FAR EAST GOLDEN RESOURCES GROUP LIMITED
遠東金源集團有限公司

(incorporated in Bermuda with limited liability)

(Stock Code: 1188)

ANNUAL RESULT ANNOUNCEMENT 2007

RESULTS

The board of directors (the "Board") of Far East Golden Resources Group Limited (formerly known as "Compass Pacific Holdings Limited") (the "Company") announces the audited consolidated results of the Company and its subsidiaries (the "Group") for the year ended 31 December 2007 as follows:

CONSOLIDATED INCOME STATEMENT
For the year ended 31 December 2007

	Notes	2007 HK$'000	2006 HK$'000
Revenue		**920,305**	864,160
Cost of sales		**(880,487)**	(846,739)
Gross profit		**39,818**	17,421
Other income		**27,687**	8,606
Distribution costs		**(17,583)**	(16,088)
General operating expenses		**(58,237)**	(118,095)
Impairment of property, plant and equipment		**–**	(3,663)
Operating loss		**(8,315)**	(111,819)
Finance costs		**(3,739)**	(4,016)
Loss before income tax	5	**(12,054)**	(115,835)
Income tax expense	6	**(9,131)**	(365)
Loss for the year		**(21,185)**	(116,200)
Attributable to :			
Equity holders of the Company		**(30,687)**	(88,163)
Minority interests		**9,502**	(28,037)
Loss for the year		**(21,185)**	(116,200)
Loss per share for loss attributable to the equity holders of the Company during the year			
Loss per share – basic	7	**HK(1.19) cents**	HK(3.61) cents
Loss per share – diluted	7	**N/A**	N/A

CONSOLIDATED BALANCE SHEET

AS AT 31 DECEMBER 2007

	Notes	2007 HK$'000	2006 HK$'000
ASSETS AND LIABILITIES			
Non-current assets			
Property, plant and equipment		**53,724**	48,692
Land use rights		**5,333**	7,919
Interest in an associate		**8,542**	8,076
Rental, utilities and other deposits		**466**	515
		68,065	65,202
Current assets			
Inventories		**113,774**	111,024
Trade receivables	9	**17,205**	12,890
Prepayments, deposits and other receivables		**51,915**	51,089
Amount due from an associate		**2,723**	1,312
Amounts due from related parties		**1,842**	1,617
Pledged bank deposits		**76,533**	96,374
Cash and cash equivalents		**77,337**	25,950
		341,329	300,256
Current liabilities			
Trade payables	10	**41,071**	10,346
Accruals and other payables		**208,505**	200,914
Amounts due to related parties		**47,367**	46,432
Borrowings		**54,318**	45,765
Bills payable		**124,423**	166,981
Provisions		**7,828**	7,828
Tax payable		**3,284**	3,284
		486,796	481,550
Net current liabilities		**(145,467)**	(181,294)
Net liabilities		**(77,402)**	(116,092)
EQUITY			
Equity attributable to the Company's equity holders			
Share capital		**272,400**	244,424
Reserves		**(375,810)**	(377,549)
		(103,410)	(133,125)
Minority interests		**26,008**	17,033
Capital deficiency		**(77,402)**	(116,092)

Notes:

1 DISCLAIMER OF OPINION ON VIEW GIVEN BY FINANCIAL STATEMENTS

The Company's Auditors, Messrs Grant Thornton, expressed a disclaimer of opinion on view given by the financial statements for the year ended 31 December 2007. An extract of their basis for disclaimer of opinion and disclaimer of opinion on view given by financial statements are as follows:

Basis for disclaimer of opinion

Existence and valuation of inventories

Included in inventories of HK$113,774,000 in the consolidated balance sheet of the Group as at 31 December 2007 are motor vehicles recovered from the legal proceedings ("Motor Vehicles") with a total cost of HK$54,178,000 and aggregate impairment provision of HK$11,340,000 as at 31 December 2007. We have not been provided the access to these Motor Vehicles physically and there were no alternative audit procedures which we could adopt to ascertain the existence and conditions of these Motor Vehicles. Accordingly we have been unable to obtain all the audit evidence that we considered necessary for our audit purpose in relation to the existence and valuation of these Motor Vehicles. Any adjustments to the balance of the Motor Vehicles and the associated impairment provision would have a consequential effect on the net liabilities and loss of the Group as at 31 December 2007 and for the year then ended respectively.

The same limitation on our scope of work happened in our audit of the financial statements for the year ended 31 December 2006, which become the comparatives to the financial statements for the year ended 31 December 2007. The cost and impairment provision of these Motor Vehicles were HK$51,222,000 and HK$10,721,000 respectively, and these amounts were included in the Group's inventories as at 31 December 2006.

Books and records of Guangzhou Shenfei Automobile Sales and Services Co., Ltd and its subsidiaries (collectively "Guangzhou Shenfei")

The Group's consolidated financial statements include the assets and liabilities of Guangzhou Shenfei as at 31 December 2007. As detailed in note 18 to the financial statements. Guangzhou Shenfei is a subsidiary of the Company which ceased operations in 2006. The books and records of Guangzhou Shenfei prior to its cessation of operations were kept and maintained by the local management of Guangzhou Shenfei ("Local Management"). The Local Management had left the Group following the cessation of the Guangzhou Shenfei operations. In our audit of the financial statements for the year ended 31 December 2006, the books and records (including any bank records) of Guangzhou Shenfei as made available to us by the Group's management were incompleted for our audit purposes. Under circumstances as explained above, we were not able to carry out audit procedures which we considered necessary on the books and records of Guangzhou Shenfei, to satisfy ourselves as to the existence, completeness, accuracy and valuations of its assets (including any cash and bank balances) of HK$67,960,000 and liabilities (including any bank borrowings) of HK$144,029,000 as at 31 December 2006 and its loss of HK$5,781,000 for the year then ended. The incomplete books and records (including any bank records) of Guangzhou Shenfei remain unresolved in our audit of the financial statements for the year ended 31 December 2007. Guangzhou Shenfei's assets and liabilities brought forward from 31 December 2006 have been included in the Group's consolidated financial statements for the year ended 31 December 2007. There were no alternative audit procedures which we could adopt to satisfy ourselves as to whether these assets and liabilities have been fairly stated. After the balance sheet date translation of the balances of these assets & liabilities to the Group's presentation currency, the assets and liabilities have been included in the consolidated financial statements for the year ended 31 December 2007 at the amounts of HK$71,882,000 and HK$152,339,000 respectively.

Any adjustments to the assets and liabilities of Guangzhou Shenfei as at 31 December 2007 may have consequential effects on the assets and liabilities of the Group as at 31 December 2007.

In view of the scope limitation above we were unable to assess the appropriateness of the impairment provision against the Company's interests in subsidiaries on the Company balance sheet as at 31 December 2007.

Disclaimer of opinion on view given by financial statements

Because of the significance of the matters described in the basis for disclaimer of opinion paragraphs, we do not express an opinion on the consolidated financial statements as to whether they give a true and fair view of the state of affairs of the Company and the Group as at 31 December 2007 and the Group's loss and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards. In all other respects, in our opinion, the financial statements have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

2. GENERAL INFORMATION AND BASIS OF PREPARATION

The principal activities of the Company and its subsidiaries (the "Group") were dealership of motor vehicles and spare parts, operating auto malls, property development, operation of indoor game centres and manufacture and sale of automobile axles in the People's Republic of China (the "PRC").

Pursuant to a special resolution passed on 13 December 2007, and with the approval of the Registrar of Companies of Bermuda given on 11 January 2008, the name of the Company was changed from "Compass Pacific Holdings Limited" to "Far East Golden Resources Group Limited" and「遠東金源集團有限公司」 was adopted as the secondary name of the Company.

The financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") which collective term includes all applicable individual Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards and Interpretations issued by the Hong Kong Institute of Certified Public Accountants. The financial statements include the applicable disclosure requirements of the Hong Kong Companies Ordinance and the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules").

The financial statements have been prepared on the historical cost basis except for certain financial assets and financial liabilities.

The financial statements have been prepared on a going concern basis notwithstanding that the Group had net current liabilities of HK$145,467,000 and net liabilities of HK$77,402,000 as at 31 December 2007.

The directors have taken active steps to improve the financial positions of the Group and the Company as described below. The consolidated financial statements have been prepared on the assumption that the Group will continue to operate as a going concern notwithstanding these conditions prevailing as at 31 December 2007 and subsequently thereto up to the date of approval of these consolidated financial statements. In order to improve the Group's and the Company's financial positions, immediate liquidity and cash flows, the directors have adopted several measures together with other measures in progress at the date of approval of these consolidated financial statements which include, but not limited to, the following:

(i) During the year, the Group had completed a placement of new shares to raise funds to improve the Group's financial position. On 6 July 2007, the Company entered into a placing agreement in relation to a placing of an aggregate of 241,860,000 new shares of HK$0.10 at a placing price of HK$0.258 per share. Net cash proceeds of HK$62,128,000 have been fully received by the Group.

(ii) On 27 December 2007, Company has issued a circular and proposed to issue 2,724,003,232 right shares (the "Rights Issue") at the subscription price of HK$0.10 per rights share on the basis of one right share for every one existing share in issue on 8 January 2008. Subsequent to the balance sheet date, the Company's independent shareholders have approved the Rights Issue on 11 January 2008 and the Rights Issue was completed on 1 February 2008. After the completion of the Rights Issue, net cash proceeds of approximately HK$266,000,000 have been fully received by the Group.

As such, the directors are satisfied that both the Group and the Company will be able to meet in full their financial obligations as they fall due for the foreseeable future without significant curtailments of operations. Accordingly, the consolidated financial statements have been prepared on a going concern basis.

It should be noted that accounting estimates and assumptions are used in preparation of the financial statements. Although these estimates are based on management's best knowledge judgement of current events and actions, actual results may ultimately differ from those estimates.

3. ADOPTION OF NEW OR AMENDED HKFRSS

From 1 January 2007, the Group has adopted the new and amended HKFRSs, which are first effective on 1 January 2007 and relevant to the Group. The adoption of these new and amended HKFRSs did not result in significant changes in the Group's accounting policies but gave rise to additional disclosures. The specific transitional provisions contained in some of these new or amended HKFRSs have been considered.

3.1 HKAS 1 (Amendment) – Capital Disclosures

In accordance with the HKAS 1 (Amendment) – Capital Disclosures, the Group now reports on its capital management objectives, policies and procedures in each annual financial report.

3.2 HKFRS 7 – Financial Instruments : Disclosures

HKFRS 7 – Financial Instruments : Disclosures is mandatory for reporting periods beginning on 1 January 2007 or later. The new standard replaces and amends the disclosure requirements previously set out in HKAS 32 Financial Instruments : Presentation and Disclosures and has been adopted by the Group in its financial statements for the year ended 31 December 2007. All disclosures relating to financial instruments including the comparative information have been updated to reflect the new requirements. In particular, the Group's financial statements now feature :

– a sensitivity analysis explained the Group's market risk exposure in regard to its financial instruments, and

– a maturity analysis that shows the remaining contractual maturities of financial liabilities,

each as at the balance sheet date. The first-time application of HKFRS 7, however, has not resulted in any prior-period adjustments on cash flows, net income or balance sheet items.

3.3 New or amended HKFRSs that have been issued but are not yet effective

The Group has not adopted early the following HKFRSs that have been issued but are not yet effective. The directors of the Company is currently assessing the impact of these HKFRSs but are not yet in a position to state whether they would have material financial impact on the Group's financial statements.

HKAS 1 (Revised)	"Presentation of Financial Statements"[1]
HKAS 23 (Revised)	"Borrowing Costs"[1]
HKAS 27 (Revised)	"Consolidated and Separate Financial Statements"[2]
HKFRS 2 (Amendment)	"Share Based Payment"[1]
HKFRS 3 (Revised)	"Business Combinations"[2]
HKFRS 8	"Operating Segments"[1]
HK(IFRIC) – Int 11	"Group and Treasury Share Transactions"[3]
HK(IFRIC) – Int 12	"Service Concession Arrangements"[4]
HK(IFRIC) – Int 13	"Customer Loyalty Programmes"[5]
HK(IFRIC) – Int 14	"HKAS 19 – The Limit on Defined Benefit Asset, Minimum Funding Requirements and their Interaction"[5]

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

4. SEGMENT INFORMATION

Primary reporting format – business segments

The Group is organised into four main business segments, namely sale and repair of motor vehicles, sale of property, operation of indoor game centres and manufacture and sale of automobile axles.

	2007				
	Sale and repair of motor vehicles *HK$'000*	**Sale of property** *HK$'000*	**Operation of indoor game centres** *HK$'000*	**Manufacture and sale of automobile axles** *HK$'000*	**Total** *HK$'000*
Revenue					
Sales to external customers	915,856	3,867	582	–	920,305
Segment results	(3,257)	14,236	(1,131)	(272)	9,576
Unallocated income and expense, net					(17,891)
Finance costs					(3,739)
Loss before income tax					(12,054)
Income tax expense					(9,131)
Loss for the year					(21,185)
Segment assets	312,937	24,537	264	156	337,894
Unallocated assets					58,393
Interest in an associate					8,542
Amount due from an associate					2,723
Amount due from related parties					1,842
Total assets					409,394
Segment liabilities	342,249	23,270	588	432	366,539
Unallocated liabilities					15,288
Borrowings					54,318
Amount due to related parties					47,367
Tax payable					3,284
Total liabilities					486,796
Capital expenditure	6,416	517	54	–	6,987
Depreciation	4,926	603	110	–	5,639
Reversal of impairment of receivables	–	(1,069)	–	–	(1,069)

	2006				
	Sale and repair of motor vehicles *HK$'000*	Sale of property *HK$'000*	Operation of indoor game centres *HK$'000*	Manufacture and sale of automobile axles *HK$'000*	Total *HK$'000*
Revenue					
Sales to external customers	856,709	6,243	1,087	–	864,039
Unallocated revenue					121
					864,160
Segment results	(31,882)	(36,404)	(492)	(14,657)	(83,435)
Unallocated income and expense, net					(28,384)
Finance costs					(4,016)
Loss before income tax					(115,835)
Income tax expense					(365)
Loss for the year					(116,200)
Segment assets	319,701	18,802	290	147	338,940
Unallocated assets					15,513
Interest in an associates					8,076
Amount due from an associate					1,312
Amount due from related parties					1,617
Total assets					365,458
Segment liabilities	335,874	31,074	4,089	393	371,430
Borrowings					45,765
Unallocated liabilities					14,639
Amounts due to related parties					46,432
Tax payable					3,284
Total liabilities					481,550
Capital expenditure	9,483	89	4	–	9,576
Depreciation	4,312	430	163	822	5,727
Impairment of property, ant and equipment	–	–	–	3,610	3,610
Impairment of receivables	22,456	16,719	–	9,982	49,157

Secondary reporting format – geographical segments

Over 90% of the Group's revenue was derived in the PRC and over 90% of the segment assets were located in the PRC. In this regard, no separate analysis of segment information by geographical segment is presented.

5. LOSS BEFORE INCOME TAX

Loss before income tax is arrived at after charging/ (crediting) :

	2007	2006
	HK$'000	*HK$'000*
Auditors' remuneration	**1,459**	1,213
Depreciation of property, plant and equipment	**7,822**	8,195
Amortisation of land use rights	**146**	160
Reversal of impairment of receivables	**(1,069)**	–
Impairment of receivables	**–**	*49,409
(Gain)/Loss on disposal of a subsidiary	**(6,114)**	1,170
Cost of inventories recognised as expenses**	**880,487**	846,739
Operating lease charges in respect of land and buildings	**2,635**	4,005
Gain on disposal of property, plant and equipment	**(203)**	(14)

* *Amounts includes impairment loss of HK$12,534,000 in respect of amounts due from minority shareholders of subsidiaries.*

** *Cost of inventories recognised as expenses included HK$3,807,000 (2006: HK$19,584,000) relating to impairment of inventories.*

6. INCOME TAX EXPENSE

For the year ended 31 December 2007, Hong Kong profits tax has been provided at the rate of 17.5% (2006: 17.5%) on the estimated assessable profit for that year. Tax on overseas profits has been calculated on the estimated assessable profit for the year at the rates of taxation prevailing in the countries in which the Group operates.

	2007	2006
	HK$'000	*HK$'000*
Current tax		
– Hong Kong tax for the year	**2**	2
– Overseas tax for the year	**9,129**	4,971
	9,131	4,973
Deferred tax	**–**	(4,608)
Income tax expense	**9,131**	365

Reconciliation between income tax expense and accounting loss at applicable tax rates:

	2007	2006
	HK$'000	*HK$'000*
Loss before taxation	**(12,054)**	(115,835)
Tax on loss before taxation, calculated at the rates applicable to losses in the tax jurisdictions concerned	**(3,403)**	(35,493)
Tax effect of non-deductible expenses	**12,340**	33,536
Tax effect of non-taxable revenue	**(2,443)**	(2,259)
Tax losses not recognised as deferred tax asset	**2,777**	4,566
Tax effect of prior years' tax losses utilised this year	**(140)**	(3)
Other temporary differences not recognised	**–**	18
Income tax expenses	**9,131**	365

7. LOSS PER SHARE

The calculation of basic loss per share is based on the loss attributable to equity holders of HK$30,687,000 (2006: HK$88,163,000) and on the weighted average of 2,569,644,437 (2006: 2,444,243,232) ordinary shares in issue during the year.

On 27 December 2007, the Company has issued a circular and proposed to issue 2,724,003,232 right shares (the "Rights Issue") at the subscription price of HK$0.10 per rights share. Subsequent to the balance sheet date, the Company's independent shareholders have approved the Rights Issue on 11 January 2008 and the Rights Issue was completed on 1 February 2008. After the completion of the Rights Issue, the number of share capital of the Company was increased to 5,448,006,464.

Diluted loss per share was not presented because the impact of the exercise of the share options was anti-dilutive.

8. DIVIDENDS

The directors do not recommend the payment of a dividend for the year ended 31 December 2007 (2006 : nil) and the Company did not declare any interim dividend during the year.

9. TRADE RECEIVABLES

The aging analysis of the trade receivables of the Group as at 31 December 2007, based on the invoice date, is as follows :

	2007	2006
	HK$'000	*HK$'000*
0 – 30 days	**11,687**	8,201
31 – 60 days	**1,788**	1,177
61 – 90 days	**374**	1,151
91 – 180 days	**645**	99
Over 180 days	**2,711**	2,262
	17,205	12,890

10. TRADE PAYABLES

The aging analysis of the trade payables of the Group as at 31 December 2007, based on the invoice date, is as follows :

	2007	2006
	HK$'000	*HK$'000*
0 – 30 days	**28,631**	5,399
31 – 60 days	**985**	214
61 – 90 days	**615**	94
91 – 180 days	**585**	1,125
Over 180 days	**10,255**	3,514
	41,071	10,346

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

Overview

For the year ended 31 December 2007, the Group's turnover amounted to approximately HK$920.31 million (2006: HK$864.16 million) representing an increase of 6.49% as compared to that of 2006. The increase in turnover was due to increased revenue from sale and repair of motor vehicles in 2007. The Group recorded a loss attributable to shareholders of HK$30.69 million (2006: HK$88.16 million) for the year ended 31 December 2007. During the year ended 31 December 2007, the general operating expenses decreased from HK$118.10 million in 2006 to HK$58.24 million. As a result, the loss for 2007 is significantly decreased.

(a) Dealership of motor vehicles and provision of repair services

In 2007, the Group operates five sales outlets and five repair centers in Shanghai and Ningbo. During the year 2006, the outlets and auto malls in Guangzhou were closed as a result of the disputes with the landlord and the poor operation conditions. The Group currently distributes seven brands of passenger cars on a non-exclusive basis. During the year, the Group sold a total of approximately 7,500 passenger cars and recorded turnover of HK$915.86 million (2006: HK$856.71 million) from sale and repair of motor vehicles and operating loss was HK$3.26 million (2006: HK$31.88 million).

(b) Property development

The Group also undertakes property development in Ningbo. The development project comprises of a residential project in Ningbo the PRC with a site area of approximately 10,300 square meters and saleable floor area of approximately 1,855.54 square meters in 2007. The project was completed at the end of 2005. During the year it sold a total of approximately 50.04 square meters (2006: 3,000 square meters) floor area. Due to decreased number of saleable flats, the turnover decreased from HK$6.24 million to HK$3.87 million.

(c) Game center

For the year ended 31 December 2007, two entertainment game centers remained to be operated by the Group in the PRC. This business recorded turnover HK$0.58 million (2006: HK$1.09 million) and a loss of HK$1.13 million (2006: HK$0.49 million). The increase in loss was mainly due to the significant decrease in number of customers. The Group has no intention to commit more resources to this business line as the prospects for operating indoor game centers in the PRC is gloomy in the highly competitive environment in the market.

(d) Automobile axles

The Group's 51% owned sino-foreign equity joint venture (the "JV") established in the PRC, Shenyang Liaohua Automobile Axles Company Ltd has suspended operations since the mid of 2004 as the result of re-allocation of plant. The Chinese joint venture partner requested a substantial expansion of the JV, the Group reviewed and considered the proposal and took a view that the expansion of the JV is not in the best interest of the Group. Since the suspension is not likely to be resumed in near future, for the sake of prudence, the Group made full provision for the abandoned assets. The losses decreased from HK$14.66 million in 2006 to HK$0.27 million in 2007.

LIQUIDITY AND FINANCIAL RESOURCES

As at 31 December 2007, net current liabilities of the Group were approximately HK$145.47 million (2006: HK$181.29 million). The pledged bank deposits were approximately HK$76.53 million (2006: HK$96.38 million) while the cash and cash equivalents amounted to HK$77.34 million (2006: HK$25.95 million). The Group has outstanding borrowings of approximately HK$178.74 million (2006: HK$212.75 million) comprising (i) bills payable of HK$124.42 million (2006: HK$166.98 million) (ii) secured bank loans of HK$48.00 million (2006: HK$39.79 million) and (iii) other loan of HK$6.32 million (2006: HK$5.98 million). The bank borrowings are basically on floating interest rates basis.

CHARGES ON GROUP ASSETS

As at 31 December 2007, certain of the Group's assets with a net book value of approximately HK$3.59 million (2006: HK$4.55 million); bank deposits of HK$76.53 million (2006: HK$96.38 million) were pledged to secure the general banking facilities granted to the Group.

EXPOSURE TO FLUCTUATIONS IN EXCHANGE RATES AND ANY RELATED HEDGES

Almost all of the income and expenditure of the Group were denominated in Renminbi, Hong Kong Dollar and United States Dollar. The Group has not taken any financial instruments for hedging purpose in 2007 due to limited financial resources.

NEW BUSINESS, MATERIAL ACQUISITIONS AND DISPOSALS

In March 2007, Compass Pacific Capital Limited, a subsidiary of the Company, entered into an equity transfer agreement on the transfer of the entire equity interest in Hygeia Land International Limited, a wholly owned subsidiary, at a consideration of HK$1. Save as disclosed, the Group had no other business, material acquisitions or disposals of any subsidiaries and associated companies for the year ended 31 December 2007.

LEGAL PROCEEDINGS

(1) On 1 December 2003, the PRC joint venture partner ("Shanghai Partner") of Shanghai Whimsy Amusement Co., Limited ("Shanghai JV"), commenced proceedings against Shanghai JV alleging claims for guaranteed profits of approximately HK$454,000 (the "Guaranteed Profits"). A provision had been made in the financial statements in the year ended 31 December 2004 in respect of the Guaranteed Profits. According to the judgement delivered by the Shanghai No. 2 Intermediate People's Court ("Shanghai Court") in favour of the Shanghai Partner, the Shanghai Court ordered to freeze the bank accounts of Shanghai JV for the payment of the Guaranteed Profits.

(2) On 4 November 2004, the PRC joint venture partner ("Wuxi Partner") of Wuxi Whimsy Amusement Co., Ltd ("Wuxi JV") commenced proceedings against Wuxi JV alleging claims of legal fee of approximately HK$94,000, together with the cancellation of the JV agreement and the liquidation of Wuxi JV. The proceedings were discontinued by the Wuxi Partner in 2006.

(3) In 2005, Zhong Shi Television Purchasing Limited (中視電視購物有限公司) ("Zhong Shi" or the "Plaintiff"), a customer of Ningbo Phoenix Automobile Distribution and Services Co., Ltd, a wholly owned subsidiary of the Company ("Ningbo Phoenix"), commenced legal proceedings against Ningbo Phoenix at Beijing No.1 Intermediate People's Court (the "Beijing Court"). The Plaintiff alleged that Ningbo Phoenix was in breach of its obligations under a cooperation agreement and a supply agreement, both were entered into between the Plaintiff and Ningbo Phoenix on 5 July 2004 (collectively, the "2004 Agreements"). According to the 2004 Agreements, Ningbo Phoenix would supply MG Rover motor vehicles to the Plaintiff for three years, in the event that there were any material changes in the circumstances during the said period, the 2004 Agreements would be terminated and Ningbo Phoenix would repurchase the unsold motor vehicles from the Plaintiff and pay for the interests that should have been accrued on the sums intended for the purchase of the unsold motor vehicles. In May 2005, the manufacturer of MG Rover in England declared bankruptcy and the sales of MG Rover in the PRC were seriously affected accordingly. The Plaintiff considered that there was a material change in the circumstances and requested Ningbo Phoenix to terminate the 2004 Agreements and repurchase the unsold motor vehicles together with payment for the interests in accordance with the terms of the 2004 Agreements. Ningbo Phoenix refused such request and the Plaintiff commenced legal proceedings against Ningbo Phoenix and applied for the freezing of cash in the sum of RMB13,370,000 and other assets of Ningbo Phoenix, and sought the following orders from the Beijing Court:

1. the termination of the 2004 Agreements;
2. Ningbo Phoenix to repurchase 24 MG Rover motor vehicles at the price of RMB10,320,000;
3. Ningbo Phoenix to compensate the Plaintiff interests accrued in the sum of RMB3,050,000 arising from the funding of the purchase of 118 MG Rover motor vehicles; and
4. Ningbo Phoenix to be held liable for the expenses incurred in relation to this claim.

Zhong Shi also commenced another legal proceedings against Guangzhou Shenfei AutomobileSales and Services Co., Ltd. ("Guangzhou Shenfei"), a subsidiary of the Company (together with Ningbo Phoenix, the "Defendants") at the Beijing Court alleging that the Defendants were in breach of their obligations under a motor vehicles sales agreement and a sales services agreement both dated 11 January 2005 (the "2005 Sales Agreements"). According to the 2005 Sales Agreements, Guangzhou Shenfei agreed to repurchase 94 MG Rover motor vehicles during the period between 11 January 2005 and 28 February 2005 (the "Repurchase"), otherwise, Guangzhou Shenfei would be liable for liquidated damages of RMB7,520,000 (the "Liquidated Damages"). On the same date, Ningbo Phoenix also entered into a guarantee agreement (the "2005 Guarantee Agreement") in favour of the Plaintiff to guarantee the performance of Guangzhou Shenfei's obligations under the Repurchase and the payment of the Liquidated Damages. The Plaintiff alleged that the Defendants failed to perform the 2005 Sales Agreements and the 2005 Guarantee Agreement and applied for the freezing of the Defendants' bank accounts and assets including: two bank accounts of Ningbo Phoenix and one bank account of Guangzhou Shenfei; 51% equity interest in Shanghai Yitong Automobile Sales Co., Ltd.; 51% equity interest in Shanghai Yitong Automobile Services Co., Ltd.; 51% equity interest in Shanghai Jiaoyun-Shengfei Automotive Sales and Services Co., Ltd.; 51% equity interest in Guangzhou Shenfei Automotive Sales and Services Co., Ltd.; 51% equity interest in Shanghai Huanya Zhongjin International Trade Co., Ltd. and 50% equity interest in Ningbo Huadu Real Estate Co., Ltd., all of which were held by Ningbo Phoenix, and also sought for the following orders from the Beijing Court:

1. the performance of the 2005 Sales Agreements and the 2005 Guarantee Agreement;

2. Guangzhou Shenfei to purchase from the Plaintiff 94 MG Rover motor vehicles at the price of RMB40,420,000;

3. Guangzhou Shenfei to pay to the Plaintiff the Liquidated Damages of RMB7,520,000;

4. Ningbo Phoenix be held liable for the orders sought above; and

5. the Defendants be held liable for the expenses incurred in relation to this claim.

In December 2005, the Beijing Court delivered judgement in favour of the Plaintiff on the above cases and the Defendants appealed on the said judgment. In relation to the case involving the 2004 Agreements, the Beijing Superior People's Court (北京市高級人民法院) dismissed the appeal on 1 June 2006, upheld the judgement of the Beijing Court and ordered:

1. the discharge of the 2004 Agreements;

2. Ningbo Phoenix to repurchase 24 MG Rover 75 Model motor vehicles at the consideration of RMB10,320,000; and

3. Ningbo Phoenix to pay the interest accrued from 28 July 2005 up to the payment date to the Plaintiff.

In relation to the case involving the 2005 Agreements, the Beijing Superior People's Court (北京市高級人民法院) dismissed the appeal on 1 June 2006, upheld the judgement of the Beijing Court and ordered:

1. the performance of the 2005 Sales Agreements;

2. Guangzhou Shenfei to purchase 94 MG Rover 75 Model motor vehicle at the consideration of RMB40,420,000;

3. Guangzhou Shenfei to pay the Liquidated Damages of RMB7,520,000 to the Plaintiff;

4. Ningbo Phoenix be liable for the obligations of Guangzhou Shenfei regarding payment of purchase price of the 94 MG Rover motor vehicles and the Liquidated Damages; and

5. the costs of RMB249,710 and the assets preservation fees of RMB240,220 be paid by Guangzhou Shenfei and Ningbo Phoenix in equal shares.

(4) On 7 March 2006, Ningbo Phoenix commenced legal proceedings against Zhong Shi at Shanghai No. 1 Intermediate People's Court (上海市第一中級人民法院) ("Shanghai Court"). Ningbo Phoenix alleged that Zhong Shi was in breach of its obligations under the cooperation agreement dated 5 July 2004 entered into between Ningbo Phoenix and Zhong Shi and claimed for compensation of loss from Zhong Shi in the sum of RMB17,564,080. In response to Ningbo Phoenix's application for preservation of assets of Zhong Shi pending appeal, the Shanghai Court granted a civil award to freeze the cash and assets held by Zhong Shi, including 41 MG Rover 75 model motor vehicles. On 19 April 2006, the Shanghai Court ruled in favour of Zhong Shi in relation to its opposition based on the ground of inappropriate jurisdiction and transferred the case to the Beijing Court for handling. On 23 August 2006, the appeal by Ningbo Phoenix on the ruling of Shanghai Court in relation to inappropriate jurisdiction was dismissed by Shanghai City Superior People's Court (上海市高級人民法院).

On 17 April 2007, the Beijing Court opened a court session for the case for Ningbo Phoenix as the plaintiff, commenced legal proceedings against Zhong Shi at Beijing Court that Ningbo Phoenix alleged that Zhong Shi was in breach of its obligations under the 2004 Agreements and claimed for compensation of loss from Zhong Shi in the sum of RMB17,564,000. In August 2007, the Beijing Court delivered judgment in favour of Zhong Shi and the allegation of Ningbo Phoenix was overridden. The Beijing Court has ordered Ningbo Phoenix to pay court costs of RMB97,000 and asset preservation fees of RMB88,000.

(5) On 7 December 2005, Shenzhen Shin Dai Dong Air-Conditioning Limited (深圳市新大東空調有限公司) commenced arbitration proceedings against Guangzhou Shenfei for payment of purchase of goods amounting to RMB279,242 and liquidated damages of RMB13,962 at the Guangzhou Arbitration Commission ("GAC"). The hearing was held on 13 March 2006 and an award was made in favour of Shenzhen Shin Dai Dong Air-Conditioning Limited and Guangzhou Shenfei was ordered to pay the said purchase consideration and liquidated damages. On 22 December 2006, the Guangzhou City Liwen District People's Court (廣州市荔灣區人民法院) granted a civil award to freeze, attach and seize assets of Guangzhou Shenfei in the amount of RMB293,204.

(6) On 21 November 2005, Xin Xing Construction Company (新興建築工程公司) commenced arbitration proceedings against Guangzhou Shenfei for payment of a fee of RMB4,156,299 pursuant to a construction agreement at the GAC. The hearing was held on 9 May 2006 and award has been made in favour of the plaintiff of RMB3,030,769.

(7) On 17 January 2006, Shanghai Mei Shu Design Co., (上海美術設計公司), commenced legal proceedings against Guangzhou Shenfei for payment of project fee of RMB3,948,269. Judgment in favour of Shanghai Mei Shu Design Co., was delivered on 9 April 2006. Guangzhou Shenfei appealed to the Court of Second Instance and the hearing was held on 14 July 2006. Final judgement was delivered on 18 August 2006 to uphold previous judgement.

(8) On 17 January 2006, Shanghai Long Bok Construction Development Co. Ltd (上海龍博建設發展有限公司) commenced legal proceedings against Guangzhou Shenfei for payment of project fee of RMB1,130,056. On 14 April 2006, judgement in favour of Shanghai Long Bok Construction Development Co., Ltd. in the amount of RMB812,000 was delivered. Guangzhou Shenfei appealed to the Court of Second Instance and the hearing was held on 14 July 2006. Final judgement was delivered on 18 August 2006 to uphold previous judgement.

(9) On 6 March 2006, Industrial Bank, Guangzhou Branch (興業銀行廣州分行) (the "Bank"), commenced two legal proceedings against Guangzhou Shenfei and six guarantors in relation to Guangzhou Shenfei's failure to repay a loan in the sum of RMB15,000,000. The Bank sought for an order that:

1. Guangzhou Shenfei to repay the loan in the sum of RMB15,000,000 together with interests accrued thereon;

2. the six guarantors (including Ningbo Phoenix) be liable for the obligations of Guangzhou Shenfei under the loan arrangement; and

3. Guangzhou Shenfei and the six guarantors be liable for all costs and expenses incurred in relation to the proceedings and the assets preservation fee.

The Guangdong Province Guangzhou City Intermediate People's Court (廣東省廣州市中級人民法院) granted a civil award on 31 March 2006 to freeze the bank accounts and assets of Guangzhou Shenfei and the six guarantors, each in an amount of RMB15,000,000 and to attach and seize their assets of an equivalent value.

The two proceedings were heard together on 31 July 2006. Judgments in favour of the Bank as were delivered on 22 August 2006, (the "Judgements") details as follows:

1. Guangzhou Shenfei to repay the loan in the sum of RMB15,000,000 together with interest accrued thereon;

2. The six guarantors (including Ningbo Phoenix) be liable for the obligations of Guangzhou Shenfei under the loan arrangement; and

3. Guangzhou Shenfei and the six guarantors be liable for all costs and expenses incurred in relation to the proceedings and the assets preservation fee.

On 12 December 2007, the Guangdong Province Superior People's Court (廣東省高級人民法院) issued a designated execution order (指定執行決定書) and authorised Yang Jiang City Jiang Cheng District People's Court (陽江市江城區人民法院) to execute the Judgements of the Guangdong Province Guangzhou City Intermediate People's Court.

On 18 February 2008, the Yang Jiang City Jiang Cheng District People's Court ordered Guangzhou Shenfei and the six guarantors to:

1. report their current financial position; and

2. to fulfill their obligations in connection with the Judgements.

Guangzhou Shenfei and the six guarantors have reported their financial information and no further action has been taken by to Yang Jiang City Jiang Cheng District People's Court up to the date of this report.

(10) On 14 March 2006, Guangzhou City Liwen District Shareholding Economic Association (廣州市荔灣區中南街海南股份經濟聯合社) as plaintiff, commenced legal proceedings against Guangzhou Shenfei in relation to a tenancy agreement at the Guangzhou City Liwen District People's Court (廣州市荔灣區人民法院). On 28 March 2006, the court granted a civil award that the assets of Guangzhou Shenfei in the sum of RMB2,500,000 be attached, seized and frozen. The court also handed down judgment in favour of the plaintiff on 6 June 2006 and ordered:

1. the discharge of the tenancy agreement made between the parties;

2. Guangzhou Shenfei to deliver vacant possession of the land in dispute to the plaintiff;

3. possession of the buildings erected on the land in dispute be delivered to the plaintiff;

4. Guangzhou Shenfei to pay (i) the outstanding rent for the period from 15 September 2005 to the date of delivery of possession (at the rate of RMB216,512 per month); (ii) damages on the outstanding rent (from 15 September 2005 to the date of full repayment at 1% of the outstanding rent per day, subject to a maximum amount equivalent to the outstanding rent); and (iii) the court costs in the sum of RMB30,608 and claim preservation fees in the sum of RMB13,020.

Guangzhou Shenfei appealed to the Guangzhou Intermediate People's Court (廣州中級人民法院) and the hearing was held on 13 September 2006. Final judgement was made on 8 October 2007 as follows:

1. Discharge of the tenancy agreement made between the parties;

2. Guangzhou Shenfei to pay the outstanding rent for the period from 15 September 2006 to the date of delivery of possession (at the rate of RMB216,512 per month);

3. Guangzhou Shenfei to pay the damages on the outstanding rent (from 15 September 2006 to the date of full repayment at 1% of the outstanding rent per day, subject to a maximum amount equivalent to the outstanding rent);

4. Guangzhou Shenfei to deliver vacant possession of the land in dispute to the plaintiff;

5. Guangzhou Shenfei to pay the claim preservation fees in the sum of RMB39,506.

(11) On 14 April 2005, Zhenjiang Dong Lian Storage Company Limited (鎮江東聯倉儲設備有限公司) as plaintiff, commenced legal proceedings against Guangzhou Shenfei for payment of a sum of RMB132,540 being fees for services rendered and RMB9,100 of overdue interests in relation to a services agreement at Jiangsu Province Zhenjiang City Jingkou District People's Court (江蘇省鎮江市京口區人民法院). The court ruled in favour of the plaintiff and assets in the sum of RMB148,000 of Guangzhou Shenfei have been attached, seized and frozen.

(12) On 21 February 2006, Shandong Yantai Da Cheng Company (山東煙台大成公司), commenced legal proceedings against Guangzhou Shenfei for payment of a sum of RMB1,000,000 and overdue penalties of RMB76,650 in relation to a sale and purchase of motor vehicles. On 27 February 2006, Shandong Province Yantai Zhifu District People's Court (山東省煙台市芝罘區人民法院) ordered that the deposit of RMB1,000,000 in the bank account of Guangzhou Shenfei be frozen or other assets of equivalent value be attached, seized and frozen pending hearing.

The obligations and the expected outflows of economic benefits in respect of the above legal proceedings had been provided for in the financial statements.

PROSPECTS

In order to enhance the overall performance of the Group, the Board will consider the disposal of the Chinese automotive dealership network in 2008 due to poor prospects of Ningbo Phoenix. The Group is also actively looking for investment opportunities in various industries such as natural mineral resources, manufacturing and environmental products.

PURCHASE, SALE OR REDEMPTION OF SECURITIES

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

REPORT ON CORPORATE GOVERNANCE

The Company is committed to maintaining high standards of corporate governance that properly protect and promote the interests of all the shareholders and to enhance corporate value and accountability.

The Company wishes to highlight the importance of the Board in ensuring effective leadership and control of the Company and transparency and accountability of all operations.

During the year ended 31 December 2007, the Company devoted significant time and effort to identify and formulate corporate governance practices appropriate to the Company's needs. The Company has complied with the code provisions set out in the Code on Corporate Governance Practices ("CG Code") contained in Appendix 14 of the Rules Governing the Listing of Securities on the Stock Exchange.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code for Securities Transactions by Director of Listed Issuers set out in Appendix 10 of the Listing Rules (the "Model Code") as its own code of conduct governing securities transactions by the Directors. After specific enquiry of all Directors, all Directors confirmed to the Company their compliance with the required standards set out in the Model Code throughout the year ended 31 December 2007.

REVIEW OF FINANCIAL STATEMENTS

The audit committee has reviewed and discussed with the management and the external auditors regarding the consolidated financial statements of the Group for the year ended 31 December 2007.

PUBLICATION ON ANNUAL RESULTS ON THE WEBSITES OF THE STOCK EXCHANGE AND THE COMPANY

The annual report for the year ended 31 December 2007 will be despatched to shareholders of the Company and available on the websites of the Company (http://gr1188.etnet.com.hk) and the Stock Exchange in due course.

On order of the Board
Wang Xiaolin
Director

25 April 2008

As at the date of this announcement, the Board of directors (the "Directors") of the Company comprises six executive directors, namely Mr. Yeung Yung, Mr. Liu Quan, Mr. Wang Xiaolin, Mr. Hui Wing Sang, Wilson, Mr. Chen Peiquan, Mr. Yury Royba and three independent non-executive directors, namely Mr. He Bangjie, Mr. Li Zheng, Jack and Mr. Ting Kwok Kit, Johnny.