			

Table 6.1_2
Lishugou Project
Chinese Standard Industrial Indicators

Item		Classification				
		Super	I	II	III	IV
MgO	%	≥47	≥46	≥45	≥43	≥41
CaO	%	≤0.6	≤0.8	≤1.5	≤1.5	≤6.0
SiO_2	%	≤0.6	≤1.2	≤1.5	≤3.5	≤2.0
Minimum Mineable thickness	(m)	2 – 4				
Maximum internal dilution thickness	(m)	1 – 2				

6.2 Estimation Methodology

The current resource estimates for the six Lishugou deposits, prepared by No.404 Brigade in 2007, is largely based on channel sampling completed in 12 trenches, located on 10 traverses, spaced at approximately 200m intervals. The results were extrapolated to the current mining level (102mRL), representing an average height of 100m below the natural hillside.

A cross-sectional end-area method was used by No.404 Brigade for resource estimation. The parameters applied in resource estimation are defined as follows:

- The average grade of a complete mineralised intercept utilised the length-weighted grades from individual samples comprising the intercept.
- Sectional areas of the mineralised zones were calculated from interpreted cross sections.
- The average section grade was derived from the sectional area and thickness-weighted average grades.

- For block volumes, different formulae have been used depending on the relative difference between areas in adjacent cross-sections, where S1 and S2 are defined as the sectional areas on two different, but adjacent, cross sections, where S1>S2. V represents the volume and L represents the distance between the two adjacent cross sections):-
  - Where (S1-S2)/S1 is <40%: V = Lx(S1+S2)/2.
  - When (S1-S2)/S1 is >40%: V = Lx[S1+S2+(S1xS2)/2]/3.
  - Where a block has a wedge or cone shape:
    - Wedge: V = LxS1/2
    - Cone: V = LxS1/3.
- The average depth of each block is 60m.
- The length of each block is halfway to the adjacent mineralised section, to a maximum of 50m.
- Extrapolation of block length:
  - When one section is mineralised and the adjacent section is not, mineralisation is extrapolated for a maximum of 100m.
  - When one section is mineralised and there is no adjacent section, mineralisation is also extrapolated for a maximum of 100m.
- Grade was extrapolated for a maximum of 50m for Class 333 and 100 for Class 334, where mineralisation appears to be closed off.

Data from 21 samples has been used to determine an average bulk density. The bulk density data is based on the water immersion method. An average bulk density of 2.91t/m^3, determined by No.5 Brigade in 1985, has been applied in resource estimation.

6.3 Resource Statement

Referencing the Hong Kong Listing Rules 18.09(6)(c) and (d), no formal Ore Reserves have been determined for the Lishuguo Project, however category 333 (Inferred) and 334 reserves have been estimated and identified below:

The resource estimated by the No.404 Brigade in 2007 results in a Chinese Standard resource classification of 333 and 334 as shown in Table 6.3_1. This estimate was prepared on the basis of mining surfaces as at 31 December 2006.

Table 6.3_1
Lishugou Project
Magnesite Resource Estimate
No.404 Brigade (as at 31 December 2006)

Resource Category	Tonnes Estimated (t)	Average Grade (%)		
		MgO	CaO	SiO_2
333	27,626,500	45.90	0.82	2.23
334	120,229,000	45.80	0.80	2.89
Total	**147,855,500**	**45.82**	**0.81**	**2.75**

- *Not depleted for mining since 31/12/06 at a production rate of ~1,000,000tpa.*

The Class 333 estimate was based on samples from trenches spaced at approximately 200m intervals. The Class 333 estimates can broadly be equated with Inferred Resources under the JORC Code classification guidelines.

The Class 334 estimates represent the south-eastern strike extrapolation of the 333 resources by the No.404 Brigade, above the current mining surface in the open pits (Figure 6.3_1). There is no JORC Code resource classification that is equivalent to the Chinese Category 334, being essentially a preliminary estimate with little or no direct supporting data other than the wide-spaced trench data and currently developed pit exposures. In Coffey Mining's opinion, the Class 334 material has some potential to be upgraded to Class 333 (Inferred Resource) via further exploration, including trenching and/or drilling, however cannot be classified as a formal Mineral Resource.

Coffey Mining considers that extrapolation of some of the interpreted lodes by up to 200m along strike does not consider the possible existence of significant barren or low grade sections, which are known to occur on the basis of experience from historic mining in the area.

Coffey Mining obtained three plans, three cross sections and nine longitudinal sections, incorporating grade and width data, relating to the 2007 estimate completed by No.404 Brigade. Coffey Mining checked and validated the data on the plans and sections with the resource estimates compiled by No.5 Brigade in 1985. The analysis demonstrated a high level of consistency.

Although Coffey Mining was not able to verify point data associated with the quoted resources, a visual verification of hard-copy plans suggests that the data applied by the No.404 Brigade in estimation, and the grade-tonnage values derived for the Chinese Standard 333 and 334 category resources, are consistent with the confidence categories to which they have been assigned. Consistency with the JORC classifications (and subsequent reporting according to JORC guidelines) cannot be undertaken due to the lack of information relating to quality control applied in sampling and assaying.

Figure 6.3_1
Lishugou Project
Dongxin Lishugou Zengbo Open Pit

7 MINING

In accordance with the Hong Kong Stock Exchange Listing Rule 18.09-6f and 18.09-6g a description of the planned development of the Lishugou Project is described below, as well as in Section 8 of this report.

7.1 Introduction

Dongxin commenced mining at Lishugou in 1999. The company currently has three operating open pits within the property. Magnesite production between 2000 and 2005 was undertaken at an approximate combined rate of 600,000tpa, increasing to between 700,000tpa and 800,000tpa in the last two years. The pits have been mined to a depth of 102mRL, representing an average of 100m below the natural ground surface of the hillside.

7.2 Geotechnical Considerations

No critical geotechnical issues have been identified with respect to open pit mining. The bottom of the open pits is at 102mRL, which is above the base of oxidation at 40-60mRL, with the pits located on the flanks of a steep range. Geotechnical conditions in the Lishugou magnesite mining area range from simple to moderate.

The current open pit geometries are specified and designed as follows:

- Bench height 20m
- Batter angle 65^{o}
- Berm width 5m

The site inspection identified that the recommended geotechnical parameters are essentially being ignored during mining operations. Few berms remain, the pit walls are in poor condition (Figure 7.2_1) and the pit slopes are steeper than designated (Figure 7.2_2). Failure to follow the recommended geotechnical parameters poses a potentially serious risk to the operation.

7.3 Current Mining Operations

Five deposits are being mined from three existing open pit operations within three separate, but contiguous licence areas.

Mining is undertaken as a standard drill, blast, load and haul operation. Loading and hauling is undertaken using front-end loaders and on-highway, single axle, rear dump trucks, combined with a number of hydraulic rock breakers to deal with the oversize material (Figure 7.3_1). Waste material is hauled to a waste dump on the edge of each pit, and either placed on the margins of the pit or utilised as a base for road construction. The current placement of waste dumps adjacent to the pits may inhibit the proposed expansion of mining activities. No rehabilitation of the waste dumps is undertaken.

Figure 7.2_1
Lishugou Project
Poor Pit Wall Conditions

Figure 7.2_2
Lishugou Project
Excessively Steep Pit Slopes

The current mining cut-off grade is 41% MgO. Each operation produces approximately 250,000t of ore per year, representing aggregate production from the three pits of approximately 750,000tpa at a strip ratio of 0.70t of waste to each tonne of ore (0.70:1). Each operation employs approximately 45 personnel. Mining costs are quoted at ¥20/t of ore (US$2.67/t).

Figure 7.3_1
Lishugou Project
In-Pit Rock-Breaking Operations

7.4 Proposed Mining Operations

The mining component of the preliminary feasibility study for the proposed development was completed by Northeast Exploration Bureau Metallurgical Industry Ministry Department of Mining Design in 2000.

The new open pit geometries are specified and designed as follows:

- Bench height 24m
- Batter angle 50^{o} to 60^{o}
- Berm width 6m

Mining is proposed to be undertaken as a standard drill, blast, load and haul operation. Loading and hauling is to be undertaken using front-end loaders and on-highway dump trucks, combined with a number of hydraulic rock breakers to deal with the oversize material. An ore mining rate of 0.5Mtpa is proposed and it is understood that the proposed mining cut-off grade will remain at 41% MgO. Mining costs are estimated to be ¥20/t (US$2.67/t) of ore.

8 PROPOSED PROCESSING OPERATIONS

Current ore from the Lishugou open cut operations is directly sold to outside Chinese magnesite processing facilities.

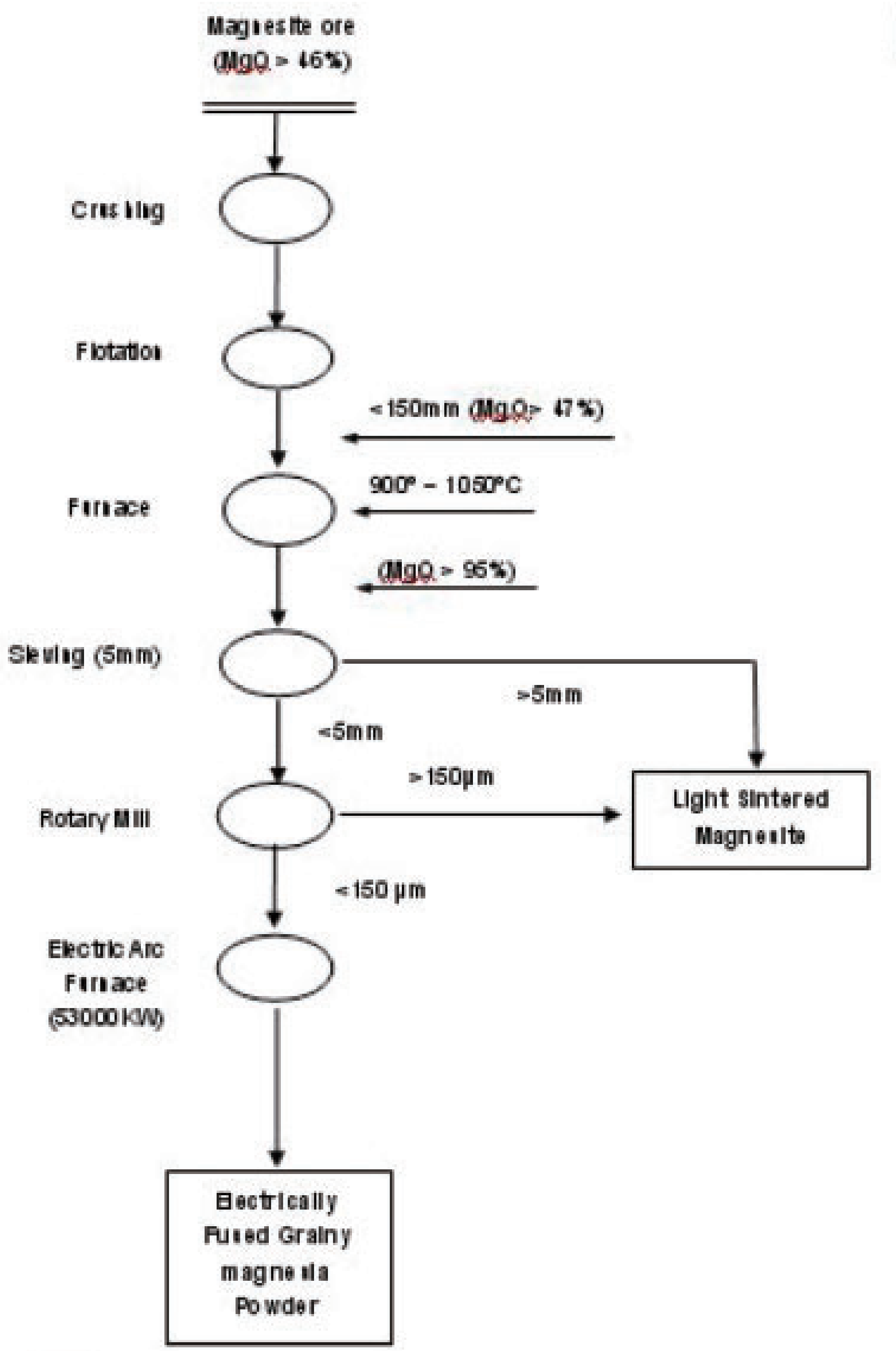
Based on the Category 333 resources of 27.6Mt at 45.9% MgO, 0.82% CaO and 2.23% SiO_2, China Rise International Holdings Limited is planning to invest US$92.3M to construct its own processing plant, producing 200tpd of electrically-fused (granular) magnesite powder (<20μm), 366tpd of fine sintered (high density) magnesite powder (<150μm), 192tpd of MgO slagging ball and 83tpd of MgO dolomite sand (150μm-5mm). The estimated process production is summarised in Table 8.2_1.

Table 8.2_1
Lishugou Project
Process Production Parameters
Design Institute of Liaoning Science and Technology University (2007)

Products	Proportional Recovery (%)	Production Rate (tpd)
Electrically-fused (granular) magnesite powder	12%	200
Fine sintered (high density) magnesite powder	23%	366
MgO slagging ball	12%	192
MgO dolomite sand	5%	83

The feasibility study for the processing component of the proposed development was completed by the Design Institute of Liaoning Science and Technology University in 2007. The total labour force for the processing operations is 840. A flowchart summarising the proposed design is provided as Figure 8.2_1 below.

Figure 8.2_1
Lishugou Project
Proposed Process Flowchart



9 ENVIRONMENTAL ASPECTS

The site inspection suggests that air quality degradation is unlikely to represent a significant general environmental issue, although it has the potential to impact on employee occupational health. The primary source of atmospheric emissions include explosive use, ore and waste rock handling, ore crushing, vehicle exhaust and dust derived from vehicle use on unsealed roads. No dust suppression activities were evident on site.

Occupational noise has the potential to pose a risk to workers, many of whom were observed operating and monitoring equipment without ear protection.

In general terms, the environmental and occupational health standards fall well short of international standards.

10 EXPLORATION AND DEVELOPMENT POTENTIAL

Development of the Lishugou Magnesite Project is predicated on the category 333 resources (notionally equivalent to JORC Inferred Resources) and preliminary feasibility studies suggest that the development is likely to be viable in the present circumstances, and that the resource may sustain the Project for well in excess of 30 years.

Coffey Mining recommends that a diamond drilling program be carried out to confirm and upgrade resources classified as 333 category (Inferred) estimates, along with a comprehensive review of quality control procedures and data to ensure that future resource and reserve estimates conform to international standards.

The resources estimated and classified as 334 category by No.404 Brigade amount to an additional 120Mt at 45.8% MgO. As these cannot be classified in accordance with the JORC Code, this mineralisation must be considered to represent exploration potential. All material classified as 334 category is understood to lie wholly within the existing project tenements and above the base of current mining operations.

Coffey Mining considers that the potential quantity and grade of mineralisation is purely conceptual, as there has been insufficient exploration to define a formal Mineral Resource consistent with the JORC Code guidelines, and it is uncertain if further exploration will result in the delineation of a Mineral Resource of the suggested magnitude. Coffey Mining recommends that a diamond drilling program be carried out to confirm and upgrade magnesite mineralisation comprising the 334 classified estimates. It is anticipated that a substantial quantity of additional resources will ultimately be defined.

Additional exploration targets have been broadly defined by Dongxin from historic data and regional mapping, extending outside the current tenements for a distance of some 1,500m towards the east and 500m to the west. As these potential extensions fall outside the current Mining Licences, however, they cannot be considered in this assessment.

11 PRINCIPAL SOURCES OF INFORMATION

Haicheng Dongxin Company	1999	Haicheng Dongxin Lishugou Magnesite Geology Report and Resource Estimate.
No 404 Brigade of Liaoning Metallurgical Geological Bureau	2007	Audit of 2007 Haicheng Dongxin Lishugou Magnesite Resource Estimate.
No 5 Brigade of BGMR	1985	Haicheng Dongxin Lishugou Magnesite Geology Report and Resource Estimate.
Shenyang Aluminium-Magnesium Metal Design Institute	2007	Feasibility Study Report of Magnesite Alloy for Haicheng Lishugou Magnesite Project.
Northeast Exploration Bureau Metallurgical Industry Ministry Department of Mining Design	2000	Liaoning Haicheng Dongxin Lishugou Magnesite Mine Development Feasibility Study
Design Institute of Liaoning Science and Technology University	2007	Preliminary processing feasibility study
Ministry of Land and Resources, PR China	2002	Exploration Specifications for Bauxite and Magnesite
Australasian Institute of Mining and Metallurgy (AusIMM)	2004	Australasian Code for Reporting of Exploration Results, Mineral Resources and Reserves (The JORC Code)
Australasian Institute of Mining and Metallurgy (AusIMM)	2005	Code for Technical Assessment and Valuation of Mineral and Petroleum Assets and Securities for Independent Expert Reports(The VALMIN Code)
Bureau of Legislative Affairs of the State Council of the People's Republic of China	1989	ENVIRONMENTAL PROTECTION LAW OF THE PEOPLE'S REPUBLIC OF CHINA
Ministry of Land and resources of China	2000	Mineral Resource/Reserve Scale Classification Standards

Ministry of Land and resources of China	1999	Classification of Solid Mineral Resource Reserve' (GB/T 17766-1999)
Ministry of Land and resources of China	2002	General Requirements for Solid Mineral Exploration' (GB/T 13908-12002)

12 GLOSSARY OF TECHNICAL TERMS

μm	Micrometre, 1/1000 of a metre.
%	Percent
¥	Ren Ming Bi (Chinese Yuan)
adit	A nearly horizontal passage from the surface by which a mine is entered and drained.
air leg	A cylinder operated by compressed air, used for keeping a rock drill pressed into the hole being drilled.
alluvial	Pertaining to silt, sand and gravel material, transported and deposited by a river.
anticlinal	Of or pertaining to an anticline.
anticlinorium	A series of anticlines and synclines, so grouped that taken together they have the general outline of an arch; opposite of synclinorium.
Archean	An era of geological time spanning the period from 3,800 million years to 2,500 million years before present.
augite	A simple mineral of a dark green, or black colour, which forms a constituent part of many varieties of volcanic rocks.
Ball Mill Bond Index	A metallurgical testing technique which attempts to quantify the power required to size reduce the ore.
bedding	The arrangement of a sedimentary rock in beds or layers of varying thickness and character.
bench	A ledge that forms a single level of operation above which mineral or waste materials are mined back to a bench face.
bench height	Vertical distance between the highest point (crest) of a bench and the lowest (toe) of the bench.

berm	A horizontal edge cut between the foot and top of an embankment to stabilize the slope by intercepting sliding earth. The berm slope angle and width are determined geotechnical configuration.
bulk density	The density of a rock which takes into account voids.
cleavage	A persistent parting within a rock caused by the action of fluids and mineral reactions during folding of rocks.
comminution	The breaking, crushing, or grinding by mechanical means of stone, coal, or ore, for direct use or further processing.
cut-off grade	The grade at which the total profit from mining the orebodies, under a specified set of mining parameters, is maximised.
cut & fill	An underground mining method involving the extraction of ore and back-filling with waste material.
DCF	Discounted cashflow
decline	An inclined tunnel-like excavation into the ground to allow vehicle and equipment access for the mining of ore bodies.
deferrisation	Elimination of iron
depletion	The decrease in quantity of ore in a deposit or property resulting from extraction or production.
development	Underground work carried out for the purpose of opening up a mineral deposit. Includes shaft sinking, crosscutting, drifting and raising, stripping/open pit mining.
diamond core	Cylindrical core of rock produced by drilling with a diamond set or diamond impregnated bit.
diamond drill	A rotary type of rock drill that cuts a core of rock that is recovered in long cylindrical sections, two cm or more in diameter.
dilution	The proportion of material which is planned or inadvertently included during mining operations, and which is generally of a sub economic grade.
dip	The angle at which a rock stratum or structure is inclined from the horizontal.

disseminated	Distributed finely and evenly throughout a rock.
dolomite	A common rock forming mineral comprising calcium, carbon, magnesium and oxygen ($CaMg(CO_3)_2$. Can be highly karstified in places.
dolomitic	Dolomite-bearing, or containing dolomite, especially said of a rock that contains 5% to 50% of the mineral dolomite in the form of cement and/or grains or crystals.
drives	A horizontal tunnel driven along or parallel to the strike of the orebody, for the extraction or exploration of ore.
EL	Exploration Licence : Granted temporary title over a large area of land entitling the holder to explore for one or more mineral commodities.
exploration	Prospecting, sampling, mapping, diamond drilling and other work involved in searching for ore.
extraction	The process of removing ore from the ground.
fault	A fracture or fracture zone, along which displacement of opposing sides has occurred.
flotation	The method of mineral separation in which a froth created in water by a variety of reagents floats some finely crushed minerals, whereas other minerals sink.
FOB	Free on board
fold axes	The central part of a fold, about which strata are bent.
folded	A term applied to the bending of strata or a planar feature about an axis.
foliation	The banding or lamination of metamorphic rocks as distinguished from stratification in sedimentary rocks.
footwall	The mass of rock lying below a fault, vein or zone of mineralisation.
gangue	The fraction of ore rejected as tailing in a separating process. It is usually the valueless portion, but may have some secondary commercial use.

geotechnically	Rock quality and structural investigations of rock masses.
grade	Percentage of a metal or mineral composition in an ore or processing product from mineral processing.
granite	A fine to coarse-grained, igneous rock formed by volcanic action consisting of quartz, feldspar, and mica, with accessory minerals. Granite-type rocks included those of similar texture and origin.
hangingwall	The mass of rock above a fault, vein or zone of mineralisation.
haulage	The horizontal transport of ore, supplies, and waste. The vertical transport of the same is called hoisting.
hydrogeological	Study of groundwater and its influence on rock mechanics.
hydrothermal	Hot water associated with thermal springs or felsic intrusive rocks.
hydrothermally	Pertaining to hot aqueous solutions, usually of magmatic origin, which may transport metals and minerals in solution.
Indicated Mineral Resource	That part of a Mineral Resource for which tonnage, densities, shape, physical characteristics, grade and mineral content can be estimated with a reasonable level of confidence. It is based on exploration, sampling and testing information gathered through appropriate techniques from locations such as outcrops, trenches, pits, workings and drillholes. The locations are too widely or inappropriately spaced to confirm geological and/or grade continuity but are spaced closely enough for continuity to be assumed.
Inferred Resources	As defined in the JORC Code, "that part of a Mineral Resource for which tonnage, grade and mineral content can be estimated with a low level of confidence. It is inferred from geological evidence and assumed but not verified geological and/or grade continuity. It is based on information gathered through appropriate techniques from locations such as outcrops, trenches, pits, workings and drillholes which may be limited or of uncertain quality and reliability".
intrusion	A body of *igneous* rock emplaced into pre-existing rocks, either along some structural feature such as a fault or by deformation and rupturing of the invaded rocks.
IRR	Internal rate of return

in situ	In the natural or original position. Applied to a rock, soil, or fossil when occurring in the situation in which it was originally formed or deposited.
jet air mill	Is used for very fine grinding of medium hard, temperature sensitive particles. In jet mill, particles of feed collide, as air sweeps them along. Three basic variations are the counter jet mill, the spiral jet mill, and the oval jet mixer. In the counter jet mill, particles are ground as two air jets containing them, impact when they meet. Both jets flow on the same axis at the same velocity but in opposite direction. In the spiral jet mill, the product is injected, by means of compressed air in high-speed air stream, rotating in a circular channel. Size reduction is achieved through intensive attrition among particles. The oval jet mixer consists of an oval channel in which air and particle circulate. The incoming particles are size-reduced by the pressurized air stream at the lower part of the channel and collisions with each other. The ultra-fine product size can be less than 6000 meshes (about 1 μm).The main advantage of jet mill is contaminant free processing.
JORC Code	The Australasian Code for Reporting of Mineral Resources and Ore Reserves (the 'JORC Code' or 'the Code'), which sets out minimum standards, recommendations and guidelines for Public Reporting of exploration results, Mineral Resources and Ore Reserves in Australasia. This code is prepared by the Joint Ore Reserves Committee of the Australasian Institute of Mining and Metallurgy, the Australian Institute of Geoscientists and the Australian Mineral Industry Council (JORC).
JV	Joint Venture
karst	An area of limestone or other highly soluble rock, in which the landforms are of dominantly solution origin, and in which the drainage is usually underground in solution enlarged fissures and conduits.
km	Kilometre, a standard metric unit measure of distance.
km^2	Square kilometre, a standard metric unit measure of area
m	Metre, a standard metric unit measure of distance.
Kt	Thousand tonnes, a standard metric unit measure of mass.
kW	Kilowatt, a standard metric unit of power.

kWh/t	Kilowatt hours per tonne
M^3	Cubic metre, a standard metric unit measure of area.
magnesite	One of important magnesium minerals (MgCO3), with a theoretical maximum magnesia (MgO) content of 47.6%; this carbonate form represents the world's largest source of magnesia and an important component of basic refractories. It forms commonly from the alteration of magnesium-rich rocks during low grade metamorphism while they are in contact with carbonate-rich solutions.
magnetic separation	Use of permanent or electro-magnets to remove relatively strong ferromagnetic particles from para- and dia-magnetic ores.
marble	A metamorphic (recrystallised limestone composed predominantly of crystalline grains of calcite or dolomite, or both, having interlocking or mosaic texture, marble that contains less than 5% magnesium carbonate may be termed calcite marble; from 5 to 40% magnesium carbonate, magnesium carbonate, magnesium or dolomite marble. These limiting values are, however, not strictly established in petrologic science and are used herein as arbitrary limits.
Measured Mineral Resource	That part of a mineral resource for which tonnage, densities, shape, physical characteristics, grade and mineral content can be estimated with a high level of confidence. It is based on detailed and reliable exploration, sampling and testing information gathered through appropriate techniques from locations such as outcrops, trenches, pits, workings and drillholes. The locations are spaced closely enough to confirm geological and grade continuity.
metamorphic	A rock that has been altered by physical and chemical processes involving heat, pressure and derived fluids.
meta-sedimentary	A rock formed by metamorphism of sedimentary rocks.
microns	10^{-4} metres.
mineral	A naturally occurring homogeneous substance having definite physical properties and chemical composition and, if formed under favourable conditions, a definite crystal form.
mineralogically	Relating to the physical and chemical mineral properties of the rock forming minerals.

ML	Mining Lease
mm	Millimetre, a standard metric unit measure of distance.
Mt	Million tonnes, a standard metric unit measure of weight.
MVA	MegaVoltAmperes; one million voltamperes, a standard measure of electrical power.
open pit	A mine that is entirely on surface, Also referred to as open-cut or open-cast mine.
open stope	In competent rock, it is possible to remove all of a moderate sized ore body, resulting in an opening of considerable size. Such large, irregularly-shaped openings are called stopes. The mining of large inclined ore bodies often requires leaving horizontal pillars across the stope at intervals in order to prevent collapse of the walls.
operating mines	As defined in the Valmin Code, "mineral properties, which have been fully commissioned and are in production".
ore	A mixture of mineralised material from which at least one of the contained minerals can be mined and processed at an economic profit.
orebody	A well defined mass of mineralised material of sufficient mineral content to make extraction economically viable.
Ore Reserve	That part of the resource that meets minimum physical and chemical criteria related to specified mining and production practices, including those of grade, quality, thickness and depth, and can be reasonably assumed to be economically and legally extractable or producible at the time of determination. The feasibility of the specified mining and production practices must have been demonstrated or can be reasonably assumed on the basis of tests and measurements.
orogeny	A deformation and/or magmatic event in the earth's crust, usually caused by collision between tectonic plates.
palaeo-drainage	A preserved, inactive river system in-filled with partially consolidated fluvial sediments that may continue to carry water in the subsurface.
paragenesis	The sequence of formation or development, usually pertaining to a mineralised setting.

pellet	A marble-sized ball of magnesite for transportation and use in sintering.
pillar	An area of talc left to support the overlying strata in a mine; sometimes left permanently to support surface structures.
pluton	A large (from several hundreds of metres up to a few tens of kilometres in overall dimensions) body of igneous rock formed beneath earth surface by consolidation from magma.
Exploration Potential	An area of land with insufficient data available on the mineralisation to determine if it is economically recoverable, but warranting further investigation.
Proterozoic	A geological eon representing a period before the first abundant complex life on Earth. The Proterozoic Eon extended from 2500 Ma to 542.0 ± 1.0 Ma (million years ago). The Proterozoic is the most recent part of the old, informally named 'Precambrian' time.
Raymond Mill	Raymond Mill is suitable for producing minerals powder, which is widely used in the fields of metallurgy, building materials, chemical, and mining industry. It can be used to grinding the material that Moh's hardness degree is below 7, and humidity is in 6% non-flammable explosive minerals' processing. The final product size is in the range of 100-325 meshes (0.125mm - 0.044mm).
recovery	The proportion or percentage of ore mined from the original deposit; The proportion or percentage of ore processed from the original ore feeded;
rock	An integral part of the earth's crust composed of an aggregate of grains of one or more minerals. (Stone is the commercial term applied to quarry products.)
ROM	Run of mine
sandstone	Any stone which is composed of an agglutination of grains of sand, which may be either calcareous or siliceous.
sample	A small portion of rock or a mineral deposit taken so that the metal content can be determined by analysis.
sampling	Selecting a fractional but representative part of a mineral deposit for analysis.

sericite	A mica mineral very common as an alteration product in metamorphic and hydrothermally altered rocks.
shaft	An excavation of limited area compared with its depth, made for finding or mining ore or coal, raising ore, rock or water, hoisting and lowering men and materials, or ventilating underground workings.
shaft furnace	A vertical furnace that produces sintered magnesite powder.
shrinkage stoping	In this method, mining is carried out from the bottom of an inclined or vertical ore body upwards, as in open stoping. However, most of the broken ore is allowed to remain in the stope in order both to support the stope walls and to provide a working platform for the overhead mining operations. Ore is withdrawn from chutes in the bottom of the stope in order to maintain the correct amount of open space for working. When mining is completed in a particular stope, the remaining ore is withdrawn, and the walls are allowed to collapse.
sintering	A process of forming objects by heating the powder at a temperature below its melting point. In the production of small metal objects it is often not practical to cast them.
sill drives	Horizontal underground development along the orebody.
silica	Silicon dioxide. Quartz is a common example.
siliceous	A rock containing an abundance of quartz.
stockwork	A network of (usually) quartz veinlets produced during pervasive brittle fracture.
stope	An underground excavation formed by the extraction of ore.
stratigraphy	Sequence of stratified rocks.
strike	Direction of a major continuity or trend of a geological feature.
syncline	A fold in rocks in which the strata dip inward from both sides towards the axis.
talc	A soft mineral of foliaceous habit; Mg3Si4O10(OH)2; commonly a metamorphic product (together with magnesite) of serpentine. The resulting metamorphic rock is talc-magnesite (commonly, ‘talccarbonate’).

t/m^3	Tonnes per cubic metre.
tail	The residue from the mineral treatment process which may still contain traces of unrecovered mineral.
tpd	Tonnes per day.
tonnage	Quantities where the ton or tonne is an appropriate unit of measure. Typically used to measure reserves of gold-bearing material in situ or quantities of ore and waste material mined, transported or milled.
tonne	One tonne is equal to 1 000 kilograms (also known as a metric ton).
trackless	Mining methods that use rubber tyred plant and equipment as opposed to rail mounted equipment.
trenching	The process of locating the position of a mineralisation by digging trenches perpendicular to its expected strike.
unconformity	The structural relationship between two groups of rock that are not in normal succession.
US$	United States of America dollar
US$M	Million United States of America dollar
Valmin Code	Code and Guidelines for the Technical Assessment and/or Valuation of Mineral and Petroleum Assets and Mineral and Petroleum Securities for the use of Independent Expert Reports; maintained by the Australasian Institute of Mining and Metallurgy.
volcanics	Pertaining to igneous material poured out on the surface of the earth in a molten state and to fragmental material of all sizes erupted from volcanic vents.
WASM	West Australian School of Mines
waste	The unmineralised rock that must be extracted during the mining of an orebody.
CRIH	China Rise International Holdings Limited

1. RESPONSIBILITY STATEMENT

This circular includes particulars given in compliance with the Listing Rules for the purpose of giving information with regard to the Company. The Directors collectively and individually accept full responsibility for the accuracy of the information contained in this circular and confirm, having made all reasonable enquires, that to the best of their knowledge and belief, there are no other matters the omission of which would make any statement in this circular misleading.

2. SHARE CAPITAL

The authorised and issued share capital of the Company as at the Latest Practical Date, and immediately after the increase in authorised share capital, issue of the Consideration Shares and issue of the Conversion Shares upon full conversion of the Convertible Note are set out as follows:

As at the Latest Practicable Date

Authorised share capital:		*HK$*
3,000,000,000	Shares	300,000,000
Issued and fully paid share capital:		
2,098,779,490	Shares	209,877,949

Upon Completion, full conversion of the Convertible Note and the increase in authorised share capital becoming effective

Authorised share capital:		*HK$*
10,000,000,000	Shares	1,000,000,000
Issued and to be issued share capital:		
2,098,779,490	Shares	209,877,949
800,000,000	Consideration Shares	80,000,000
2,100,000,000	Conversion Shares upon full conversion of the Convertible Note	210,000,000
4,998,779,490		499,877,949

All the issued Shares rank pari passu with each other in all respects including the rights to voting, dividends and return of capital. The new Shares to be allotted and issued as Consideration Shares and Conversion Shares will, when issued and fully paid, rank pari passu in all respects with the then issued Shares on the date of allotment and issue.

Safe for the Warrants, the Company does not have any outstanding options, warrants, derivatives or securities convertible into Shares as at the Latest Practicable Date.

3. DIRECTORS' INTERESTS

(a) Directors' interests and short positions in the securities of the Company and its associated corporation

As at the Latest Practicable Date, the interests and short positions of the Directors and chief executive of the Company in the shares, underlying shares and debentures of the Company and its associated corporation(s) (within the meaning of Part XV of the SFO) which were required (i) to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions in which they were taken or deemed to have under such provisions of the SFO); or (ii) pursuant to section 352 of the SFO, to be entered in the register referred to therein; or (iii) to be notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers contained in the Listing Rules, were as follows:

Long positions in the Company

Name of Director	Capacity	Number of Shares	Number of underlying Shares in respect of the Warrants held	Approximate percentage of Shares held to the Company's total issued share capital as at the Latest Practicable Date	Approximate percentage of Shares held to the Company's total issued share capital immediately after Completion
Mr. Cheng *(Note)*	Beneficial owner/ family interest	519,155,600	3,149,600	24.74%	17.91%
Ms. Li Wa Hei *(Note)*	Beneficial owner/ family interest	519,155,600	3,149,600	24.74%	17.91%
Ms. Chung Oi Ling, Stella	Beneficial owner	75,000,000	–	3.57%	2.59%

Note: Out of 519,155,600 Shares and 3,149,600 Warrants, 513,595,600 Shares and 2,071,200 Warrants are beneficially owned by Mr. Cheng and 5,560,000 Shares and 1,078,400 Warrants are held by his spouse, Ms. Li Wa Hei.

Save as disclosed above, as at the Latest Practicable Date, none of the Directors or chief executive of the Company had any interest and short positions in the shares, underlying shares and debentures of the Company or any associated corporations (within the meaning of Part XV of the SFO) which were required (i) to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions in which they were taken or deemed to have under such provisions of the SFO); or (ii) pursuant to section 352 of the SFO, to be entered in the register referred to therein; (iii) to be notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers contained in the Listing Rules.

(b) Directors' interests in assets/contracts and other interests

As at the Latest Practicable Date, none of the Directors was materially interested in any contract or arrangement entered into by any member of the Enlarged Group subsisting at the Latest Practicable Date which was significant in relation to the business of the Enlarged Group.

As at the Latest Practicable Date, none of the Directors had any direct or indirect interest in any assets which have been acquired or disposed of by or leased to any member of the Enlarged Group or were proposed to be acquired or disposed of by or leased to any member of Enlarged Group since 31 March 2007, being the date to which the latest published audited consolidated accounts of the Group were made up.

(c) Service contracts of the Directors

As at the Latest Practicable Date, none of the Directors had any existing or proposed service contracts with the Company or any member of Enlarged Group other than contracts expiring or determinable by the Company or the relevant member of the Enlarged Group within one year without payment of compensation (other than statutory compensation).

4. SUBSTANTIAL SHAREHOLDERS' INTERESTS

As at the Latest Practicable Date, so far as is known to the Directors or chief executive of the Company, the following person (other than a Director or chief executive of the Company) had or were deemed or taken to have interest or short position in the shares and underlying shares of the Company which would fall to be disclosed to the Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO or, were, directly or indirectly, interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any other member of the Enlarged Group:

Long position in the Company

Name of shareholder	Capacity	Number of issued Shares held	Number of unissued Shares held	Aggregate interest	Approximate shareholding percentage of the issued share capital of the Company as at the Latest Practicable Date	Approximate shareholding percentage of the issued share capital of the Company immediately after Completion
Mr. Yam Tak Cheung	Beneficially owner	28,500,000 *(Note)*	800,000,000	828,500,000	1.36%	28.58%

Note: The 800,000,000 unissued Shares represent the Consideration Shares to be issued to the Vendor upon Completion.

Long position in another member of the Enlarged Group

Name of the member of the Enlarged Group	Name of substantial shareholders	Approximate percentage of equity interest in the registered capital of the member of the Enlarged Group
海城市東鑫實業有限公司 (Haicheng Dongxin Industry Limited#)	海城市八里鎮東三道村民委員會 (Haicheng Bali County Dongsandao Villagers Committee#)	20%

For English translations purposes only

Save as disclosed above, as at the Latest Practicable Date and so far as is known to the Directors or chief executive of the Company, no other person (not being a Director or chief executive of the Company) had an interest or short position in the Shares or underlying Shares of the Company which would fall to be disclosed to the Company and the Stock Exchange, under the provisions of Divisions 2 and 3 of Part XV of the SFO, or was, directly or indirectly, interest in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any members of the Company or any other member of the Enlarged Group.

As at the Latest Practicable Date, none of the Directors held any directorship or employment in a company which has an interests or short position in the Shares and underlying Shares which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO.

5. LITIGATION

As at the Latest Practicable Date, no member of the Enlarged Group was engaged in any litigation or arbitration of material importance and no litigation or claim of material importance is known to the Directors to be pending or threatened by or against any member of the Enlarged Group.

6. MATERIAL CONTRACTS

The following contracts, not being contracts entered into in the ordinary course of business, were entered into by the Enlarged Group during the period commencing two years preceding the Latest Practicable Date and are or may be material:

(i) the Acquisition Agreement;

(ii) the underwriting agreement dated 2 May 2006 entered into between the Company and the Sanfull Securities Limited in relation to the rights issue of 768,641,743 rights shares of the Company;

(iii) The share purchase agreement dated 8 September 2006 entered into between the Company and Mr. Mo Zhiming in relation to the acquisition of 30% interest in Ancen Properties Limited;

(iv) The share purchase agreement dated 13 October 2006 entered into between Anex Construction and Engineering Holdings Limited, a wholly-owned subsidiary of the Company, and Mr. Cheng and Mr. Cheng Tze Kit, Larry in relation to the acquisition of 100% interest in and loan to BIP (HK) Company Limited;

(v) A provisional agreement dated 28 December 2006 entered into between Anex Electrical Company Limited, a wholly-owned subsidiary of the Company and an independent third party to dispose of Unit D on 14th Floor of Mai Shun Industrial Building at Kwai Chung at a consideration of HK$2,700,000. The disposal was completed on 30 January 2007;

(vi) A provisional agreement dated 2 April 2007 entered into between Total Growth Limited, a wholly-owned subsidiary of the Company and an independent third party to dispose of Unit B on 6th Floor of Mai Shun Industrial Building at Kwai Chung at a consideration of HK$3,150,000. The disposal was completed on 18 May 2007;

(vii) A provisional agreement dated 20 April 2007 entered into between Anex Electrical Company Limited, a wholly-owned subsidiary of the Company and an independent third party to dispose of Unit A & B on 9th Floor and Carpark Space Nos. 27 and 28 on the Ground Floor of Mai Shun Industrial Building at Kwai Chung at a consideration of HK$9,038,000. The disposal was completed on 30 May 2007;

(viii) The placing and subscription agreement dated 22 June 2007 entered into amongst the Company, Mr. Cheng Tun Nei and Taiwan Securities (Hong Kong) Company Limited in relation to the placing and subscription of up to 307,000,000 Shares at HK$0.50 each; and

(ix) The agreement dated 8 December 2007 entered into between the Company and Ocean Alliance (HK) Limited in relation to a conditional agreement to dispose of its home appliances manufacturing business. The disposal was completed on 31 January 2008;

7. COMPETING INTERESTS

As at the Latest Practicable Date, to the best knowledge of the Directors, none of the Directors and their respective associates were considered to have any interests in businesses which compete or were likely to compete, either directly or indirectly, with the business of the Enlarged Group, other than those businesses which the Directors were appointed as directors to represent the interests of the Enlarged Group.

8. EXPERTS AND CONSENTS

(i) The following are the qualifications of the experts who have been named in this circular and have given opinions and advice which are contained in this circular:

Name	Qualifications
RHL Appraisal Limited	An independent professional property valuer
Coffey Mining Pty Limited	An independent technical adviser
SHINEWING (HK) CPA Limited	Certified Public Accountants

(ii) None of RHL Appraisal Limited , Coffey Mining and SHINEWING (HK) CPA Limited has any shareholding, directly or indirectly, in any member of the Enlarged Group or any right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of the Enlarged Group.

(iii) Each of RHL Appraisal Limited, Coffey Mining and SHINEWING (HK) CPA Limited has given and has not withdrawn its written consent to the issue of this circular, with the inclusion therein of its letter or the references to its name in the form and context in which they respectively appear.

(iv) None of RHL Appraisal Limited, Coffey Mining and SHINEWING (HK) CPA Limited has any direct or indirect interest in any asset which has been acquired, or disposed of by, or leased to any member of the Enlarged Group, or was proposed to be acquired, or disposed of by, or leased to any member of the Enlarged Group since 31 March 2007, the date to which the latest published audited financial statements of the Group were made up.

(v) Neither Coffey Mining nor any Directors are interested in the promotion of, or in any assets which have been within the two years immediately preceding the issue of this circular, acquired or disposed of by or leased to any member of the Enlarged Group.

9. PROCEDURES FOR DEMANDING A POLL

The following paragraphs set out the procedure by which the Shareholders may demand a poll at a general meeting of the Company pursuant to the Bye-laws.

According to Bye-law 66 of the Bye-laws of the Company, at any general meeting a resolution put to the vote of the meeting shall be decided on a show of hands unless (before or on the declaration of the result of the show of hands or on the withdrawal of any other demand for a poll) a poll is demanded by:

(a) the chairman of such meeting; or

(b) at least three members present in person or in the case of a member being a corporation by its duly authorised representative or by proxy for the time being entitled to vote at the meeting; or

(c) a member or members present in person or in the case of a member being a corporation by its duly authorised representative or by proxy and representing not less than one-tenth of the total voting rights of all members having the right to vote at the meeting; or

(d) a member or members present in person or in the case of a member being a corporation by its duly authorised representative or by proxy and holding Shares in the Company conferring a right to vote at the meeting being Shares on which an aggregate sum has been paid up equal to not less than one-tenth of the total sum paid up on all Shares conferring that right.

10. MISCELLANEOUS

(i) The registered office of the Company is located at Clarendon House, 2 Church Street, Hamilton HM11, Bermuda.

(ii) The head office and principal place of business of the Company in Hong Kong is at Room 1606-07 West Tower, Shun Tak Centre, 168-200 Connaught Road Central, Hong Kong.

(iii) The company secretary and the qualified accountant of the Company is Mr. Liu Kam Lung. Mr. Liu is an associate member of Hong Kong Institute of Certified Public Accountants, a fellow member of Association of Chartered Certified Accountants, United Kingdom, an associate member of Hong Kong Institute of Chartered Secretaries and an associate member of Institute of Chartered Secretaries of Administrators, United Kingdom.

(iv) The branch share registrar and transfer office of the Company is Tricor Tengis Limited, at 26th Floor, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong.

(v) In the event of inconsistence, the English text of this circular shall prevail over the Chinese text.

11. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents are available for inspection during normal business hours at the head office and principal place of business of the Company from the date of this circular up to and including the date of the SGM:

(i) the memorandum of association and bye-laws of the Company;

(ii) the annual reports of the Company for the two years ended 31 March 2007;

(iii) the accountants' report of the Target Company, the text of which is set out in Appendix IIA to this circular;

(iv) the accountants' report of the PRC Company, the text of which is set out in Appendix IIB to this circular;

(v) the report from SHINEWING (HK) CPA Limited in respect of the unaudited pro forma financial information of the Enlarged Group, the text of which is set out in Appendix III to this circular;

(vi) the valuation report on the property interests of the Group as at 30 November 2007 prepared by RHL Appraisal Limited, the text of which is set out in Appendix IV to this circular;

(vii) the technical report on the Magnesite Mine prepared by Coffey Mining, the text of which is set out in Appendix V to this circular;

(viii) the written consents referred to under the paragraph headed "Experts and consents" in this appendix;

(ix) the material contracts referred to in the paragraph headed "Material contracts" in this appendix; and

(x) the circular of the Company dated 14 January 2008 in relation to very substantial disposal of its 100% interest in Antec Appliances Limited and Anex Electrical Company Limited and proposed re-election of retiring directors.

CHINA RISE INTERNATIONAL HOLDINGS LIMITED
華晉國際控股有限公司*

(formerly known as Anex International Holdings Limited)
(Incorporated in Bermuda with limited liability)
(Stock code: 723)

NOTICE OF SPECIAL GENERAL MEETING

NOTICE IS HEREBY GIVEN that a special general meeting of China Rise International Holdings Limited (the "Company") will be held at 10:00 a.m. on Friday, 29 February 2008 at Boardroom 3 and 4, M/F., Renaissance Harbour View Hotel, No.1 Harbour Road, Wanchai, Hong Kong for the purpose of considering and, if thought fit, passing the following resolutions of the Company with or without modifications, of which resolutions numbered 1 and 2 will be proposed as ordinary resolutions and resolution numbered 3 will be proposed as a special resolution:

ORDINARY RESOLUTIONS

1. "**THAT** the sale and purchase agreement dated 28 November 2007 ("Acquisition Agreement") between Pure Hope Development Limited ("Vendor") as the vendor, the Company as the purchaser and Mr. Yam Tak Cheung as warrantor and the Vendor's guarantor to guarantee the due and punctual performance of the Vendor's obligations under the Acquisition Agreement, a copy of the same having been produced at the meeting marked "A" and signed by the chairman of the meeting for identification purposes, under which the Vendor shall sell and the Company shall purchase the entire issued share capital of and the entire shareholder's loan outstanding from Ling Kit Holding Limited at a total price of HK$1,828,000,000, which will be settled at completion of the Acquisition to the Vendor or its nominee in the following manner:–

   (a) as to HK$416,000,000 by the Company issuing and allotting 800,000,000 new shares of HK$0.10 each ("Shares") in its ordinary share capital at the issue price of HK$0.52 per Share;

   (b) as to HK$320,000,000 by the Company issuing a promissory note ("Promissory Note") in the principal amount of HK$320,000,000 at 100 per cent of its face value, which shall be due and payable on the fourth anniversary of its issuance with interest accruing on the outstanding principal amount of the Promissory Note at the rate of 3% per annum; and

* *For identification purpose only*

(c) as to the remaining balance of HK$1,092,000,000 by the Company issuing a convertible note ("Convertible Note") in the principal amount of HK$1,092,000,000 at 100 per cent of its face value, principal amount of which shall be due and payable on the fifth anniversary of its issuance and convertible into new Shares at the price of HK$0.52 per Share (subject to adjustment), with interest accruing on the outstanding principal amount of the Convertible Note at the rate of 1.5% per annum,

on and subject to the terms and conditions contained therein and the transactions contemplated thereunder be and are hereby approved, confirmed and ratified and that the directors of the Company ("Directors") be and are hereby authorised to sign, execute and deliver any agreements, deeds, instruments and any other documents in connection with or give effect to the transactions contemplated under the Acquisition Agreement, to exercise all powers of the Company to create and issue the Promissory Note and the Convertible Note and to allot, issue and deal with any new Shares in accordance with the terms and conditions of the Acquisition Agreement and the Convertible Note respectively, and, where necessary, to affix the seal of the Company on any deeds, instruments and any other documents in connection with the Acquisition Agreement in the presence of any one Director and the Company Secretary or of any two Directors (who be and are hereby authorized to sign the same) in accordance with the bye-laws of the Company and to do such acts and things as the Directors may consider necessary, desirable or expedient to carry out or give effect to the transactions contemplated under the Acquisition Agreement."

2. "**THAT** the authorized share capital of the Company be and is hereby increased from HK$300,000,000 divided into 3,000,000,000 ordinary shares of par value of HK$0.10 each ("Shares") to HK$1,000,000,000 divided into 10,000,000,000 Shares by the creation of 7,000,000,000 Shares, such Shares ranking in all respects pari passu with the existing Shares."

SPECIAL RESOLUTION

3. "**THAT**

(a) the name of the Company be changed to "Magnesium Resources Corporation of China Limited " with effect from the date of completion of the Acquisition Agreement (as defined in resolution numbered 1 set out in the notice convening this special general meeting of which this resolution forms part) in accordance with its terms (which date shall be notified by a Director of the Company to the Company Secretary of the Company); and

(b) "中國鎂業資源集團有限公司" be adopted as the Chinese name of the Company for identification purposes with effect from the date when the above change of the English name of the Company becomes effective."

By Order of the Board
China Rise International Holdings Limited
Cheng Tun Nei
Chairman

Hong Kong, 6 February 2008

Registered Office	*Principal place of business in Hong Kong*
Clarendon House	Room 1606-7, West Tower,
2 Church Street	Shun Tak Centre
Hamilton HM 11	168-200 Connaught Road
Bermuda	Central
	Hong Kong

Notes:

1. Any member of the Company entitled to attend and vote at the special general meeting may appoint one or more than one proxy to attend and to vote instead of him. A proxy need not be a member of the Company.

2. Where there are joint registered holders of any share, any one of such persons may vote at the special general meeting, either personally or by proxy, in respect of such share of the Company as if he were solely entitled thereto; but if more than one or such joint holders be present at the special general meeting personally or by proxy, that one of the said persons so present whose name stands first on the register of members of the Company in respect of such share shall alone be entitled to vote in respect thereof.

3. In order to be valid, the proxy form duly completed and signed in accordance with the instructions printed thereon together with the power of attorney or other authority, if any, under which it is signed or a notarially certified copy thereof must be delivered to the Company's branch share registrar in Hong Kong, Tricor Tengis Limited, 26/F., Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong, not less than 48 hours before the time appointed for holding the special general meeting or any adjournment thereof.

4. Completion and return of the proxy form will not preclude you from attending the special general meeting and voting in person if you so wish. In the event that you attend the special general meeting after having lodged the proxy form, it will be deemed to have been revoked.

As at the date hereof, the executive Directors are Mr. Cheng Tun Nei, Mr. Teoh Tean Chai, Anthony and Ms. Chung Oi Ling, Stella; the non-executive Director is Ms. Li Wa Hei and the independent non-executive Directors are Mr. Wu Chi Chiu, Mr. Lo Chi Ho, William and Mr. Chu Kin Wang, Peleus.