CHINA ELEGANCE (HOLDINGS) LIMITED

(Stock Code: 476)

Annual Report 2007

Contents

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DIRECTORS

Mr. Cheung Ngan *(Chairman)*
Mr. Chan Chung Chun, Arnold
(Deputy Chairman)
Mr. Chan Francis Ping Kuen
(Independent Non-Executive Director)
Mr. Hu Guang
(Independent Non-Executive Director)
Mr. Chan Chak Paul
(Independent Non-Executive Director)

SECRETARY

Mr. Chan Chung Chun, Arnold *CPA*

PRINCIPAL BANKER

Bank of China

I am pleased to present the annual report of China Elegance (Holdings) Limited (the "Company") and its subsidiaries (the "Group") for the year ended 31 March 2007.

RESULTS

During the first half year, the Group restructured its operation to direct its focus in the metals and minerals trading business by discontinuing the consumer products business through the disposal of Unicon Spirit Development Ltd. and its subsidiaries (the "Unicon Group").

During the year ended 31 March 2007, the Group's turnover from its continuing operation, the metals and minerals trading business, decreased by 46.3% to HK$48.8 million (2006: HK$90.8 million) as compared to that of last year. The decrease in turnover was mainly due to the increased volatility of global metals and minerals market and the increase in the sea freight costs during the year.

Gross profit from continuing operation for the year ended 31 March 2007 decreased by 83.5% to HK$1.4 million (2006: HK$8.5 million) as compared to that of last year. The rising cost of sea freight squeezed the gross profit margin of the metals and minerals trading business. The decrease in both the turnover and the gross profit margin resulted in a decline in gross profit.

During the year, the Group had relocated its head office which resulted in an increase in operating lease rentals on leasehold land and buildings and therefore there is a slight increase in administrative expenses. The significant decrease in operating expenses for current year was due to a non-recurring impairment loss for goodwill arised on the acquisition of certain subsidiaries in prior years had been provided for in last year.

As a result, the net loss attributable to equity holders of the Company increased to approximately HK$14.4 million (2006: HK$11.0 million). Basic loss per share for the year increased to HK$0.0147 per share (2006: HK$0.0125 per share).

DIVIDENDS

The Directors do not recommend the payment of any dividend for the year ended 31 March 2007.

BUSINESS REVIEW

Consumer products business

As mentioned in the 2006 annual report of the Company, there was a rise in raw materials and manufacturing costs of consumer products and an intense market competition on global consumer products market. As a result, the gross profit margin of the Group's consumer products business dropped from approximately 30% to approximately 17% during the past financial year.

In view of the above, the Directors decided to reformulate the Group's business strategy by disposing its consumer products business by the disposal of its entire 60% interests in Unicon Group (the "Disposal"). The Directors considered that the Disposal will allow the Group to focus on its other core business, metals and minerals trading. The Disposal was completed on 17 August 2006 and it constituted the discontinued operation of the Group in the current year.

Metals and minerals trading

During the year, both the turnover and gross profit margin dropped because of the volatility in the demand for metals and minerals in the People's Republic of China (the "PRC") as well as the increase in the transportation and freight costs.

LIQUIDITY AND FINANCIAL RESOURCES

The Company announced on 7 July 2006 that the Company proposed for a placement of up to 150,000,000 new shares at the issue price of HK$0.055 per placing share (the "Placing"). The Directors have considered various ways of raising additional funds for future use and having considered that the recent rising trend of interest rates of bank loans, the Directors consider that the Placing represents an opportunity for the Company to raise capital at a relatively low cost while broadening the shareholder base of the Company. The Placing was completed on 26 July 2006 and 150,000,000 new shares were issued to independent third parties. The net proceeds of approximately HK$8.04 million will be used for general working capital of the Group and for future investments.

During the year, a director of the Company advanced HK$10.14 million (2006: nil) to the Group to meet its short-term funds requirement. The amount has been subsequently settled after the balance sheet date.

Besides the capital raised and the amount advanced by a director, the Group generally finances its operations with internally generated cashflows during the year under review. However, the Group's metals and minerals trading division sometimes discounts its bills receivable to finance its business.

The Group's gearing ratio as at 31 March 2007 was 47.1% (2006: nil), based on the amount advanced by a director of HK$10.14 million (2006: nil) and the equity attributable to the equity holders of the Company of HK$21.54 million (2006: HK$25.43 million). No interest was charged on the amount advanced by the director.

As at 31 March 2007, the Group had bank balances and cash of approximately HK$6.7 million (2006: HK$13.9 million). The Group had obtained banking facilities with a total amount of US$12.0 million (2006: nil) which had not been utilised at the balance sheet date. Bank deposits of HK$0.7 million (2006: nil) were pledged to secure these banking facilities.

The operating cash flows of the Group are mainly denominated in HK dollars, Renminbi and US dollars. The available-for-sale investments are denominated in Australian dollars and certain accounts receivable and payable are denominated in US dollars and Renminbi. Foreign exchange exposure in respect of US dollars and Renminbi are considered to be minimal as HK dollars have been pledged with US dollars, and despite the recent gradual rise in Renminbi, the exchange rate of Renminbi against HK dollars is still considered relatively stable. For other currencies, the Group will closely monitor the currency exposure and, when considered appropriate, will take the necessary actions to ensure that such exposure is properly hedged.

CONTINGENT LIABILITIES

At 31 March 2007, the Company had provided corporate guarantee of US$12.0 million (2006: nil) to a bank in respect of banking facilities granted to the Group. The banking facilities were not utilised by the Group at the balance sheet date.

PROSPECTS

The demand for metals and minerals was volatile in the PRC during the year due to increased volatility of global metals and minerals market as well as the increase in transportation and freight costs. The Group will be cautious and careful in dealing with the metals and minerals trading business.

In the meantime, the Group will also focus its efforts to identify and pursue other resources type trading business and the Directors believe that the Group will be able to take up such opportunities when they arise.

EMPLOYEES AND REMUNERATION POLICIES

As at 31 March 2007, the Group employed approximately 21 full time managerial and skilled staff, principally in Hong Kong and the PRC.

The Group remunerates and provides benefits for its employees based on current industry practice. Discretionary bonus and other individual performance bonus are awarded to staff based on the financial performance of the Group and personal performance of individual staff. In the PRC, the Group provides staff welfare for its employees in accordance with prevailing labour legislation. In Hong Kong, it provides staff benefits including mandatory provident fund scheme and medical scheme. In addition, share options may be granted to eligible employees in accordance with the terms of the Company's share option scheme.

CONCLUSION

On behalf of the Board, I would like to thank shareholders for their continued support and I would also wish to take this opportunity to express my appreciation to my colleagues in the Board and all employees of the Group for their dedication and efforts in the past year.

By order of the Board

Cheung Ngan
Chairman

Hong Kong
31 May 2007

The directors herein present their report and the audited financial statements of the Company and the Group for the year ended 31 March 2007.

PRINCIPAL ACTIVITIES

The principal activity of the Company is investment holding. The principal activities of its subsidiaries consisted of investment holding, metals and minerals trading, and the manufacture, trading and distribution of consumer products. During the year, the Group discontinued its consumer products operation with details set out in note 10 to the financial statements.

SEGMENT INFORMATION

An analysis of the Group's performance for the year by business and geographical segments is set out in note 5 to the financial statements.

RESULTS AND DIVIDENDS

The Group's loss for the year ended 31 March 2007 and the state of affairs of the Company and the Group at that date are set out in the financial statements on pages 22 to 66.

The directors do not recommend the payment of any dividend in respect of the year.

SUMMARY FINANCIAL INFORMATION

The following is a summary of the results of the Group for the last five financial reporting years and of its assets and liabilities at the respective financial reporting year end dates, as extracted from the published audited financial statements of the Group.

RESULTS

	Year ended 31 March				
	2007	2006	2005	2004	2003
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
TURNOVER	**56,469**	105,273	182,169	163,077	140,245
LOSS BEFORE TAX	**(13,936)**	(15,547)	(5,831)	(66,661)	(11,851)
Tax	**–**	–	450	–	(197)
LOSS FOR THE YEAR	**(13,936)**	(15,547)	(5,381)	(66,661)	(12,048)
ATTRIBUTABLE TO:					
Equity holders of the Company	**(14,440)**	(11,043)	(823)	(67,510)	(14,479)
Minority interests	**504**	(4,504)	(4,558)	849	2,431
	(13,936)	(15,547)	(5,381)	(66,661)	(12,048)

ASSETS, LIABILITIES AND MINORITY INTERESTS

	As at 31 March				
	2007	2006	2005	2004	2003
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
TOTAL ASSETS	**35,479**	29,389	47,353	73,107	132,067
TOTAL LIABILITIES	**(13,935)**	(3,591)	(4,765)	(21,656)	(21,905)
MINORITY INTERESTS	**–**	(370)	(4,874)	(12,914)	(12,065)
	21,544	25,428	37,714	38,537	98,097

PROPERTY, PLANT AND EQUIPMENT

Details of movements in the property, plant and equipment of the Company and of the Group are set out in note 14 to the financial statements.

SUBSIDIARIES AND ASSOCIATES

Particulars of the Company's principal subsidiaries and associates are set out in notes 15 and 16 to the financial statements, respectively.

BORROWINGS

As at 31 March 2007, the Group had no outstanding bank and other borrowings (2006: Nil), except for HK$10,140,000 (2006: Nil) advanced from a director of the Company to the Group.

SHARE CAPITAL AND SHARE OPTIONS

Details of movements in the Company's share capital and share options during the year, together with the reasons therefor, are set out in notes 21 and 22 to the financial statements, respectively.

PRE-EMPTIVE RIGHTS

There are no provisions for pre-emptive rights under the bye-laws of the Company or the laws of Bermuda which would oblige the Company to offer new shares on a pro rata basis to existing shareholders.

RESERVES

Details of movements in the reserves of the Company during the year are set out in note 23 to the financial statements. Detail of movements in the reserves of the Group during the year are presented in the consolidated statement of changes in equity on page 24 of the financial statements.

DISTRIBUTABLE RESERVES

At the balance sheet date, the Company had no accumulated profits available for distribution. Under the Companies Act 1981 of Bermuda (as amended), the contributed surplus of the Company in the amount of HK$87,109,000 as at 31 March 2007 (2006: HK$87,109,000) is distributable to shareholders in certain circumstances, prescribed by Section 54 thereof, which the Company is currently unable to satisfy.

MAJOR CUSTOMERS AND SUPPLIERS

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

	Percentage of the Group's total
Sales	
– the largest customer	86%
– five largest customers combined	94%
Purchases	
– the largest supplier	88%
– five largest suppliers combined	93%

None of the directors, their associates or any shareholder (which to the knowledge of the directors owns more than 5% of the Company's share capital) had an interest in the major customers or suppliers noted above.

DIRECTORS

The directors of the Company during the year were:

Executive directors

Mr. Cheung Ngan *(Chairman)*
Mr. Chan Chung Chun, Arnold *(Deputy Chairman)*

Independent non-executive directors

Mr. Chan Francis Ping Kuen
Mr. Hu Guang
Mr. Chan Chak Paul

Mr. Chan Francis Ping Kuen and Mr. Hu Guang shall retire from the Board in accordance with the Company's bye-laws, and being eligible, shall offer themselves for re-election as directors of the Company at the forthcoming annual general meeting.

REMUNERATION OF DIRECTORS AND OF THE FIVE HIGHEST PAID INDIVIDUALS

Details of the directors' remuneration and that of the five highest paid individuals in the Group are set out in notes 7 and 8 to the financial statements, respectively.

DIRECTORS' SERVICE CONTRACTS

None of the directors has a service contract with the Company which is not determinable by the Company within one year without payment other than statutory compensation.

SHARE OPTION SCHEME

The Company's share option scheme (the "Scheme"), which was adopted by an ordinary resolution of the shareholders at the special general meeting of the Company on 5 January 2004, constitutes a share option scheme governed by Chapter 17 of the Listing Rules.

Pursuant to the Scheme, the board of directors is empowered, at its discretion, to invite any full-time employees of the Company or any of its subsidiaries or associates, including any executive directors and non-executive directors of the Company or any of its subsidiaries or associates, to take up options to subscribe for shares in the Company. Details of the Scheme are set out in note 22 to the financial statements.

DIRECTORS' RIGHTS TO ACQUIRE SHARES

There were no new share options granted to directors under the Scheme during the year and there were no outstanding share options granted to the directors at the balance sheet date.

At no time during the year was the Company or any of its subsidiaries a party to any arrangement to enable the Company's directors, their respective spouse, or children under 18 years of age to acquire benefits by means of the acquisition of shares in or debentures of the Company or any other body corporate.

DIRECTORS' INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES

At the balance sheet date, the interests and short positions of the directors in the shares and underlying shares of the Company or its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")) which had been notified to the Company and the Stock Exchange pursuant to Divisions 7 & 8 of Part XV of the SFO (including interests or short positions which they were taken or deemed to have under such provisions of the SFO) or which were required, pursuant to Section 352 of the SFO, to be entered in the register referred to therein, or which were required pursuant to the Model Code for Securities Transactions by Directors of Listed Companies to be notified to the Company and the Stock Exchange were as follows:

Name of Director	Capacity/ Nature of interest	Number of shares Long position	Number of shares Short position	Approximate percentage of shareholding in the Company
Mr. Cheung Ngan	Personal	311,232,469	–	30.12%

Save as disclosed above, as at the balance sheet date, none of the directors of the Company have interest or short positions in the shares and underlying shares or other securities of the Company or its associated corporations (within the meaning of Part XV of the SFO) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 & 8 of Part XV of the SFO (including interests or short positions which they were taken or deemed to have under such provisions of the SFO) or which were required, pursuant to Section 352 of the SFO, to be entered in the register referred to therein, or which were required pursuant to the Model Code for Securities Transactions by Directors of Listed Companies to be notified to the Company and the Stock Exchange.

DIRECTORS' INTERESTS IN CONTRACTS

No director, whether directly or indirectly, had a beneficial interest in any contract of significance to the business of the Company to which the Company or any of its subsidiaries was a party during the year.

SUBSTANTIAL SHAREHOLDERS' INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES

At as 31 March 2007, the following shareholders had registered an interest or short position in the shares or underlying shares of 5% or more of the issued share capital of the Company in the register of interests required to be kept by the Company pursuant to Section 336 of the SFO:

Name of Shareholder	Capacity/ Nature of interest	Number of shares Long position	Short position	Approximate percentage of shareholding in the Company
Mr. Cheung Ngan	Personal	311,232,469	–	30.12%
Earnest Investments Holdings Limited	Beneficial owner	92,595,000	–	8.96%

BIOGRAPHICAL DETAILS IN RESPECT OF DIRECTORS

Name	Age	Position held	Number of years of service	Business experience
Mr. Cheung Ngan	50	Chairman, Director	9	Joined the Group in March 1998 and is responsible for the development of corporate strategies, corporate planning, marketing and management functions of the Group. He has over 23 years working experience in corporate management and knowledge of PRC investments.
Mr. Chan Chung Chun, Arnold	47	Deputy Chairman, Director	12	Joined the Group in April 1995 and is responsible for general corporate investment and the financial advisory functions of the Group. He has extensive working experience in accountancy and commercial fields, particularly in the manufacturing, marketing and retailing of consumer products in Hong Kong and the PRC.

Name	Age	Position held	Number of years of service	Business experience
Mr. Chan Francis Ping Kuen	48	Independent Non-Executive Director	2	Appointed as independent non-executive director of the Company in September 2004. Mr. Chan holds a bachelor degree in economics from the University of Sydney in Australia. He is a member of The Institute of Chartered Accountants in Australia and also a member of the Hong Kong Institute of Certified Public Accountants. Mr. Chan has over 22 years of experience in auditing, accounting and financial management and previously worked for an international accounting firm and a number of listed companies in Hong Kong and the United States. Mr. Chan is currently the directors of several companies listed on the main board and the Growth Enterprise Market of the Stock Exchange.
Mr. Hu Guang	39	Independent Non-Executive Director	2	Appointed as independent non-executive director of the Company in September 2004. Mr. Hu holds a master degree of business administration from Tianjin University in the PRC. Mr. Hu is currently the General Manager of 天津大眾投資發展有限公司in Tianjin, the PRC and has over 16 years experience in investment, finance and property development in the PRC.
Mr. Chan Chak Paul	46	Independent Non-Executive Director	2	Appointed as independent non-executive director of the Company in February 2005. Mr. Chan has extensive experience in trading industries and PRC investment. Mr. Chan used to hold several senior management positions in both foreign and local companies.

PURCHASE, REDEMPTION OR SALE OF LISTED SECURITIES

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

PUBLIC FLOAT

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

AUDITOR

Horwath Hong Kong CPA Limited retire and a resolution for their reappointment as auditor of the Company will be proposed at the forthcoming annual general meeting.

ON BEHALF OF THE BOARD

Cheung Ngan
Chairman

Hong Kong
31 May 2007

CORPORATE GOVERNANCE PRACTICES

The Company has adopted the code provisions set out in the Code on Corporate Governance Practices (the "Code") as set out in Appendix 14 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules"). The Company has applied the principles in the Code and complied with the code provisions set out in the Code for the year ended 31 March 2007 except that: (i) the roles of chairman and chief executive officer are not separate and are performed by the same individual as the Board considered that non-segregation would not result in considerable concentration of power and (ii) the non-executive directors are not appointed for a specific term but are subject to retirement by rotation and re-election.

THE BOARD

The Board is responsible for the leadership and control of the Company and oversees the Group's business, strategic decisions and financial performances. The Board delegates to the management team the day-to-day management of the Company's business including the preparation of annual and interim reports, and for implementation of internal control, business strategies and plans developed by the Board.

The Board comprises two executive directors and three independent non-executive directors. More than one-third of the Board is independent non-executive directors and one of them has appropriate accounting or related financial management expertise as required under Rule 3.10(2) of the Listing Rules.

Each of the independent non-executive directors has made an annual confirmation of independence, and the Company considers that all of the independent non-executive directors are independent in accordance with the guidelines as set out in Rule 3.13 of the Listing Rules.

Board meetings are scheduled to be held at about quarterly interval. The attendance of the directors at the Board meetings for the year ended 31 March 2007 is as follows:

Name of Directors	Number of attendance
Mr. Cheung Ngan	9/9
Mr. Chan Chung Chun, Arnold	9/9
Mr. Chan Francis Ping Kuen	6/9
Mr. Hu Guang	3/9
Mr. Chan Chak Paul	5/9

The current independent non-executive directors of the Company are not appointed for a specific term as required by code provision A.4.1. In order to be more consistent with code provision A.4.1, the relevant bye-law of the Company was amended to ensure that all directors, including those appointed for a specific term, shall be subject to retirement by rotation at least once every three years at the Company's annual general meeting. As such, the Company considers that sufficient measures have been taken to ensure that the Company's corporate governance practices are no less exacting than those in the Code.

CHAIRMAN AND CHIEF EXECUTIVE OFFICER

The roles of chairman and chief executive officer of the Company have been performed by Mr. Cheung Ngan. The Board considered that the non-segregation would not result in considerable concentration of power in one person and has the advantage of a strong and consistent leadership which is conducive to making and implementing decisions quickly and consistently. The Board will review the effectiveness of this arrangement from time to time and will consider appointing an individual as chief executive officer when it thinks appropriate.

BOARD COMMITTEE

The Board has established two committees with clearly-defined written terms of reference. The independent views and recommendations of the two committees ensure proper control of the Group and the continual achievement of the high standard corporate governance practices.

Remuneration Committee

The Remuneration Committee (the "Committee") composed of two independent non-executive directors and one executive director, being Mr. Chan Chak Paul, Mr. Chan Francis Ping Kuen and Mr. Cheung Ngan respectively. Two meetings were held during the year ended 31 March 2007 and all members of the Committee had attended the meeting.

The brief duties of the Committee as per the terms of reference were as follows:

i) to make recommendations to the Board on the Company's policy and structure for the remuneration of the directors;

ii) to have the delegated responsibilities to determine the specific remunerations package of all executive directors; and

iii) to review and approve compensation payable to directors in connection with loss of their office or compensation arrangement relating to dismissal or removal of director.

The Committee has every right to access to professional advice relating to remuneration proposal if considered necessary.

Audit Committee

The Company has an Audit Committee comprising three independent non-executive directors, Mr. Hu Guang, Mr. Chan Chak Paul, and Mr. Chan Francis Ping Kuen who serves as the chairman of the Audit Committee. Three meetings were held during the year ended 31 March 2007 and the attendance of the member of the Audit Committee is as follows:

Name of Directors	Number of attendance
Mr. Chan Francis Ping Kuen	3/3
Mr. Hu Guang	2/3
Mr. Chan Chak Paul	3/3

During the year ended 31 March 2007, the Audit Committee had reviewed the Company's annual report for the year ended 31 March 2006, the interim report for the six months ended 30 September 2006 and the principal duties of the Audit Committee include:

i) monitoring integrity of the Company's financial statements and reports;

ii) reviewing of financial controls, internal controls, and risk management system; and

iii) reviewing of the Company's financial and accounting policies and practices.

The Audit Committee is authorized by the Board to investigate any activity and seek any information it requires within its terms of reference. It is also authorized to obtain outside legal or other independent professional advice and to secure the attendance of outsiders with relevant experience and expertise if it considers this necessary.

NOMINATION OF DIRECTORS

Directors are responsible for identifying suitable qualified individual and make recommendation to the Board for consideration. The Board will apply certain criteria on selection such as the consideration of what business or financial experience that the nominated individual can bring into the Board, his or her capabilities to maintain and improve the competitiveness of the Company, and his or her ability to contribute to the Board in formulating Company's policies and strategies, as well as to the effective ways of discharging the Board's responsibilities.

CODE OF CONDUCT ON DIRECTORS' SECURITIES TRANSACTION

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 of the Listing Rules as the Code of Conduct regarding directors' securities transactions.

Specific enquiry has been made of all the directors of the Company who have confirmed in writing their compliance with the required standards set out in the Code of Conduct during the year under review.

AUDITOR'S REMUNERATION

For the year ended 31 March 2007, the auditor of the Company received approximately HK$350,000 for audit service and no fee was payable for other non-audit services.

INTERNAL CONTROL

The Board review the internal control system of the Company annually and will take any necessary and appropriate action to maintain an adequate internal control system to safeguard shareholders' investments and the Company's assets. The effectiveness of the internal control system was discussed on an annual basis with the Audit Committee.

ACCOUNTABILITY AND AUDIT

The directors acknowledge their responsibility for preparation of financial statements for each financial period which give a true and fair view of the state of affairs of the Company and of the Group and of the results and cash flow for that period. The directors ensure that the financial statements for the year ended 31 March 2007 were prepared in accordance with statutory requirements and applicable accounting standards, and have been prepared on going concern basis.

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To the members
China Elegance (Holdings) Limited
(Incorporated in Bermuda with limited liability)

We have audited the consolidated financial statements of China Elegance (Holdings) Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") set out on pages 22 to 66, which comprise the consolidated and company balance sheets as at 31 March 2007, and the consolidated income statement, consolidated statement of changes in equity and consolidated cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory notes.

DIRECTORS' RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

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

AUDITOR'S RESPONSIBILITY

Our responsibility is to express an opinion on these financial statements based on our audit and to report our opinion solely to you, as a body, in accordance with Section 90 of the Bermuda Companies Act, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

We conducted our audit in accordance with Hong Kong Standards on Auditing issued by the Hong Kong Institute of Certified Public Accountants. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance as to whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and true and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial statements.

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

OPINION

In our opinion, the consolidated financial statements give a true and fair view of the state of affairs of the Company and the Group as at 31 March 2007 and of the loss and cash flows of the Group 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.

HORWATH HONG KONG CPA LIMITED
Certified Public Accountants

31 May 2007

Shiu Hong Ng
Practicing Certificate number P03752

Consolidated Income Statement

For the year ended 31 March 2007

	Note	2007 HK$'000	(Restated) 2006 HK$'000
CONTINUING OPERATION			
Turnover	5	**48,833**	90,751
Cost of sales		**(47,456)**	(82,275)
Gross profit		**1,377**	8,476
Other revenue	5	**734**	2,061
Selling and distribution costs		**(196)**	(371)
Administrative expenses		**(17,660)**	(16,410)
Other operating expenses		**(198)**	(1,464)
Finance costs	6	**(232)**	(1,214)
Gain on disposal of subsidiaries		**368**	–
Share of profits of associates		**1,810**	2,708
Loss before tax		**(13,997)**	(6,214)
Tax	9	**–**	–
Loss for the year from continuing operation		**(13,997)**	(6,214)
DISCONTINUED OPERATION			
Profit/(loss) for the year from discontinued operation	10	**61**	(9,333)
LOSS FOR THE YEAR	11	**(13,936)**	(15,547)
ATTRIBUTABLE TO:			
Equity holders of the Company		**(14,440)**	(11,043)
Minority interests		**504**	(4,504)
		(13,936)	(15,547)
LOSS PER SHARE	13		
From continuing and discontinued operations			
– Basic (HK$)		**(0.0147)**	(0.0125)
From continuing operation			
– Basic (HK$)		**(0.0146)**	(0.0070)

The accompanying notes form part of these financial statements.

	Note	2007 HK$'000	2006 HK$'000
ASSETS AND LIABILITIES			
Non-current assets			
Property, plant and equipment	14	**1,470**	719
Interests in associates	16	**3,781**	4,038
Available-for-sale investments	17	**5,700**	3,183
Corporate membership		**–**	268
		10,951	8,208
Current assets			
Inventories		**–**	3,524
Bills receivable		**–**	155
Accounts receivable	18	**1,034**	1,699
Prepayments, deposits and other receivables		**16,835**	1,913
Pledged bank deposits		**676**	–
Cash and bank balances		**5,983**	13,890
		24,528	21,181
Current liabilities			
Accounts payable	19	**2,338**	241
Accrued liabilities and other payables		**893**	2,786
Due to a director	20	**10,140**	–
Tax payable		**564**	564
		13,935	3,591
Net current assets		**10,593**	17,590
Net assets		**21,544**	25,798
EQUITY			
Share capital	21	**10,333**	8,833
Reserves	23	**11,211**	16,595
Equity attributable to equity holders of the Company		**21,544**	25,428
Minority interests		**–**	370
Total equity		**21,544**	25,798

Mr. Cheung Ngan
Director

Mr. Chan Chung Chun, Arnold
Director

The accompanying notes form part of these financial statements.

Consolidated Statement of Changes in Equity

For the year ended 31 March 2007

	Share capital HK$'000	Share premium HK$'000	Contributed surplus HK$'000	Foreign currency translation reserve HK$'000	Investment revaluation reserve HK$'000	Accumulated profits/ (losses) HK$'000	Attributable to equity holders of the Company HK$'000	Minority interests HK$'000	Total HK$'000
At 1 April 2005	8,833	–	20,566	1	(1,337)	8,314	36,377	4,874	41,251
Change in fair value of available-for-sale investments	–	–	–	–	94	–	94	–	94
Income recognised directly in equity	–	–	–	–	94	–	94	–	94
Loss for the year	–	–	–	–	–	(11,043)	(11,043)	(4,504)	(15,547)
Total recognised income and expenses for the year	–	–	–	–	94	(11,043)	(10,949)	(4,504)	(15,453)
At 31 March 2006	8,833	–	20,566	1	(1,243)	(2,729)	25,428	370	25,798
Change in fair value of available-for-sale investments	–	–	–	–	2,517	–	2,517	–	2,517
Income recognised directly in equity	–	–	–	–	2,517	–	2,517	–	2,517
Transfer to profit or loss on disposal of subsidiaries	–	–	–	(1)	–	–	(1)	–	(1)
Loss for the year	–	–	–	–	–	(14,440)	(14,440)	504	(13,936)
Total recognised income and expenses for the year	–	–	–	(1)	2,517	(14,440)	(11,924)	504	(11,420)
Disposal of subsidiaries	–	–	–	–	–	–	–	(874)	(874)
Issue of shares in placing arrangement	1,500	6,750	–	–	–	–	8,250	–	8,250
Share issue expenses	–	(210)	–	–	–	–	(210)	–	(210)
At 31 March 2007	10,333	6,540	20,566	–	1,274	(17,169)	21,544	–	21,544

The accompanying notes form part of these financial statements.

For the year ended 31 March 2007

	2007 HK$'000	2006 HK$'000
OPERATING ACTIVITIES		
Loss for the year	**(13,936)**	(15,547)
Adjustments for:		
Interest income	**(244)**	(1,191)
Finance costs	**232**	1,214
Depreciation	**602**	949
Impairment loss of goodwill	**–**	1,449
Goodwill written off	**12**	–
Inventories written off	**–**	3,462
Impairment loss of debts, net	**425**	2,976
Property, plant and equipment written off	**34**	15
Gain on disposal of discontinued operation	**(74)**	–
Gain on disposal of subsidiaries	**(368)**	–
Share of profits of associates	**(1,810)**	(2,708)
Operating cash flows before movements in working capital	**(15,127)**	(9,381)
Increase in inventories	**(2,456)**	(50)
Increase in accounts receivable	**(1,592)**	(99)
(Increase)/decrease in prepayments, deposits and other receivables	**(15,953)**	4,152
Increase/(decrease) in accounts payable	**2,822**	(16)
Increase in accrued liabilities and other payables	**4,357**	1,277
NET CASH USED IN OPERATING ACTIVITIES – PAGE 26	**(27,949)**	(4,117)

Consolidated Cash Flow Statement

For the year ended 31 March 2007

	Note	2007 HK$'000	2006 HK$'000
NET CASH USED IN OPERATING ACTIVITIES – PAGE 25		**(27,949)**	(4,117)
INVESTING ACTIVITIES			
Disposal of subsidiaries	24	**2,216**	–
Acquisition of a subsidiary	25	**209**	–
(Increase)/decrease in pledged bank deposits		**(676)**	1,042
Dividend received from associates		**2,067**	1,620
Proceeds from disposal of property, plant and equipment		**–**	1,039
Payments to acquire property, plant and equipment		**(2,121)**	(131)
Interest received		**244**	1,191
NET CASH GENERATED FROM INVESTING ACTIVITIES		**1,939**	4,761
FINANCING ACTIVITIES			
L/C charges and interest paid		**(232)**	(1,214)
Net proceeds from issue of shares		**8,040**	–
Advance from a director		**10,140**	–
NET CASH GENERATED FROM/(USED IN) FINANCING ACTIVITIES		**17,948**	(1,214)
NET DECREASE IN CASH AND CASH EQUIVALENTS		**(8,062)**	(570)
Cash and cash equivalents at beginning of year		**14,045**	14,615
CASH AND CASH EQUIVALENTS AT END OF YEAR		**5,983**	14,045
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS			
Cash and bank balances		**5,983**	13,890
Bills receivable		**–**	155
		5,983	14,045

The accompanying notes form part of these financial statements.

	Note	2007 HK$'000	2006 HK$'000
ASSETS AND LIABILITIES			
Non-current assets			
Property, plant and equipment	14	**–**	–
Interests in subsidiaries	15	**18,787**	22,237
		18,787	22,237
Current assets			
Prepayments, deposits and other receivables		**436**	623
Cash and bank balances		**2,775**	2,990
		3,211	3,613
Current liabilities			
Accrued liabilities and other payables		**442**	410
Tax payable		**12**	12
		454	422
Net current assets		**2,757**	3,191
Net assets		**21,544**	25,428
EQUITY			
Share capital	21	**10,333**	8,833
Reserves	23	**11,211**	16,595
Total equity		**21,544**	25,428

Mr. Cheung Ngan
Director

Mr. Chan Chung Chun, Arnold
Director

The accompanying notes form part of these financial statements.

1. CORPORATE INFORMATION

China Elegance (Holdings) Limited (the "Company") is incorporated in Bermuda with limited liabilities. Its shares are listed on the Stock Exchange of Hong Kong Limited (the "Stock Exchange"). The Company's registered office is Clarendon House, 2 Church Street, Hamilton HM 11, Bermuda. Its head office and principal place of business is 37th Floor, China Online Centre, 333 Lockhart Road, Wanchai, Hong Kong.

The principal activity of the Company is investment holding. The Company and its subsidiaries (the "Group") are principally engaged in investment holding, metals and minerals trading and the manufacture, trading and distribution of consumer products. During the year, the Group discontinued its consumer products operation (See note 10).

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

In the current year, the Group has adopted, for the first time, all of the new and revised Hong Kong Financial Reporting Standards ("HKFRSs") that are relevant to its operations and effective for annual reporting periods beginning on or after 1 December 2005, 1 January 2006 or 1 March 2006. The adoption of these new and revised HKFRSs has resulted in changes to the Group's accounting policies in the following area:

HKAS 39 and HKFRS 4 (Amendments) "Financial Guarantee Contracts"

A financial guarantee contract is defined by HKAS 39 "Financial Instruments: Recognition and Measurement" as "a contract that requires the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due in accordance with the original or modified terms of a debt instrument".

Prior to 1 January 2006, financial guarantee contracts were not accounted for in accordance with HKAS 39 and those contracts were disclosed as contingent liabilities. A provision for financial guarantee was only recognised when it was probable that an outflow of resources would be required to settle the financial guarantee obligation and the amount can be estimated reliably.

2. ADOPTION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS (Continued)

Upon the application of these amendments, a financial guarantee contract issued by the Group and not designated as at fair value through profit and loss is recognised initially at its fair value less transaction costs that are directly attributable to the issue of the financial guarantee contract. Subsequent to initial recognition, the Group measures the financial guarantee contract at the higher of: (i) the amount determined in accordance with HKAS 37 "Provision, Contingent Liabilities and Contingent Assets"; and (ii) the amount initially recognised less, when appropriate, cumulative amortisation recognised in accordance with HKAS 18 "Revenue".

The adoption of this amendment has had no material effect on the results and presentation of the Group's financial statements.

At the date of authorisation of these financial statements, the Group has not applied the following new and revised HKFRSs which were in issue but not yet effective:

		Effective for annual periods beginning on or after
HKAS 1 (Amendment)	Capital Disclosures	1 January 2007
HKFRS 7	Financial Instruments: Disclosures	1 January 2007
HKFRS 8	Operating Segments	1 January 2009
HK(IFRIC) – Int 8	Scope of HKFRS 2	1 May 2006
HK(IFRIC) – Int 9	Reassessment of Embedded Derivatives	1 June 2006
HK(IFRIC) – Int 10	Interim Financial Reporting and Impairment	1 November 2006
HK(IFRIC) – Int 11	HKFRS 2 – Group and Treasury Share Transactions	1 March 2007
HK(IFRIC) – Int 12	Service Concession Arrangements	1 January 2008

The directors of the Company anticipate that the application of these new and revised HKFRSs will have no material impact on the results and financial position of the Group.

3. BASIS OF PREPARATION AND PRINCIPAL ACCOUNTING POLICIES

(a) Statement of compliance

The financial statements have been prepared on the historical cost convention, as modified by the revaluation of certain available-for-sale investments.

The financial statements have been prepared in accordance with all applicable HKFRSs, which collectively 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 with the disclosure requirements of the Hong Kong Companies Ordinance (the "Companies Ordinance"). These consolidated financial statements also comply with the applicable disclosure provisions of the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited (the "Listing Rules").

(b) Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and its subsidiaries for the year ended 31 March 2007. The results of subsidiaries acquired or disposed of during the year are included in the profit and loss account from the effective date of acquisition or up to the effective date of disposal, as appropriate.

All significant intra-group transactions, balances, income and expenses are eliminated on consolidation.

Minority interests in the net assets of consolidated subsidiaries are presented separately from the Group's equity therein. Minority interests in the net assets consist of the amount of those interests at the date of the original business combination and the minority's share of changes in equity since the date of the combination. Losses applicable to the minority in excess of the minority's interests in the subsidiary's equity are allocated against the interests of the Group except to the extent that the minority has a binding obligation and is able to make an additional investment to cover the losses. If the subsidiary subsequently reports profits, all such profits are allocated to the Group's interests until the minority's share of losses previously absorbed by the Group has been recovered.

3. BASIS OF PREPARATION AND PRINCIPAL ACCOUNTING POLICIES

(Continued)

(c) Business combination

The acquisition of subsidiaries is accounted for using the purchase method. The cost of the acquisition is measured at the aggregate of the fair values, at the date of exchange, of assets given, liabilities incurred or assumed, and equity instruments issued by the Group in exchange for control of the acquiree, plus any costs directly attributable to the business combination. The acquiree's identifiable assets, liabilities and contingent liabilities assumed in a business combination are recognised at their fair values at the acquisition date.

Goodwill arising on acquisition is recognised as an asset and initially measured at cost, being the excess of the cost of the acquisition over the Group's interests in the net fair value of the identifiable assets, liabilities and contingent liabilities recognised. If, after reassessment, the Group's interests in the net fair value of the acquiree's identifiable assets, liabilities and contingent liabilities exceeds the cost of the acquisition, the excess is recognised immediately in profit and loss account.

The interests of minority shareholders in the acquiree is initially measured at the minority's proportion of the net fair value of the identifiable assets, liabilities and contingent liabilities recognised.

(d) Goodwill

Goodwill represents the excess of the cost of acquisition over the Group's interests in the net fair value of the identifiable assets, liabilities and contingent liabilities of the subsidiary or associate recognised at the date of acquisition. Goodwill is initially recognised as an asset at cost and is subsequently measured at cost less any accumulated impairment losses. Goodwill on acquisitions of subsidiaries is presented separately. Goodwill on acquisition of associates, if any, is included in interests in associates.

For the purpose of impairment testing, goodwill is allocated to each of the Group's cash-generating units expected to benefit from the synergies of the combination. Cash-generating units to which goodwill has been allocated are tested for impairment annually, or more frequently when there is an indication that the unit may be impaired. If the recoverable amount of the cash-generating unit is less than the carrying amount of the unit, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit, and then to the other assets of the unit pro-rata on the basis of the carrying amount of each asset in the unit. An impairment loss recognised for goodwill is not reversed in subsequent periods.

3. BASIS OF PREPARATION AND PRINCIPAL ACCOUNTING POLICIES
(Continued)

(d) Goodwill (Continued)

On subsequent disposal of a subsidiary or an associate, the attributable amount of goodwill capitalised is included in the determination of the amount of profit or loss on disposal.

(e) Subsidiary

A subsidiary is an entity in which the Company, directly or indirectly, controls more than half of its voting power or issued share capital or controls the composition of its board of directors. Subsidiaries are considered to be controlled if the Company has the power, directly or indirectly, to govern the financial and operating policies, so as to obtain benefits from their activities.

In the Company's balance sheet, the interests in subsidiaries are stated at cost less provision for impairment losses, if any. The results of the subsidiaries are accounted for by the Company on the basis of dividends received and receivable.

(f) Associates

An associate is an entity, not being a subsidiary nor an interest in a jointly controlled entity, over which the Group is in a position to exercise significant influence, through participation in the financial and operating policy decisions of the investee.

The results and assets and liabilities of associates are incorporated in the consolidated financial statements using the equity method of accounting. Under the equity method, interests in associates are carried in the consolidated balance sheet at cost as adjusted for post-acquisition changes in the Group's share of the net assets of the associate, less impairment in the value of individual investment. When the Group's share of losses of an associate equals or exceeds its interests in that associate, the Group discontinues recognising its share of further losses.

Where a group entity transacts with an associate of the Group, unrealised gains and losses are eliminated to the extent of the Group's interests in the relevant associate, except to the extent that unrealised losses provide evidence of an impairment of the assets transferred, in which case, the full amount of losses is recognised.

3. BASIS OF PREPARATION AND PRINCIPAL ACCOUNTING POLICIES (Continued)

(g) Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation and impairment losses, if any. The cost of an asset comprises its purchase price and any directly attributable costs of bringing the asset to its working condition and location for its intended use. Expenditure incurred after the property, plant and equipment have been put into operation, such as repairs and maintenance, is normally charged to the profit and loss account in the period in which it is incurred. In situations where it can be clearly demonstrated that the expenditure has resulted in an increase in the future economic benefits expected to be obtained from the use of the property, plant and equipment, the expenditure is capitalised as an additional cost thereof.

Depreciation is provided to write off the cost of items of property, plant and equipment over their estimated useful lives using the straight-line method. The expected useful lives of property, plant and equipment are as follows:

Leasehold improvements	3 to 10 years
Plant and machinery	5 to 15 years
Furniture, fixtures, equipment and motor vehicles	3 to 5 years

The gain or loss on disposal of property, plant and equipment is the difference between the net sales proceeds and the carrying amount of the relevant asset, and is recognised in the profit and loss account.

3. BASIS OF PREPARATION AND PRINCIPAL ACCOUNTING POLICIES
(Continued)

(h) Impairment of assets excluding goodwill

Assets that have an indefinite useful life are not subject to amortisation and tested annually for impairment and are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. Assets that are subject to amortisation are reviewed for impairment whenever there is an indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss, if any. Where it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs. Recoverable amount is the higher of fair value less costs to sell 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 the time value of money and the risks specific to the asset.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised immediately in the profit and loss account, unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as a decrease in the revaluation reserve.

Where an impairment loss subsequently reverses, the carrying amount of the asset (or cash-generating unit) is increased to the revised estimate of its recoverable amount, to the extent that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for that asset (or cash-generating unit) in prior years. A reversal of an impairment loss is recognised immediately in the profit and loss account, unless the relevant asset is carried at a revalued amount, in which case the reversal of the impairment loss is treated as an increase in the revaluation reserve.

(i) Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined on a first-in, first-out basis and, in the case of work in progress and finished goods, comprises direct materials, direct labour and an appropriate proportion of overheads. Net realisable value is based on estimated selling prices less any estimated costs to be incurred to completion and disposal.

3. BASIS OF PREPARATION AND PRINCIPAL ACCOUNTING POLICIES
(Continued)

(j) Financial instruments

Financial assets and financial liabilities are recognised in the Group's balance sheet when the Group becomes a party to the contractual provisions of the instrument.

i) Trade and other receivables

Trade 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 provisions for estimated irrecoverable amounts are recognised in profit and loss account when there is objective evidence that the asset is impaired. The provision 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.

ii) Investments

Investments are recognised and derecognised on a trade date basis where the purchase or sale of an investment is under a contract whose terms require delivery of the investment within the timeframe established by the market concerned, and are initially measured at fair value, plus directly attributable transaction costs.

At subsequent reporting dates, debt securities that the Group has the expressed intention and ability to hold to maturity (held-to-maturity debt securities) are measured at amortised cost using the effective interest rate method, less any impairment loss recognised to reflect irrecoverable amounts.

3. BASIS OF PREPARATION AND PRINCIPAL ACCOUNTING POLICIES (Continued)

(j) Financial instruments (Continued)

ii) Investments (Continued)

Investments other than held-to-maturity debt securities are classified as either investments held for trading or as available-for-sale, and are measured at subsequent reporting dates at fair value. Where securities are held for trading purposes, gains and losses arising from changes in fair value are included in profit or loss for the period. For available-for-sale investments, gains and losses arising from changes in fair value are recognised directly in equity, until the security is disposed of or is determined to be impaired, at which time the cumulative gain or loss previously recognised in equity is included in the profit or loss for the period. Impairment losses recognised in profit or loss for equity investments classified as available-for-sale are not subsequently reversed through profit or loss. Impairment losses recognised in profit or loss for debt instruments classified as available-for-sale are subsequently reversed if an increase in the fair value of the instrument can be objectively related to an event occurring after the recognition of the impairment loss.

iii) Cash and cash equivalents

Cash and cash equivalents comprise cash on hand and deposits held at call with banks, and other short-term highly liquid investments with original maturities of three months or less that are readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value. 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 cash flow statement.

iv) Trade and other payables

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

v) Equity instruments

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

3. BASIS OF PREPARATION AND PRINCIPAL ACCOUNTING POLICIES

(Continued)

(k) Leases

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

The Group as lessee

Rentals payable under operating leases are charged to profit and loss account on a straight-line basis over the term of the relevant lease. Benefits received and receivable as an incentive to enter into an operating lease are recognised as a reduction of rental expense over the lease term on a straight-line basis.

(l) Provisions and contingent liabilities

Provisions are recognised for liabilities of uncertain timing or amount when the Group 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 expenditures expected to settle the obligation.

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

(m) Taxation

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

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

3. BASIS OF PREPARATION AND PRINCIPAL ACCOUNTING POLICIES (Continued)

(m) Taxation (Continued)

Deferred tax is recognised on differences between the carrying amounts of assets and liabilities in the consolidated 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 profits will be available against which deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from 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 profits 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 in the period when the liability is settled or the asset is realised. Deferred tax is charged or credited to profit and loss account, except when it relates to items charged or credited directly to equity, in which case the deferred tax is also dealt with in equity.

(n) Foreign currencies

The financial statements of each individual group entity are prepared in the currency of the primary economic environment in which the entity operates (the "functional currency"). In preparing these financial statements, transactions in currencies other than the functional currency of that entity (the "foreign currencies") are recorded in its functional currency at the rates of exchanges prevailing on the dates of the transactions. At each balance sheet date, monetary items denominated in foreign currencies are retranslated at the rates prevailing on the balance sheet date. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing on the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

3. BASIS OF PREPARATION AND PRINCIPAL ACCOUNTING POLICIES (Continued)

(n) Foreign currencies (Continued)

Exchange differences arising on the settlement and retranslation of monetary items are recognised in profit and loss account in the period in which they arise. Exchange differences arising on the retranslation of non-monetary items carried at fair value are included in profit and loss account for the period except for differences arising on the retranslation of non-monetary items in respect of which gains and losses are recognised directly in equity, in which cases, the exchange differences are also recognised directly in equity.

For the purpose of presenting consolidated financial statements, the assets and liabilities of the Group's foreign operation (including comparatives) are expressed in Hong Kong dollars using exchange rates prevailing on the balance sheet date. Income and expenses items (including comparatives) are translated at the average exchange rates at the dates of the transactions are used. Exchange differences arising, if any, are classified as equity and transferred to the Group's foreign currency translation reserve. Such translation differences are recognised in profit or loss in the period in which the foreign operation is disposed of.

Goodwill and fair value adjustments arising on the acquisition of a foreign operation are treated as assets and liabilities of the foreign operation and translated at the exchange rates prevailing on the balance sheet date.

(o) Employees' benefits

i) Short term benefits

Employee entitlements to annual leave and long service payment are recognised when they accrue to employees. A provision is made for the estimated liability for annual leave and long service payment as a result of services rendered by employees up to the balance sheet date.

ii) Employee retirement scheme

On 1 December 2000, the Group joined a Mandatory Provident Fund ("MPF"). Contributions to the MPF are made based on rates applicable to the respective employees' relevant income from the Group and are charged to the profit and loss account as they become payable in accordance with government regulations. The Group's mandatory contributions are fully and immediately vested in favour of the employees. The assets of MPF are held separately from those of the Group in an independently administered fund.

3. BASIS OF PREPARATION AND PRINCIPAL ACCOUNTING POLICIES
(Continued)

(p) Borrowing costs

All borrowing costs, which represents interest and other charges incurred by the Group in connection with the borrowing of operating funds, are recognised as an expense in the period in which they are incurred.

(q) Related parties

Two parties are considered to be related if one party has the ability, directly or indirectly, to control the other party or exercise significant influence over the other party in making financial and operating decisions. Parties are also considered to be related if they are subject to common control or common significant influence. Related parties may be individuals (being members of key management personnel, significant shareholders and/or their close family members) or other entities and include entities which are under the significant influence of related parties of the Group where those parties are individuals, and post-employment benefit plans which are for the benefit of employees of the Group or of any entity that is a related party of the Group.

(r) Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable and represents amounts receivable for goods and services provided in the normal course of business, net of discounts. Revenue is recognised when it is probable that the economic benefits will flow to the Group and when the revenue can be measured reliably, on the following bases:

i) sales of goods when the significant risks and rewards of ownership have been transferred to the buyer, provided that the Group maintains neither managerial involvement to the degree usually associated with ownership, nor effective control over the goods sold;

ii) rental income and administration fee income are recognised on a straight line basis; and

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

3. BASIS OF PREPARATION AND PRINCIPAL ACCOUNTING POLICIES
(Continued)

(s) Segment reporting

In accordance with the Group's internal financial reporting, the Group has determined that business segments be presented as the primary reporting format and geographical as the secondary reporting format.

Segment revenue, expenses, results, assets and liabilities include items directly attributable to a segment as well as those that can be allocated on a reasonable basis to that segment. Segment revenue, expenses, assets and liabilities are determined before intra-group balances and intra-group transactions are eliminated as part of the consolidated 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 the external parties.

In respect of geographical segment reporting, revenue is based on the market segments in which the customers are located. Total assets and capital expenditure are where the assets are located.

4. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

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 and 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.

4. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS (Continued)

The estimates and assumptions that may 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:

Impairment of debts

Impairment of debts is based on an assessment of the recoverability of trade and other receivables. Impairments are applied to trade and other receivables where events or change in circumstances indicate that the balances cannot be collectible. The identification of doubtful debts requires the use of judgement and estimates. Where the future discounted cash flow of trade and other receivables is different from the carrying amount, such difference represents impairment of debts is recognised as expense in the profit and loss account.

5. TURNOVER, OTHER REVENUE AND SEGMENT INFORMATION

Turnover represents the sales value of goods supplied to customers. The amount of each significant category of revenue recognised during the year is as follows:

	Continuing operation		Discontinued operation		Consolidated	
	2007	2006	**2007**	2006	**2007**	2006
	HK$'000	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000
Turnover						
Sales of metals and minerals	**48,833**	90,751	**–**	–	**48,833**	90,751
Sales of consumer products	**–**	–	**7,636**	14,522	**7,636**	14,522
	48,833	90,751	**7,636**	14,522	**56,469**	105,273
Other revenue						
Sundry income	**481**	805	**172**	317	**653**	1,122
Administration fee income, net	**–**	–	**348**	1,648	**348**	1,648
Interest income	**241**	1,177	**3**	14	**244**	1,191
Exchange gain, net	**12**	79	**29**	128	**41**	207
Rental income	**–**	–	**–**	8	**–**	8
	734	2,061	**552**	2,115	**1,286**	4,176
	49,567	92,812	**8,188**	16,637	**57,755**	109,449

5. TURNOVER, OTHER REVENUE AND SEGMENT INFORMATION (Continued)

Primary reporting format – business segments

For the year ended 31 March 2007

	Continuing operation	Discontinued operation		
	Metals and minerals HK$'000	Consumer products HK$'000	Unallocated HK$'000	Consolidated HK$'000
Revenue from external customers	48,833	7,636	–	56,469
Segment results	(3,144)	(13)	–	(3,157)
Unallocated operating income and expenses				(12,799)
Gain on disposal of subsidiaries	–	74	368	442
Finance costs	(232)	–	–	(232)
Share of profits of associates	1,810	–	–	1,810
Loss for the year				(13,936)
Depreciation	–	107	495	602
Impairment loss of debts, net	–	200	225	425
Segment assets	19,484	–	–	19,484
Interests in associates	3,781	–	–	3,781
Unallocated assets				12,214
Total assets				35,479
Segment liabilities	12,569	–	–	12,569
Unallocated liabilities				1,366
Total liabilities				13,935
Capital expenditure incurred during the year	–	320	1,801	2,121

5. TURNOVER, OTHER REVENUE AND SEGMENT INFORMATION (Continued)

Primary reporting format – business segments (Continued)

For the year ended 31 March 2006

	Continuing operation	Discontinued operation		
	Metals and minerals HK$'000	Consumer products HK$'000	Unallocated HK$'000	Consolidated HK$'000
Revenue from external customers	90,751	14,522	–	105,273
Segment results	5,259	(12,020)	–	(6,761)
Unallocated operating income and expenses				(10,280)
Finance costs	(1,214)	–	–	(1,214)
Share of profits of associates	2,708	–	–	2,708
Loss for the year				(15,547)
Depreciation	–	563	386	949
Impairment loss of				
– goodwill	–	1,449	–	1,449
– debts, net	–	2,976	–	2,976
Segment assets	9,171	7,238	–	16,409
Interests in associates	4,038	–	–	4,038
Unallocated assets				8,942
Total assets				29,389
Segment liabilities	40	3,083	–	3,123
Unallocated liabilities				468
Total liabilities				3,591
Capital expenditure incurred during the year	–	72	59	131

Secondary reporting format – geographical segments

As over 90% of the Group's business revenue was generated from the People's Republic of China (the "PRC") including Hong Kong, no geographical segments information regarding the Group's business revenue and results is presented.

5. TURNOVER, OTHER REVENUE AND SEGMENT INFORMATION (Continued)

Secondary reporting format – geographical segments (Continued)

An analysis of the segment assets and capital expenditure by the geographical area in which the assets are located is as follows:

	Segment assets		Capital expenditure incurred during the year	
	2007	2006	**2007**	2006
PRC (including Hong Kong)	**10,220**	20,709	**2,121**	131
Asia Pacific	**9,659**	7,742	**–**	–
Europe	**15,600**	–	**–**	–
Others	**–**	938	**–**	–
	35,479	29,389	**2,121**	131

6. FINANCE COSTS

	2007 HK$'000	2006 HK$'000
From continuing operation		
L/C charges and interest	**232**	1,214

7. DIRECTORS' REMUNERATION

Directors' remuneration, disclosed pursuant to the Listing Rules and Section 161 of the Companies Ordinance, is as follows:

	Fee		Basic salaries, housing benefits, other allowances and benefits in kind		Pension contributions		Total	
	2007 HK$'000	2006 HK$'000	**2007 HK$'000**	2006 HK$'000	**2007 HK$'000**	2006 HK$'000	**2007 HK$'000**	2006 HK$'000
Executive directors								
Mr. Cheung Ngan	**–**	–	**793**	807	**12**	12	**805**	819
Mr. Chan Chung Chun, Arnold	**–**	–	**351**	351	**12**	12	**363**	363
Sub-total	**–**	–	**1,144**	1,158	**24**	24	**1,168**	1,182
Independent non-executive directors								
Mr. Chan Francis Ping Kuen	**10**	10	**–**	–	**–**	–	**10**	10
Mr. Hu Guang	**10**	10	**–**	–	**–**	–	**10**	10
Mr. Chan Chak Paul	**10**	10	**–**	–	**–**	–	**10**	10
Sub-total	**30**	30	**–**	–	**–**	–	**30**	30
Total	**30**	30	**1,144**	1,158	**24**	24	**1,198**	1,212

7. DIRECTORS' REMUNERATION (Continued)

The remuneration of each of the directors for both current and prior years were below HK$1,000,000.

There were no arrangements under which a director waived or agreed to waive any remuneration during the year.

During the year, no share options were granted to the directors.

8. FIVE HIGHEST PAID INDIVIDUALS

The five highest paid individuals during the year included two (2006: two) directors, details of whose remuneration are set out in note 7 above. The details of the remuneration of the remaining three (2006: three) non-director, highest paid individuals are as follows:

	2007	2006
	HK$'000	HK$'000
Basic salaries, allowances and benefits in kind	**1,435**	1,557
Pension contributions	**34**	24
	1,469	1,581

The remuneration of the non-director, highest paid individuals for both current and prior years were below HK$1,000,000.

9. TAX

(a) No Hong Kong profits tax has been provided for the Company and its subsidiaries as the Group sustained a loss for the year (2006: Nil).

Overseas taxes on assessable profits of the Company or its subsidiaries, if any, are calculated at the rates of tax prevailing in the respective jurisdictions in which they operate, based on the prevailing legislation, interpretations and practices in respect thereof.

There were no significant unprovided deferred tax liabilities at the balance sheet date (2006: Nil). The unprovided deferred tax asset at the balance sheet date amounted to approximately HK$3,160,000 (2006: HK$3,612,000) related primarily to tax losses.

9. TAX (Continued)

(b) Reconciliation between the actual total tax charge and loss before tax at applicable tax rates is as follows:

	2007 HK$'000	2007 %	2006 HK$'000	2006 %
Loss before tax				
– from continuing operation	**(13,997)**		(6,214)	
– from discontinued operation	**61**		(9,333)	
	(13,936)		(15,547)	
Tax credit at the applicable rates	**(2,450)**	**17.58**	(2,602)	16.74
Non-taxable revenue	**(427)**	**3.06**	(751)	4.83
Non-deductible expenses	**2,831**	**(20.31)**	2,396	(15.41)
Share of results of associates	**(317)**	**2.27**	(474)	3.05
Effect of tax losses not recognised	**341**	**(2.44)**	1,380	(8.88)
Others	**22**	**(0.16)**	51	(0.33)
Tax credit and effective tax rate for the year	**–**	**–**	–	–

10. DISCONTINUED OPERATION

The Company had, through its wholly-owned subsidiary, entered into a sale and purchase agreement on 17 August 2006 with a third party to dispose of its entire 60% interest in Unicon Spirit Development Ltd. ("Unicon Spirit") for a consideration of HK$3,400,000 (the "Disposal"). Unicon Spirit and its subsidiaries ("Unicon Group") are engaged in the manufacture, trading and distribution of consumer products. The Disposal represented the discontinuance of the Group's consumer products operation.

10. DISCONTINUED OPERATION (Continued)

An analysis of the results of the discontinued operation is as follows:

	2007 HK$'000	2006 HK$'000
Turnover	**7,636**	14,522
Cost of sales	**(5,179)**	(12,023)
Gross profit	**2,457**	2,499
Other revenue	**552**	2,115
Selling and distribution costs	**(832)**	(1,782)
Administrative expenses	**(2,190)**	(6,268)
Other operating expenses	**–**	(5,897)
Loss before tax	**(13)**	(9,333)
Tax	**–**	–
Loss after tax of discontinued operation	**(13)**	(9,333)
Gain on disposal of discontinued operation	**74**	–
Profit/(loss) for the year from discontinued operation	**61**	(9,333)
Attributable to:		
Equity holders of the Company	**(8)**	(4,885)
Minority interests	**69**	(4,448)
	61	(9,333)

10. DISCONTINUED OPERATION (Continued)

The cash flows attributable to the discontinued operation are as follows:

	2007	2006
	HK$'000	HK$'000
Cash inflow/(outflow) from:		
Operating activities	**1,570**	(2,749)
Investing activities	**(317)**	2,067
Net cash inflow/(outflow)	**1,253**	(682)

11. LOSS FOR THE YEAR

The Group's loss for the year is arrived at after charging:

	Continuing operation		Discontinued operation		Consolidated	
	2007	2006	**2007**	2006	**2007**	2006
	HK$'000	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000
Auditor's remuneration	**350**	350	**–**	–	**350**	350
Depreciation	**495**	386	**107**	563	**602**	949
Property, plant and equipment written off	**9**	15	**25**	–	**34**	15
Inventories written off	**–**	–	**–**	3,462	**–**	3,462
Impairment loss of goodwill	**–**	–	**–**	1,449	**–**	1,449
Goodwill written off	**12**	–	**–**	–	**12**	–
Impairment loss of debts, net	**225**	–	**200**	2,976	**425**	2,976
Operating lease rentals on						
– leasehold land and buildings	**2,050**	1,287	**144**	611	**2,194**	1,898
– equipment	**–**	–	**–**	97	**–**	97
Staff costs (including directors' remuneration – note 7)						
– Salaries and wages	**4,359**	4,481	**678**	2,106	**5,037**	6,587
– Other benefits	**843**	921	**–**	17	**843**	938
– Pension contributions	**146**	138	**34**	88	**180**	226
	5,348	5,540	**712**	2,211	**6,060**	7,751

12. NET LOSS ATTRIBUTABLE TO EQUITY HOLDERS OF THE COMPANY

The net loss attributable to equity holders of the Company includes a loss of HK$11,924,000 (2006: HK$12,286,000) which has been dealt with in the financial statements of the Company.

13. LOSS PER SHARE

The calculation of the basic loss per share from continuing and discontinued operations attributable to the equity holders of the Company is based on the following data:

Loss

	2007 **HK$'000**	2006 HK$'000
Loss for the purpose of basic loss per share	**(14,440)**	(11,043)
Less: Loss for the year from discontinued operation attributable to equity holders of the Company	**8**	4,885
Loss for the purpose of basic loss per share from continuing operation	**(14,432)**	(6,158)

Number of shares

	2007	2006
Weighted average number of ordinary shares for the purpose of basic loss per share	**985,625,567**	883,296,800

Basic loss per share from the discontinued operation is HK$0.0001 (2006: HK$0.0055), which is calculated based on the loss for the year from discontinued operation attributable to equity holders of the Company of HK$8,000 (2006: HK$4,885,000) and the weighted average number of ordinary shares for the purpose of basic loss per share detailed above.

No diluted loss per share is shown for both current and prior years as the Company has no potential dilutive ordinary shares at the respective balance sheet dates.

14. PROPERTY, PLANT AND EQUIPMENT

Group

	Leasehold land and buildings HK$'000	Leasehold improvements HK$'000	Plant and machinery HK$'000	Furniture, fixtures, equipment and motor vehicles HK$'000	Total HK$'000
Cost:					
At 1 April 2005	1,700	1,044	305	4,704	7,753
Additions	–	27	4	100	131
Disposals	(1,700)	(15)	–	(7)	(1,722)
At 31 March 2006	–	1,056	309	4,797	6,162
Additions	–	1,572	–	549	2,121
Disposals	–	(750)	–	(801)	(1,551)
Disposal of subsidiaries	–	(266)	(309)	(1,700)	(2,275)
At 31 March 2007	–	1,612	–	2,845	4,457
Accumulated depreciation:					
At 1 April 2005	661	733	292	3,476	5,162
Provided for the year	–	285	3	661	949
Written back on disposal	(661)	(7)	–	–	(668)
At 31 March 2006	–	1,011	295	4,137	5,443
Provided for the year	–	266	–	336	602
Written back on disposal	–	(725)	–	(792)	(1,517)
Disposal of subsidiaries	–	–	(295)	(1,246)	(1,541)
At 31 March 2007	–	552	–	2,435	2,987
Net book value:					
At 31 March 2007	–	1,060	–	410	1,470
At 31 March 2006	–	45	14	660	719

14. PROPERTY, PLANT AND EQUIPMENT (Continued)

Company

	Equipment
	HK$'000
Cost:	
At 1 April 2005, 31 March 2006 and 31 March 2007	131
Accumulated depreciation:	
At 1 April 2005, 31 March 2006 and 31 March 2007	131
Net book value:	
At 31 March 2007	–
At 31 March 2006	–

15. INTERESTS IN SUBSIDIARIES

	Company	
	2007	2006
	HK$'000	HK$'000
Unlisted shares, at cost	**66,743**	66,743
Due from subsidiaries	**580,445**	568,859
Due to subsidiaries	**(19,616)**	(15,397)
	627,572	620,205
Less: Provision for impairment	**(608,785)**	(597,968)
	18,787	22,237

The balances with the subsidiaries are unsecured, interest-free and have no fixed terms of repayment, and approximate to their fair value.

15. INTERESTS IN SUBSIDIARIES (Continued)

Particulars of the principal subsidiaries are as follows:

Name	Place of incorporation/ registration and operations	Nominal value of issued ordinary share capital/ paid-up registered capital	Percentage of equity attributable to the Company		Principal activities
			2007	2006	
Directly held					
China Elegance Holdings Limited	British Virgin Islands	US$1,000	**100%**	100%	Investment holding
Indirectly held					
Apex Winner Limited	Hong Kong	HK$1	**100%**	100%	Provision of management services
Brilliant Challenge (Hong Kong) Limited*	Hong Kong	HK$1,000	**–**	60%	Trading of leather and leather products
C & R International (Holdings) Limited*	Hong Kong	HK$2	**–**	60%	Trading of leather and leather products
C & R International (Management) Limited*	Samoa/ PRC	US$1	**–**	60%	Brand management
CE Investment Limited	Samoa	US$1	**100%**	100%	Investment holding
CE Logistics Limited*	British Virgin Islands	US$1	**–**	100%	Dormant

15. INTERESTS IN SUBSIDIARIES (Continued)

Name	Place of incorporation/ registration and operations	Nominal value of issued ordinary share capital/ paid-up registered capital	Percentage of equity attributable to the Company 2007	2006	Principal activities
Charmful Challenge (Asia) Limited*	Hong Kong	HK$1,000	**–**	60%	Sourcing and trading of leather products
Cheuk Yiu Investment Limited	Samoa	US$397,436	**100%**	100%	Investment holding
China Elegance Marine Shipping Limited*	British Virgin Islands	US$100	**–**	60%	Dormant
China Elegance Mining Company Limited	British Virgin Islands/PRC	US$1	**100%**	100%	Trading of metals and minerals
China Elegance Resources Limited	British Virgin Islands	US$1	**100%**	100%	Dormant
China Petroleum Limited[#]	British Virgin Islands	US$100	**51%**	–	Dormant
Gold Billion Limited*	Samoa	US$1	**–**	60%	Provision of management services
Grand Capital Enterprises Limited	British Virgin Islands	US$1	**100%**	100%	Investment holding

15. INTERESTS IN SUBSIDIARIES (Continued)

Name	Place of incorporation/ registration and operations	Nominal value of issued ordinary share capital/ paid-up registered capital	Percentage of equity attributable to the Company 2007	2006	Principal activities
Hero Gain Limited	Hong Kong	HK$100	**100%**	100%	Provision of management services
Hong Kong Cable Services Co. Limited	Hong Kong/ PRC	HK$100	**100%**	89%	Trading of computer hardware and software, provision of computer maintenance services and software development
Hugefaith Development Limited*	Hong Kong	HK$2	**–**	60%	Provision of management services
Jointech International Limited*	British Virgin Islands	US$2,000	**–**	89%	Investment holding
Kind Success Holdings Limited	British Virgin Islands	US$100	**100%**	100%	Investment holding
Legend World Group Limited	British Virgin Islands	US$100	**100%**	100%	Investment holding

15. INTERESTS IN SUBSIDIARIES (Continued)

Name	Place of incorporation/ registration and operations	Nominal value of issued ordinary share capital/ paid-up registered capital	Percentage of equity attributable to the Company		Principal activities
			2007	2006	
Shenzhen Shiqin Leather Products Company Limited+*	PRC	RMB1,000,000	**–**	45%	Manufacture of leather products
Shui Yuen (Manganese) Group Limited	British Virgin Islands	US$1	**100%**	100%	Trading of metals and minerals
Timesway Limited	British Virgin Islands	US$1	**100%**	100%	Dormant
Unicon Spirit Development Ltd.*	British Virgin Islands	US$10	**–**	60%	Investment holding

Acquired during the year
* Disposed of during the year
\+ The Group held 75% of the voting power of the subsidiary before disposal

The above table lists the subsidiaries which, in the opinion of the directors, principally affected the results of the year or formed a substantial portion of the net assets of the Group. To give details of other subsidiaries would, in the opinion of the directors, result in particulars of excessive length.

16. INTERESTS IN ASSOCIATES

	Group 2007 HK$'000	2006 HK$'000
Share of net assets	**3,783**	4,040
Due to associates	**(2)**	(2)
	3,781	4,038

The balances with the associates are unsecured, interest-free and have no fixed terms of repayment.

Particulars of the Group's associates are as follows:

Name	Business structure	Place of incorporation/ registration and operations	Percentage of equity attributable to the Group 2007	2006	Principal activities
China Anshan Corporation Sdn. Bhd.	Corporate	Malaysia	**49%**	49%	Investment holding
Terengganu Anshan Mining Sdn. Bhd.	Corporate	Malaysia	**35%**	35%	Ceased business
Terengganu Anshan Iron & Steel Sdn. Bhd.	Corporate	Malaysia	**24%**	24%	Exploration and extraction of iron ores
TAM Mining Sdn. Bhd.	Corporate	Malaysia	**25%**	25%	Mining and refining of iron ores

For the year ended 31 March 2007, the financial information of a significant associate, TAM Mining Sdn. Bhd., is as follows:

	2007 HK$'000	2006 HK$'000
Total assets	**13,966**	13,561
Total liabilities	**(1,975)**	(3,059)
Turnover	**24,414**	26,709
Net profit for the year	**7,537**	9,098

17. AVAILABLE-FOR-SALE INVESTMENTS

	Group	
	2007	2006
	HK$'000	HK$'000
Listed equity securities, outside Hong Kong, at fair value	**5,700**	3,183

The listed equity securities above is the Group's investment in 10.18% of the ordinary shares of QMASTOR Limited, a company incorporated in Australia. The investment is denominated in Australian dollars.

18. ACCOUNTS RECEIVABLE

The aged analysis of the Group's accounts receivable is as follows:

	2007		2006	
	HK$'000	**Percentage**	HK$'000	Percentage
Current to three months	**1,034**	**100**	1,349	79
Four to six months	**–**	**–**	53	3
Over six months	**–**	**–**	297	18
	1,034	**100**	1,699	100

The normal credit period granted by the Group to customers ranges from 90 days to 180 days.

Included in the above accounts receivable is an amount of HK$1,012,000 denominated in United States Dollar (2006: HK$105,000 denominated in Japanese Yen).

At 31 March 2007, the fair value of the Group's accounts receivable approximates to the corresponding carrying amount.

19. ACCOUNTS PAYABLE

The aged analysis of the Group's accounts payable is as follows:

	2007		2006	
	HK$'000	**Percentage**	HK$'000	Percentage
Current to three months	**2,338**	**100**	89	37
Over six months	**–**	**–**	152	63
	2,338	**100**	241	100

The above accounts payable is denominated in United States Dollar (2006: Nil).

At 31 March 2007, the fair value of the Group's accounts payable approximates to the corresponding carrying amount.

20. DUE TO A DIRECTOR

The amount represents advance from the Company's director, which is unsecured, interest-free and has been settled after the balance sheet date.

21. SHARE CAPITAL

	2007		2006	
	Number of shares	**HK$'000**	Number of shares	HK$'000
Authorised:				
Ordinary shares of HK$0.01 each	**50,000,000,000**	**500,000**	50,000,000,000	500,000
Issued and fully paid:				
At beginning of year	**883,296,800**	**8,833**	883,296,800	8,833
Issue of shares in placing arrangement	**150,000,000**	**1,500**	–	–
At end of year	**1,033,296,800**	**10,333**	883,296,800	8,833

21. SHARE CAPITAL (Continued)

On 26 July 2006, pursuant to a conditional placing agreement between the Company and a placing agent, the Company issued an aggregate of 150,000,000 new ordinary shares of HK$0.01 each at a price of HK$0.055 per share (the "Placing") to independent third parties. The net proceeds received by the Company from the Placing are approximately HK$8,040,000. Excess of net proceeds over the nominal value of shares amounting to HK$6,540,000 were credited to share premium.

22. SHARE BASED PAYMENT TRANSACTIONS

The Company operates a share option scheme (the "Scheme") for the purpose of providing incentives and rewards to eligible participants who contribute to the success of the Group's operation.

The Scheme, which was adopted by an ordinary resolution of the shareholders at the special general meeting of the Company on 5 January 2004 (the "Adoption Date"), constitutes a share option scheme governed by Chapter 17 of the Listing Rules and will remain in force for 10 years from the Adoption Date.

Pursuant to the Scheme, the board of directors is empowered, at its discretion, to invite any full-time employees of the Company or any of its subsidiaries or associates, including any executive directors and non-executive directors of the Company or of any of its subsidiaries or associates, to take up options to subscribe for shares in the Company. The period during which an option may be exercised will be determined by the directors at their discretion, save that no option may be exercised later than 10 years after it has been granted. Acceptance of the offer shall be within 21 days after the date of offer of the grant of options, upon payment of a nominal consideration of HK$1. The maximum number of shares in respect of which options may be granted under the Scheme may not exceed 10% of the aggregate of the shares of the Company in issue as at 3 September 2004, the date upon which the limit was refreshed by an ordinary resolution of the shareholders. Pursuant to the Scheme, the above limit can be further refreshed by the shareholders. However, the total number of shares which may be issued upon exercise of all outstanding options granted and yet to be exercised under the Scheme shall not exceed 30% of the shares in issue from time to time. The subscription price of the share options shall not be less than the higher of (i) the closing price of the shares on the Stock Exchange on the date of offer; (ii) the average closing price of the shares on the Stock Exchange for the five trading days immediately preceding the date of offer; and (iii) the nominal value of the shares.

There were no share options granted during the year and there were no outstanding share options granted at the balance sheet date.

23. RESERVES

Group

The amounts of the Group's reserves and the movements therein for the current and prior years are presented in the consolidated statement of changes in equity on page 24 of the financial statements.

The nature and purposes of reserves are set out below:

Contributed surplus

The contributed surplus represents the excess of the fair value of the shares of the subsidiary acquired over the nominal value of the Company's shares issued in exchange therefore, at the time of the Group reorganisation in preparation for the listing of the Company's shares.

Under the Companies Act 1981 of Bermuda (as amended), a company may make distributions to its members out of the contributed surplus under certain circumstances prescribed by Section 54 thereof, which the Company is currently unable to satisfy.

Foreign currency translation reserve

Foreign currency translation reserve represents foreign exchange differences arising from the translation of the financial statements of foreign operations and is dealt with in accordance with the accounting policy set out in note 3(n).

Investment revaluation reserve

Investment revaluation reserve represents the cumulative net change in the fair value of available-for-sale investments held at the balance sheet date and is dealt with in accordance with the accounting policy set out in note 3(j)(ii).

23. RESERVES (Continued)

Company

	Share premium HK$'000	Contributed surplus HK$'000	Accumulated losses HK$'000	Total HK$'000
At 1 April 2005	–	87,109	(58,228)	28,881
Net loss for the year	–	–	(12,286)	(12,286)
At 31 March 2006	–	87,109	(70,514)	16,595
Net loss for the year	–	–	(11,924)	(11,924)
Issue of shares in placing arrangement (See note 21)	6,750	–	–	6,750
Share issue expenses	(210)	–	–	(210)
At 31 March 2007	6,540	87,109	(82,438)	11,211

24. DISPOSAL OF SUBSIDIARIES

During the year, the Group disposed of its entire equity interests in Union Spirit Development Ltd., CE Logistics Limited and Jointech International Limited for a total consideration of HK$3,401,000.

24. DISPOSAL OF SUBSIDIARIES (Continued)

The net assets of the disposed subsidiaries at the date of disposal are summarised as follows:

	HK$'000
Net assets disposed of:	
Property, plant and equipment	734
Corporate membership	268
Inventories	5,980
Accounts receivable	1,832
Prepayments, deposits and other receivables	1,031
Cash and bank balances	1,185
Accounts payable	(725)
Accrued liabilities and other payables	(6,471)
	3,834
Minority interests	(874)
	2,960
Foreign currency translation reserve released	(1)
	2,959
Gain on disposal of subsidiaries	442
Total consideration, satisfied by cash	3,401
Net cash inflow arising on disposal of subsidiaries:	
Cash consideration	3,401
Cash and bank balances disposed of	(1,185)
	2,216

The disposed subsidiaries contributed HK$7,638,000 (2006: HK$14,522,000) of revenue and HK$375,000 (2006: HK$5,113,000) of net loss to the Group's results for the current year.

During the year, the disposed subsidiaries contributed HK$1,594,000 (2006: utilised HK$3,174,000) to the Group's net operating cash flows and utilised HK$451,000 (2006: contributed HK$2,046,000) on investing activities.

25. ACQUISITION OF A SUBSIDIARY

On 1 September 2006, the Group acquired 51% equity interests in China Petroleum Limited by subscription of new shares. This transaction has been accounted for by the purchase method of accounting.

The net liabilities acquired at the date of acquisition are summarised as follows:

	HK$'000
Net liabilities acquired:	
Cash and bank balances	209
Accrued liabilities and other payables	(221)
	(12)
Net cash inflow arising on acquisition of a subsidiary:	
Cash and bank balances acquired	209

The loss of HK$12,000 arising from acquisition is accounted for as goodwill written off and is charged to profit and loss account.

26. OPERATION LEASE COMMITMENTS

At the balance sheet date, the Group was committed to make the following future minimum lease payments under non-cancellable operating leases which fall due as follows:

	2007		2006	
	Properties HK$'000	**Equipment HK$'000**	Properties HK$'000	Equipment HK$'000
Within one year	**1,604**	**–**	182	78
Later than one year and not later than five years	**378**	**–**	–	264
	1,982	**–**	182	342

27. RELATED PARTY TRANSACTIONS

Transactions between the Company and its subsidiaries, which are related parties of the Company, have been eliminated on consolidation.

The remuneration of key management included directors' remuneration only which is disclosed in note 7.

28. FINANCIAL RISK MANAGEMENT

The Group's major financial instruments include available-for-sale investments, bank balances, trade receivables and trade payables. Details of these financial instruments are disclosed in respective notes. The risks 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.

Interest rate risk
Interest bearing financial assets are mainly bank balances which are all short-term in nature. Therefore, any future variations in interest rates will not have a significant impact on the results of the Group.

Foreign currency risk
The available-for-sale investments are denominated in Australian dollars and certain accounts receivable and payable of the Group are denominated in US dollars and Renminbi. Therefore the Group is exposed to US dollars, Australian dollars and Renminbi currency risk. The Group currently does not have a foreign currency hedging policy. However, the management monitors foreign exchange exposure and will consider hedging significant foreign currency exposure should the need arises.

Market price risk
The Group is exposed to equity security price risk of the investment held which are classified in the balance sheet as available-for-sale investments. The Group will continue to monitor the market price and will consider necessary action should the need arises.

28. FINANCIAL RISK MANAGEMENT (Continued)

Credit risk

The Group's maximum exposure to credit risk in the event that the counterparties fail to perform their obligations as at the balance sheet date in relation to each class of recognised financial assets is the carrying amount of those assets as stated in the consolidated balance sheet.

The Group's bank deposits and balances are deposits with banks in Hong Kong. The credit risk on these liquid funds is limited because the counterparties are banks with good credit-rating.

In order to minimise credit risk, management has delegated a team to be responsible for the determination of credit limits, credit approvals and other monitoring procedures. In addition, management reviews the recoverable amount of each individual trade debts and other receivables regularly to ensure that adequate impairment losses are recognised for irrecoverable debts. In this regard, management considers that the Group's credit risk is significantly reduced.

29. CONTINGENT LIABILITIES

As at 31 March 2007, the Company had provided corporate guarantee of US$12,000,000 (2006: Nil) to a bank in respect of banking facilities granted to the Group. The banking facilities were not utilised by the Group at the balance sheet date.

30. PLEDGE OF ASSETS

As at 31 March 2007, the Group pledged its bank deposits of approximately HK$676,000 (2006: Nil) to secure banking facilities granted to the Group. The banking facilities were not utilised by the Group at the balance sheet date.

31. COMPARATIVE FIGURES

Due to the Disposal during the year, as disclosed in note 10, which constituted a discontinued operation under HKFRS 5 "Non-current Assets Held for Sale and Discontinued Operations", certain comparative figures were restated so as to reflect the results for the continuing operation.

32. APPROVAL OF THE FINANCIAL STATEMENTS

The financial statements were approved and authorised for issue by the board of directors on 31 May 2007.