



CHINA SCI-TECH HOLDINGS LIMITED
(中國科技集團有限公司)*

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 985)

ANNOUNCEMENT OF RESULTS FOR THE YEAR ENDED 31 MARCH 2007

The Board of Directors of China Sci-Tech Holdings Limited (the “Company”) submit herewith the audited consolidated results of the Company and its subsidiaries (the “Group”) for the year ended 31 March 2007 as follows :

CONSOLIDATED INCOME STATEMENT

For the year ended 31 March 2007

	NOTES	2007 HK\$'000	2006 HK\$'000
Revenue	4	6,661	6,125
Other income		1,750	773
Administrative expenses		(12,503)	(13,560)
Gain (loss) arising from fair value changes of investments held for trading		6,244	(3,995)
Impairment loss recognised in respect of available-for-sale investments		(975)	(4,125)
Gain (loss) arising from fair value changes of investment properties		1,573	(800)
Gain arising from fair value changes of financial assets designated at fair value through profit or loss		—	118
Loss on redemption of convertible notes		(6,710)	(3,334)
(Loss) gain arising from fair value changes of derivative financial instruments		(11,015)	18,515
Finance costs	5	(9,026)	(10,774)
Loss on transfer of subsidiaries	6	(38,918)	—
Share of profit of an associate		—	36,671
(Loss) profit before taxation	7	(62,919)	25,614
Taxation	8	(126)	(115)
(Loss) profit for the year attributable to equity holders of the Company		<u>(63,045)</u>	<u>25,499</u>
(Loss) earnings per share			
— basic	9	<u>(3.67) cents</u>	<u>1.48 cents</u>

CONSOLIDATED BALANCE SHEET

At 31 March 2007

	2007 HK\$'000	2006 HK\$'000
Non-current assets		
Property, plant and equipment	17	42
Investment properties	22,373	20,800
Interest in an associate	—	99,489
Available-for-sale investments	—	975
	<u>22,390</u>	<u>121,306</u>
Current assets		
Other receivables, deposits and prepayments	21,618	12,722
Investments held for trading	318,314	212,833
Derivative financial instruments	278	732
Bank balances and cash	42,419	83,646
	<u>382,629</u>	<u>309,933</u>
Current liabilities		
Other payables and accrued charges	20,872	2,067
Derivative financial instruments	22,949	1,892
Amounts due to directors	300	300
Taxation payable	794	714
	<u>44,915</u>	<u>4,973</u>
Net current assets	<u>337,714</u>	<u>304,960</u>
Total assets less current liabilities	<u>360,104</u>	<u>426,266</u>
Non-current liability		
Convertible notes	<u>60,976</u>	<u>64,093</u>
	<u>299,128</u>	<u>362,173</u>
Capital and reserves		
Share capital	171,748	171,748
Reserves	127,380	190,425
Equity attributable to equity holders of the Company	<u>299,128</u>	<u>362,173</u>

Notes:

1. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENT

The consolidated financial statements have been prepared under the historical cost basis, except for the failure to equity accounted for its investment in an associate as required by HKAS 28 “Investments in Associates”, and the investment properties and certain financial instruments, which are measured at fair values.

The consolidated financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards issued by HKICPA. In addition, the consolidated financial statements include applicable disclosures required by the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited and the Hong Kong Companies Ordinance.

2. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS

In the current year, the Group has applied, for the first time, a number of new standards, amendment and interpretations (“new HKFRSs”) issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”) that are effective for accounting periods beginning on or after 1 December 2005, 1 January 2006 or 1 March 2006. The adoption of the new HKFRSs had no material effect on how the results and the financial position for the current or prior accounting periods are prepared and presented. Accordingly, no prior period adjustment has been required.

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

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

¹ Effective for annual periods beginning on or after 1 January 2007

² Effective for annual periods beginning on or after 1 January 2009

³ Effective for annual periods beginning on or after 1 May 2006

⁴ Effective for annual periods beginning on or after 1 June 2006

⁵ Effective for annual periods beginning on or after 1 November 2006

⁶ Effective for annual periods beginning on or after 1 March 2007

⁷ Effective for annual periods beginning on or after 1 January 2008

3. EXTRACT FROM THE INDEPENDENT AUDITOR'S REPORT

The following paragraphs are extracted from the independent auditor's report that included in the annual report.

“Basis for qualified opinion

As more fully explained in notes 9 and 15 to the consolidated financial statements, the Group's interest in an associate was transferred to an independent third party on 9 January 2007. However, the Group was unable to obtain financial information of its associate for the period from 1 April 2006 to 9 January 2007 (date of transfer) in order to equity account for the result of its associate, in accordance with the requirements of Hong Kong Accounting Standard (“HKAS”) 28 “Investment in Associates” issued by HKICPA, which requires the Group to account for its share of results of operations and net assets of its associate up to the date of transfer in the financial statements. We are unable to obtain sufficient information to quantify the impact of this departure from these requirements. Any adjustments found to be necessary would affect the share of result of an associate and loss on disposal of subsidiaries as disclosed in the consolidated income statement.

Qualified opinion arising from disagreement about accounting treatment

In our opinion, except for the effect on the financial statements of the matter described in the basis for qualified opinion paragraph, the financial statements give a true and fair view of the state of the Group's affairs as at 31 March 2007 and of its loss and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards and have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.”

4. BUSINESS AND GEOGRAPHICAL SEGMENTS

Business segments

For management purposes, the Group is currently organised into two operating divisions (i) investments in financial instruments and (ii) property investment. These divisions are the basis on which the Group reports its primary segment information.

Principal activities are as follows:

Investment in financial instruments	—	investment and trading of securities and commodity contracts
Property investment	—	rental income from the properties letting under operating lease

Segment information about these businesses is presented below:

	2007 <i>HK\$'000</i>	2006 <i>HK\$'000</i>
Investment in financial instruments		
Dividend income	3,546	1,469
Interest income	<u>1,808</u>	<u>3,475</u>
	5,354	4,944
Rental income	<u>1,307</u>	<u>1,181</u>
	<u><u>6,661</u></u>	<u><u>6,125</u></u>

Segment information about these businesses is presented below:

Income statement

	2007		
	Investments in financial instruments <i>HK\$'000</i>	Property investment <i>HK\$'000</i>	Total <i>HK\$'000</i>
Revenue	<u>5,354</u>	<u>1,307</u>	<u>6,661</u>
Segment result	<u>12,370</u>	<u>(3,123)</u>	9,247
Unallocated corporate expenses			(24,222)
Finance costs			(9,026)
Loss on transfer of subsidiaries			<u>(38,918)</u>
Loss before taxation			(62,919)
Taxation			<u>(126)</u>
Loss for the year			<u><u>(63,045)</u></u>
	2006		
	Investments in financial instruments <i>HK\$'000</i>	Property investment <i>HK\$'000</i>	Total <i>HK\$'000</i>
Revenue	<u>4,944</u>	<u>1,181</u>	<u>6,125</u>
Segment result	<u>(9,642)</u>	<u>(269)</u>	(9,911)
Unallocated corporate expenses			(8,155)
Unallocated corporate income			17,783
Finance costs			(10,774)
Share of profit of an associate			<u>36,671</u>
Profit before taxation			25,614
Taxation			<u>(115)</u>
Profit for the year			<u><u>25,499</u></u>

Balance sheet

	2007		2006	
	Assets <i>HK\$'000</i>	Liabilities <i>HK\$'000</i>	Assets <i>HK\$'000</i>	Liabilities <i>HK\$'000</i>
Investments in financial instruments	318,592	19,358	226,805	170
Property investment	<u>22,373</u>	<u>1,556</u>	<u>20,800</u>	<u>1,372</u>
Segment assets/liabilities	340,965	20,914	247,605	1,542
Interest in an associate	—	—	99,489	—
Unallocated corporate assets/liabilities	<u>64,054</u>	<u>84,977</u>	<u>84,145</u>	<u>67,524</u>
	<u>405,019</u>	<u>105,891</u>	<u>431,239</u>	<u>69,066</u>

Other information

	Investment in financial instruments <i>HK\$'000</i>	Property investment <i>HK\$'000</i>	Total <i>HK\$'000</i>
Year ended 31 March 2007			
Impairment loss recognised in respect of available-for-sale investments	975	—	975
Loss arising from fair value changes of derivative financial instruments	<u>454</u>	<u>—</u>	<u>454</u>
Year ended 31 March 2006			
Loss arising from fair value changes of investment properties	—	800	800
Impairment loss recognised in respect of available-for-sale investments	4,125	—	4,125
Loss arising from fair value changes of derivative financial instruments	<u>732</u>	<u>—</u>	<u>732</u>

Geographical segment

A geographical breakdown of the Group's revenue by geographical market is as follows:

	Revenue	
	2007 <i>HK\$'000</i>	2006 <i>HK\$'000</i>
The People's Republic of China (the "PRC"), other than Hong Kong	1,307	1,181
Hong Kong	<u>5,354</u>	<u>4,944</u>
	<u>6,661</u>	<u>6,125</u>

The following table provides an analysis of segment assets and additions to property, plant and equipment and investment properties, analysed by the geographical areas in which the assets are located:

	Carrying amount of segment assets		Additions to property, plant and equipment, and investment properties	
	2007 HK\$'000	2006 HK\$'000	2007 HK\$'000	2006 HK\$'000
The PRC, other than Hong Kong	22,373	20,800	—	—
Hong Kong	318,592	226,805	—	7
	<u>340,965</u>	<u>247,605</u>	<u>—</u>	<u>7</u>

5. FINANCE COSTS

	2007 HK\$'000	2006 HK\$'000
Interest on borrowings wholly repayable within five years:		
Other borrowings	(617)	(1,632)
Convertible notes	<u>(8,409)</u>	<u>(9,142)</u>
	<u>(9,026)</u>	<u>(10,774)</u>

6. LOSS ON TRANSFER OF SUBSIDIARIES

	2007 HK\$'000
Net assets transfer of:	
Interests in an associate	99,489
Other payables and accrued charges	(576)
Cash and bank balances	<u>5</u>
	98,918
Loss on transfer of subsidiaries	<u>(38,918)</u>
Carrying value of secured other loan repaid	<u>60,000</u>

The subsidiaries transfer to an independent third party during the year did not contribute significantly to the Group's revenue and operating results for the year.

On 24 October 2006, Cyber Range Limited ("Cyber Range"), a wholly-owned subsidiary of the Company entered into a debenture with an independent third party, Greatvantage Limited ("Greatvantage"), pursuant to which a sum of HK\$60,000,000 was lent to Cyber Range for a term of 3 months, repayable on 24 January 2007. Under the terms of the debenture, Cyber Range had charged to Greatvantage the entire issued share capital of Zeal Advance Limited ("Zeal Advance"), a wholly-owned subsidiary of Cyber Range, which indirectly holds the 25% registered capital in Shijizhuang Shuanghuan Automobile Co., Ltd. ("Shuanghuan"), an associate

of the Company. The terms of the debenture granted the right to Greatvantage to take control of Zeal Advance if certain events of default were to occur and if Cyber Range failed to comply with Greatvantage's demand for loan repayment.

On 4 January 2007, Greatvantage notified Cyber Range in writing of an event of default resulting from the fact that the Company and its subsidiaries, including Cyber Range, were unable to obtain the financial information of Shuanghuan for the period from 1 April 2006 to 30 September 2006. Accordingly, Greatvantage demanded Cyber Range to repay the loan of HK\$60,000,000.

The Company replied to decline the alleged default as the Company did not consider there was an event of default and did not repay the loan within the specified period. On 9 January 2007, Greatvantage therefore enforced the charge under the debenture by transferring the entire share capital of Zeal Advance to Greatvantage and its nominees and Greatvantage was appointed as the director of Zeal Advance to replace the directors appointed by the Company.

On 12 January 2007, Cyber Range received a notice from Greatvantage that the sum of HK\$60,000,000 was discharged and deemed to be fully repaid as a result of the transfer of the entire issued share capital of Zeal Advance.

7. (LOSS) PROFIT BEFORE TAXATION

	2007 <i>HK\$'000</i>	2006 <i>HK\$'000</i>
(Loss) profit before taxation has been arrived at after charging:		
Directors' remuneration	2,639	2,162
Contributions to the Mandatory Provident Fund	45	53
Other staff costs	<u>1,733</u>	<u>1,881</u>
Total staff costs	<u>4,417</u>	<u>4,096</u>
Auditors' remuneration	800	850
Depreciation	25	74
Minimum lease payments under operating leases		
in respect of rented premises	1,255	725
Share of tax of an associate		
(included in share of result of an associate)	—	9,503
and after crediting:		
Dividend income	3,546	1,469
Gross rental income less direct operating expenses		
from investment properties that generated rental income		
during the year of HK\$1,015,000 (2006: HK\$328,000)	1,307	853
Interest income	<u>1,808</u>	<u>3,475</u>

8. TAXATION

No provision for Hong Kong Profits Tax has been made since the Group had no assessable profits for both years. The amount represents tax arising in other jurisdictions which is calculated at the rates prevailing in the relevant jurisdictions.

The tax charge for the year can be reconciled to the (loss) profit before taxation per the consolidated income statement as follows:

	2007 <i>HK\$'000</i>	2006 <i>HK\$'000</i>
(Loss) profit before taxation	<u>(62,919)</u>	<u>25,614</u>
Tax at the domestic income tax rate of 17.5% (2006: 17.5%)	11,011	(4,482)
Tax effect of share of result of an associate	—	6,417
Tax effect of expenses not deductible for tax purpose	(12,406)	(4,066)
Tax effect of income not taxable for tax purpose	1,438	4,351
Tax effect of tax losses not recognised	(260)	(2,445)
Effect of different tax rate of subsidiaries operating in other jurisdictions	94	86
Others	<u>(3)</u>	<u>24</u>
Taxation charge for the year	<u>(126)</u>	<u>(115)</u>

At the balance sheet date, the Group had unused tax losses of approximately HK\$245,303,000 (2006: HK\$243,817,000) available to offset against future profits. No deferred taxation asset has been recognised in respect of such losses due to the unpredictability of future profit streams. The losses may be carried forward indefinitely. There were no other significant temporary differences arising during the year or at the balance sheet date.

9. (LOSS) EARNINGS PER SHARE

The calculation of basic (loss) earnings per share is based on the loss for the year of HK\$63,045,000 (2006: profit of HK\$25,499,000) and 1,717,484,600 (2006: 1,717,484,600) shares in issue during the year.

No diluted (loss) earnings per share figures have been presented for 2007 and 2006 because the exercise prices of the convertible notes were higher than the average market price of the Company's shares in 2007 and 2006.

10. DIVIDEND

The board of directors of the Company does not recommend the payment of any dividend.

MANAGEMENT DISCUSSION AND ANALYSIS

The Company and its subsidiaries (the “Group”) recorded a turnover of approximately HK\$6.66 million for the year ended 31 March 2007. Compared with last year, there was an increase by an amount of approximately HK\$0.54 million. The increase is mainly attributable to the increase of dividend income from investments in listed securities and rental income from PRC properties. Compared to previous year, the revenue from the investments in financial instruments segment and the property investments segment have increased approximately 141% and 11% respectively. With a stable occupancy rate, the rental income will continue to provide a steady cashflow to the Group in the coming year. Although volatility of the market gave pressure on the performance of the Group’s securities investments, the overall improvement of the market sentiment during the year improved the performance of the securities investments. For the year ended 31 March 2007, the Group recorded approximately HK\$6.24 million gain arising from fair value changes of investments held for trading. In preceding year, loss arising from fair value changes of investments held for trading was approximately HK\$3.99 million. It is expected that certain issues will lead to the fluctuation of the market such as the performance of the PRC stock markets, macro economic control policy in PRC and movement of the exchange rate of RMB, all of which can affect the market sentiment. The Group also recorded an impairment loss of available-for-sale investment in an amount of approximately HK\$0.98 million. Since the last financial year, the Group adopted the new Hong Kong Accounting Standard (“HKAS”) 39 and HKAS 32 in relation to recording convertible loan notes at fair value. Under the new accounting treatment, the Group had a loss on redemption of convertible notes of approximately HK\$6.71 million and a loss arising from fair value changes of derivative financial instruments in the amount of approximately HK\$11.02 million. During the year, the Group no longer held its interest in its associate company, Shijiazhuang Shuanghuan Automobile Co. Ltd. (石家莊雙環汽車有限公司 (“Shuanghuan”)) as a result of enforcement of security by a lender in relation to a HK\$60 million loan. Details of which were disclosed in the Company’s announcements dated 11 January 2007, 24 January 2007 and 2 April 2007 respectively. Thus, the Group recorded a loss on transfer of subsidiaries in the amount of approximately HK\$38.92 million for the year ended 31 March 2007. During the year, the Group did not share any result of Shuanghuan. Overall, the net loss for the year was approximately HK\$63.05 million as compared to the net gain of approximately HK\$25.50 million in the preceding year.

As at 31 March 2007, the Group had bank balance and cash of HK\$42.42 million. Fair value of investments held for trading was in an amount of approximately HK\$318.31 million. During the year, the Company obtained a HK\$60,000,000 loan from an independent third party. The loan was secured by the equity shares of a subsidiary of the Company and bore an annual interest rate at 5%. The loan was settled during the year as a result of enforcing the securities by the lender. Details of which were disclosed in the Company’s announcements dated 11 January 2007, 24 January 2007 and 2 April 2007

respectively. As at 31 March 2007, the Group had three unsecured convertible notes originally issued on 31 January 2005, 31 March 2005 and 22 September 2006 with outstanding principal amount of HK\$16.20 million, HK\$4.80 million and 49.80 million respectively. The first two convertible notes bear 3% interest rate per annum and the last convertible notes bear 5% interest rate per annum. All such convertible notes are in Hong Kong dollars and mature on the third anniversary of date of issue. All the outstanding convertible notes were converted at HK\$0.37 per Share, HK\$0.40 per Share and HK\$0.145 per Share respectively during the period from May 2007 to July 2007. A total of 399,232,056 Shares was issued subsequent to those conversions. As at 31 March 2007, the liability component of the convertible notes was approximately HK\$60.98 million. Save for the abovementioned convertible notes, the Group had no borrowing and loan from banks or financial institutions as at 31 March 2007. The gearing ratio as at 31 March 2007 was approximately 20.39% based on the liability component of the convertible notes in the amount of approximately HK\$60.98 million and the equity attributable to equity holders in the amount of approximately HK\$299.13 million.

The Group had 4 staff as at 31 March 2007. The staff costs (excluding directors' emoluments) was around HK\$1.77 million for the year. Staff remuneration package are normally reviewed annually. The Group has participated in Mandatory Provident Fund Scheme. In addition, the Group provides other staff benefits which include double pay and medical benefits. The Group has no share option scheme during the year.

On 20 April 2006, the Company entered into a placing agreement with Taifook Securities Company Limited ("Taifook"), pursuant to which, Taifook agreed to place, on a best effort basis, the convertible notes in an aggregate principle amount of HK\$49.80 million with interest at a rate of 5% per annum. The convertible notes would carry a right to convert into new share of HK\$0.10 each in the capital of the Company (the "Share(s)") at the conversion price of, subject to adjustment, HK\$0.145 per Share from the date of issue of the convertible notes to the date immediately before the first anniversary of the date of issue of the convertible notes, HK\$0.160 per Share from the first anniversary of the date of issue of the convertible notes to the date immediately before the second anniversary of the date of issue of the convertible notes, HK\$0.176 per Share from the second anniversary of the date of issue of the convertible notes to the date immediately before the third anniversary of the date of issue of convertible notes which is the maturity date of the convertible notes. The placing was completed on 22 September 2006. Details of the placing of the convertible notes were disclosed in the Company's announcements dated 21 April 2006 and dated 20 September 2006. The net proceeds of approximately HK\$48.7 million of placing such convertible notes was utilized for partial redemption of the convertible notes of the Company issued on 31 March 2005 whereas the net proceeds was originally intended to be used as general working capital of the Company.

In October 2006, the Company redeemed HK\$55,200,000 of the HK\$60,000,000 convertible notes (the “HK\$60 million CN”) which were issued on 31 March 2005 for the three years with an interest at of 3% per annum. The outstanding balance of the HK\$60 million CN is HK\$4,800,000.

On 16 March 2007, the Company entered into a placing agreement with Taifook, pursuant to which, Taifook agreed to place, on a fully written basis, 343,496,000 new Share at HK\$0.10 per Share. The net proceeds from the placing was approximately 33.34 million. The placing of Shares was completed on 4 April 2007. Details of the placing were disclosed in the Company’s announcement dated 23 March 2007. As at the date of this annual report, approximately HK\$23 million was utilized for investment in securities issued by listed companies and approximately HK\$3.61 million was used as the Group’s general working capital. The remaining net proceeds of approximately HK6.73 million is not utilized yet.

On 16 March 2007, the Company also entered into a placing agreement with Taifook, pursuant to which, Taifook agreed to place, on a best effort basis, the convertible notes in an aggregate principle amount of HK\$165 million with interest at a rate of 4% per annum. The convertible notes would carry a right to convert into new Shares at the conversion price of, subject to adjustment, HK\$0.11 per Share from the date of issue of the convertible notes to 29 February 2008, HK\$0.12 per Share from 1 March 2008 to 28 February 2009, and HK\$0.13 per Share from 1 March 2009 to 28 February 2010 which is the maturity date of the convertible notes. The placing of the convertible notes was completed on 3 July 2007. The net proceeds of approximately HK\$161.45 million from the placing of convertible notes has not been utilized. The 165 million convertible notes were fully converted in July 2007 and 1,499,999,996 Shares were issued. Details of the placing of the convertible notes were disclosed in the Company’s announcements dated 23 March 2007 and 3 July 2007 and the Company’s circular dated 24 April 2007.

On 4 June 2007, the Company entered into a placing agreement with Kingston Securities Limited (“Kingston”), pursuant to which, Kingston agreed to place, on a fully written basis, 436,000,000 new Shares at HK\$0.45 per Share. The net proceeds from the placing was approximately 191 million. The placing of Shares was completed on 21 June 2007. Approximately HK\$2.01 million of the net proceeds was deposited into an escrow account to be used as compensation for obtaining mining licence in respect of the S&P Agreement mentioned below. Details of the placing were disclosed in the Company’s announcement dated 5 June 2007.

On 20 June 2007, Power East Investments Inc., a indirect wholly owned subsidiary of the Company, entered into a conditional sale and purchase agreement with Qian Mingjin (錢銘今) as vendor and Wang Liang (王亮) as guarantor (the “S&P Agreement”) to acquire all the issued shares in and a shareholder loan of Front Wave Group Limited (“Front Wave”) at the total consideration of RMB199,500,000 to be satisfied partially by the

allotment and issue of 113,183,5632 fully paid Shares at HK\$0.46 per Share. Upon completion of the S&P Agreement, Front Wave will have 95% equity interest in Xing City Hong Ji Mining Industry Company Limited (興城市宏基礦業有限公司) which will have the exploration right to and mining licence for the Liaoning Province Xing City Guojiashen Renhe Molybdenum Mine (遼寧省興城市郭家鎮任合鉬礦) then. Details of the acquisition were disclosed in the Company's announcement dated 4 July 2007.

With stable occupancy rate of the Group's investment properties, it will be expected to bring steady rental income to the Group and thus will continue to contribute cashflow to the Group. It is expected that the market will still fluctuate as many issues such as performance of the PRC stock markets, macro economic control policy in PRC and movement of the exchange rate of RMB can affect the market sentiment. The lost of interest in Shuanghuan does not have material impact on the operation of the Group as Shuanghuan is just an associate company of Group. In view of the increase in demand for natural resources and energy in the world and the increase in the prices of metals over the past years, the Group are optimistic about the future prospect of the demand for natural resources and the energy industry taking into account that the sustainable economic growth of the PRC and the national consumption of the metal. Entering into the S&P Agreement allows the Group to diversify its business into the mining industry. The Group will continue to explore potential business opportunities in order to improve its earning capacity and diversify the market risk that the Group will confront in long run.

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

Neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities during the year.

CORPORATE GOVERNANCE

The Company has, during the year ended 31 March 2007, met the code provision set out in the Code on Corporate Governance Practices (the "Code") contained in Appendix 14 of the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules") except for the following deviations:

(a) Code provision A.4.1

The non-executive Directors are not appointed for a specific term. Thus the Company has deviated from Code Provision A.4.1. However, non-executive directors are subject to retirement by rotation at the Company's annual general meeting as specified by the articles of association of the Company.

(b) **Code provision A.4.2**

Code Provision A.4.2 requires every director should be subject to retirement by rotation at least once every three years. The Company amended the articles of association of the Company to comply with this Code Provision, at the annual general meeting of the Company on 28 September 2006.

(c) **Code provision B.1.1**

Code Provision B.1.1 requires setting up of the remuneration committee. The Company has deviated from the requirement and the remuneration committee has not been set up yet. The Company is in the process of establishing a remuneration committee as more time is needed for determining details appropriate and beneficial to the Company including the composition and terms of reference.

(d) **Code provision E.1.2**

Code Provision E.1.2 requires the chairman of the board to attend annual general meeting of the Company. Mr. Chiu Kong did not attend the 2006 annual general meeting as he was not in Hong Kong on that day.

DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as set out in Appendix 10 of the Listing Rules as its code of conduct regarding director's securities transactions. Having made specific enquiry of all Directors, all Directors confirmed that they had complied with the required standard set out in the Model Code during the year ended 31 March 2007.

REVIEW BY AUDIT COMMITTEE

The results for the year ended 31 March 2007 have been reviewed by the audit committee of the Company.

By Order of the Board
Hui Richard Rui
Director

Hong Kong, 27 July 2007

As at the date of this announcement, the executive Directors are Mr. Chiu Kong (Chairman), Mr. Kwan Kam Hung, Jimmy, Mr. Hui Richard Rui, Mr. Tsui Ching Hung, Mr. Chung Nai Ting and Ms. Chiu Si Mary and the independent non-executive Directors are Mr. Yu Pan, Ms. Tong So Yuet and Mr. Chan Shek Wah.

* *For identification only*