森源鈦礦控股有限公司*

XIAN YUEN TITANIUM RESOURCES HOLDINGS LIMITED

(Incorporated in the Cayman Islands with limited liability)

(Stock code: 353)

ANNOUNCEMENT OF 2008 FINAL RESULTS

The Board of Directors (the "Board") of Xian Yuen Titanium Resources Holdings Limited (the "Company") presents the audited consolidated annual results of the Company and its subsidiaries (together referred to as the "Group") for the year ended 31 December 2008 (the "Year") as follows:

CONSOLIDATED INCOME STATEMENT

For the year ended 31 December 2008

	Notes	**2008** *HK$'000*	2007 *HK$'000* (Restated)
Continuing operations:			
Revenue	*3*	**12,846**	28,851
Cost of sales		**(10,883)**	(22,042)
Gross profit		**1,963**	6,809
Other income	*3*	**10,752**	4,016
Selling and distribution expenses		**(734)**	(2,071)
Administrative expenses		**(40,397)**	(45,511)
Other operating expenses		**(14,850)**	(1,110)
Impairment loss recognised in respect of goodwill		**(253,030)**	(327)
Operating loss		**(296,296)**	(38,194)
Finance costs	*5*	**(22,521)**	(3,235)
Loss before income tax	*6*	**(318,817)**	(41,429)
Income tax expense	*7*	**—**	—
Loss after tax from continuing operations		**(318,817)**	(41,429)
Discontinued operations:			
Loss for the year from discontinued operations	*9*	**(29,665)**	(37,132)
Loss for the year		**(348,482)**	(78,561)
Attributable to:			
Equity holders of the Company	*10*	**(341,321)**	(79,129)
Minority interests		**(7,161)**	568
Loss for the year		**(348,482)**	(78,561)
Loss per share for loss attributable to the equity holders of the Company	*11*		
— Basic			
From continuing and discontinued operations		**(HK cents 15.9)**	(HK cents 9.4)
From continuing operations		**(HK cents 14.7)**	(HK cents 5.0)
— Diluted			
From continuing and discontinued operations		**N/A**	N/A
From continuing operations		**N/A**	N/A

* *for the purpose of identification only*

CONSOLIDATED BALANCE SHEET

As at 31 December 2008

	Notes	2008 HK$'000	2007 HK$'000
ASSETS AND LIABILITIES			
Non-current assets			
Property, plant and equipment		**4,709**	49,129
Prepaid lease payments		**—**	13,926
Goodwill		**696,033**	611,485
Available-for-sale financial assets	*12*	**12,091**	—
Exploration and evaluation assets		**34,253**	27,636
		747,086	702,176
Current assets			
Inventories		**—**	4,154
Trade and bills receivables	*13*	**43**	17,219
Prepayments, deposits and other receivables		**30,998**	95,914
Cash at banks and in hand		**881**	50,725
		31,922	168,012
Assets in disposal group classified as held for sale	*14*	**61,589**	—
		93,511	168,012
Current liabilities			
Trade payables	*15*	**—**	19,704
Deposits received, other payables and accruals		**13,755**	43,022
Finance lease payables		**97**	91
Bank and other borrowings		**—**	5,340
		13,852	68,157
Liabilities in disposal group classified as held for sale	*14*	**50,271**	—
		64,123	68,157
Net current assets		**29,388**	99,855
Total assets less current liabilities		**776,474**	802,031
Non-current liabilities			
Finance lease payables		**33**	130
Amounts due to minority shareholders		**—**	37,602
Convertible bonds	*16*	**192,662**	139,671
		192,695	177,403
Net assets		**583,779**	624,628
EQUITY			
Equity attributable to equity holders of the Company			
Share capital		**30,247**	13,587
Reserves		**552,244**	577,460
		582,491	591,047
Minority interests		**1,288**	33,581
Total equity		**583,779**	624,628

1. GENERAL INFORMATION

The consolidated 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 ("HKAS") and Interpretations ("Int") issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA"). The consolidated financial statements also include the applicable disclosure requirements of the Hong Kong Companies Ordinance and the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules").

2. ADOPTION OF NEW AND AMENDED HKFRSs

In the current year, the Group has applied for the first time the following new standards, amendments and interpretations (the "new HKFRSs") issued by the HKICPA, which are relevant to and effective for the Group's financial statements for the annual period beginning on 1 January 2008:

HK(IFRIC) – Int 11	HKFRS 2: Group and Treasury Share Transactions
HKAS 39 (Amendments)	Reclassification of Financial Assets

The adoption of the new HKFRSs had no material impact on how the results and financial positions for the current and prior periods have been prepared and presented. Accordingly, no prior period adjustment is required.

At the date of authorisation of these financial statements, the following new and amended HKFRSs have been published but are not yet effective, and have not been adopted early by the Group.

HKAS 1 (Revised)	Presentation of Financial Statements[1]
HKAS 23 (Revised)	Borrowing Costs[1]
HKAS 27 (Revised)	Consolidated and Separate Financial Statements[2]
HKAS 32, HKAS 39 & HKFRS 7 (Amendments)	Puttable Financial Instruments and Obligations Arising on Liquidation[1]
HKAS 39 (Amendment)	Eligible Hedged Items[2]
HKFRS 1 (Revised)	First-time Adoption of Hong Kong Financial Reporting Standards[2]
HKFRS 1 and HKAS 27 (Amendments)	Cost of an Investment in a Subsidiary, Jointly Controlled Entity or an Associate[1]
HKFRS 2 (Amendment)	Share-based Payment — Vesting Conditions and Cancellations[1]
HKFRS 3 (Revised)	Business Combinations[2]
HKFRS 7 (Amendment)	Improving Disclosures about Financial Instruments[1]
HKFRS 8	Operation Segments[1]
HK(IFRIC) – Int 2 (Amendment)	Members' Shares in Co-operative Entities and Similar Instruments[1]
HK(IFRIC) – Int 9 and HKAS 39 (Amendments)	Reassessment of Embedded Derivatives[7]
HK(IFRIC) – Int 13	Customer Loyalty Programmes[3]
HK(IFRIC) – Int 15	Agreements for the Construction of Real Estate[1]
HK(IFRIC) – Int 16	Hedges of a Net Investment in a Foreign Operation[4]
HK(IFRIC) – Int 17	Distributions of Non-cash Assets to Owners[2]
HK(IFRIC) – Int 18	Transfers of Assets from Customers[5]
Various	Annual Improvements to HKFRSs 2008[6]

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 July 2008
4 Effective for annual periods beginning on or after 1 October 2008
5 Effective for transfers of assets from customers received on or after 1 July 2009
6 Generally effective for annual periods beginning on or after 1 January 2009 unless otherwise stated in the specific HKFRS
7 Effective for annual periods ending on or after 30 June 2009

The directors anticipate that all of the pronouncements will be adopted in the Group's accounting policy for the first period beginning after the effective date of the pronouncement.

Amongst these new standards and interpretations, HKAS 1 (Revised) Presentation of Financial Statements is expected to materially change the presentation of the Group's financial statements. These amendments affect the presentation of owner changes in equity and introduce a statement of comprehensive income. The Group will have the option of presenting items of income and expenses and components of other comprehensive income either in a single statement of comprehensive income with subtotals or in two separate statements (a separate income statement followed by a statement of comprehensive income). These amendments do not affect the financial positions or results of the Group but will give rise to additional disclosures.

In addition, HKFRS 8 - Operating Segments may result in new or amended disclosures. The directors are in the process of identifying reportable operating segments as defined in HKFRS 8.

The directors are currently assessing the impact of other new and amended HKFRSs upon initial application. So far, the directors have preliminarily concluded that the initial application of these HKFRSs is unlikely to have a significant impact on the Group's results and financial positions.

3. REVENUE AND OTHER INCOME

Revenue, which is also the Group's turnover, represents net invoiced value of goods sold, after allowances for returns and trade discounts. An analysis of the Group's revenue and other income is as follows:

	Continuing operations		**Discontinued operations**		**Consolidated**	
	2008	2007	**2008**	2007	**2008**	2007
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
Revenue						
Sale of goods	**12,846**	28,851	**6,418**	26,796	**19,264**	55,647
Other income						
Interest income from loan receivables	**3,920**	2,742	**1**	3	**3,921**	2,745
Rental and sub-leasing rental income	**20**	989	**—**	—	**20**	989
Sundry income	**532**	4	**20**	213	**552**	217
Gain on disposals of subsidiaries *(note 18(a), (b) and (c))*	**6,280**	281	**—**	—	**6,280**	281
	10,752	4,016	**21**	216	**10,773**	4,232

Note:

Gain on disposals of subsidiaries

On 6 March 2008, the Group disposed of all 75.5% equity interests in a subsidiary, namely Kaicheng (Hong Kong) Company Limited ("Kaicheng"), for a consideration of HK$1. As at the date of the disposal, Kaicheng had a net liability of approximately HK$842,000. Accordingly, a gain of approximately HK$842,000 was recognised in the income statement during the year. Details of this disposal transaction are fully described in note 18(a).

On 30 May 2008, the Group disposed of all 51% equity interests in a subsidiary, namely International Carpet Company Limited ("ICC"), for a consideration of HK$200,000. As at the date of the disposal, ICC had a net liability of approximately HK$5,238,000. Accordingly, a gain of approximately HK$5,438,000 was recognised in the income statement during the year. Details of this disposal transaction are fully described in note 18(b).

On 30 May 2007, the Group disposed of 100% equity interests in a subsidiary, namely South Hill International Enterprises Limited ("South Hill") for a consideration of HK$1. As at the date of the disposal, South Hill had a net liability of approximately HK$281,000. Accordingly, a gain of approximately HK$281,000 was recognised in the income statement in 2007. Details of this disposal transaction are fully described in note 18(c).

4. SEGMENT INFORMATION

Primary reporting format — business segments

The Group's operating businesses are structured and managed separately according to the nature of their operations and the products they provide. Each of the Group's business segments represents a strategic business unit that offers products which are subject to risks and returns that are different from those of the other business segments. Summary of details of the business segments are as follows:

(a) the exploration of mine in the PRC (Commercial operations has not yet been commenced during the year);

(b) the trading of carpets segment represents the trading of carpets of other renowned brand names;

(c) the manufacturing of carpets segment represents the manufacturing and sale of carpets (included as a discontinued operation during the year); and

(d) the trading of goods (also included as a discontinued operation during the year).

There was no intersegment sale and transfer during the year (2007: Nil).

	Continuing operations				Discontinued operations					
	Exploration of mine		Trading of carpets		Manufacturing of carpets		Trading of goods		Consolidated	
	2008	2007	**2008**	2007	**2008**	2007	**2008**	2007	**2008**	2007
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
Segment revenue:										
Sales to external customers	**—**	—	**12,846**	28,851	**6,418**	11,745	**—**	15,051	**19,264**	55,647
Segment results	**(266,235)**	(14,273)	**(9,896)**	(2,215)	**(15,465)**	(35,565)	**(14,200)**	(1,567)	**(305,796)**	(53,620)
Unallocated other operating income									**7,352**	2,611
Other unallocated expense									**(27,517)**	(24,317)
Finance costs									**(22,521)**	(3,235)
Loss before income tax									**(348,482)**	(78,561)
Income tax expense									**—**	—
Loss for the year									**(348,482)**	(78,561)
Segment assets	**774,902**	695,034	**1,275**	7,278	**35,341**	40,881	**14,928**	29,086	**826,446**	772,279
Unallocated assets	**—**	—	**—**	—	**—**	—	**—**	—	**14,151**	97,909
Total assets	**774,902**	695,034	**1,275**	7,278	**35,341**	40,881	**14,928**	29,086	**840,597**	870,188
Segment liabilities	**199,629**	147,382	**8,643**	22,556	**27,883**	15,760	**13,610**	13,569	**249,765**	199,267
Unallocated liabilities	**—**	—	**—**	—	**—**	—	**—**	—	**7,053**	46,293
Total liabilities	**199,629**	147,382	**8,643**	22,556	**27,883**	15,760	**13,610**	13,569	**256,818**	245,560

	Continuing operations				Discontinued operations					
	Exploration of mine		Trading of carpets		Manufacturing of carpets		Trading of goods		Consolidated	
	2008	2007	**2008**	2007	**2008**	2007	**2008**	2007	**2008**	2007
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
Amortisation of prepaid lease payments	**—**	—	**—**	—	**64**	119	**180**	180	**244**	299
Depreciation	**937**	144	**50**	173	**1,068**	6,406	**117**	136	**2,172**	6,859
Unallocated depreciation	**—**	—	**—**	—	**—**	—	**—**	—	**1,277**	1,542
	937	144	**50**	173	**1,068**	6,406	**117**	136	**3,449**	8,401
Capital expenditure										
Property, plant and equipment	**1,030**	9	**61**	24	**153**	30	**—**	—	**1,244**	63
Unallocated capital expenditure	**—**	—	**—**	—	**—**	—	**—**	—	**85**	5,113
	1,030	9	**61**	24	**153**	30	**—**	—	**1,329**	5,176
Additions to exploration and evaluation assets	**6,566**	8,572	**—**	—	**—**	—	**—**	—	**6,566**	8,572
Non cash expense										
Bad debts written off	**—**	—	**—**	—	**—**	—	**11,720**	—	**11,720**	—
Write-down of inventories to net realisable value	**—**	—	**—**	—	**—**	458	**—**	—	**—**	458
Unallocated loss on deemed disposals of subsidiaries	**—**	—	**—**	—	**—**	—	**—**	—	**11,027**	—
Provision for impairment loss of trade and other receivables	**—**	—	**—**	620	**—**	868	**—**	—	**—**	1,488
Deficits on revaluation of property, plant and equipment	**—**	—	**—**	—	**—**	26,976	**—**	—	**—**	26,976
Assets in disposal group classified as held for sale — loss on re-measurement to fair value less costs to sell	**1,730**	—	**—**	—	**11,540**	—	**2,140**	—	**15,410**	—
Impairment loss of goodwill	**253,030**	—	**—**	—	**—**	—	**—**	754	**253,030**	754
Unallocated impairment loss of goodwill	**—**	—	**—**	—	**—**	—	**—**	—	**—**	327
	253,030	—	**—**	—	**—**	—	**—**	754	**253,030**	1,081
Gain on disposal of a subsidiary	**—**	—	**5,438**	—	**—**	—	**—**	—	**5,438**	—
Unallocated gain on disposal of a subsidiary	**—**	—	**—**	—	**—**	—	**—**	—	**842**	281

Secondary reporting format — geographic segments

In determining the Group's geographical segments, revenues are attributable to the segments based on the location of customers, and assets are attributed to the segments based on the location of the assets.

	Hong Kong		Macau		PRC		Malaysia		USA		Japan		France		Consolidated	
	2008	2007	**2008**	2007	**2008**	2007	**2008**	2007	**2008**	2007	**2008**	2007	**2008**	2007	**2008**	2007
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
Segment revenue																
Sales to external customers																
— continuing operations	**7,810**	12,830	**135**	440	**3,117**	8,781	**—**	795	**1,784**	6,005	**—**	—	**—**	—	**12,846**	28,851
— discontinued operations	**—**	—	**—**	—	**6,418**	11,744	**—**	—	**—**	—	**—**	673	**—**	14,379	**6,418**	26,796
	7,810	12,830	**135**	440	**9,535**	20,525	**—**	795	**1,784**	6,005	**—**	673	**—**	14,379	**19,264**	55,647
Segment assets	**729,897**	700,880	**—**	—	**110,700**	169,308	**—**	—	**—**	—	**—**	—	**—**	—	**840,597**	870,188
Capital expenditure																
Property, plant and equipment	**134**	5,137	**—**	—	**1,195**	39	**—**	—	**—**	—	**—**	—	**—**	—	**1,329**	5,176
Exploration and evaluation assets	**—**	—	**—**	—	**6,566**	8,572	**—**	—	**—**	—	**—**	—	**—**	—	**6,566**	8,572
	134	5,137	**—**	—	**7,761**	8,611	**—**	—	**—**	—	**—**	—	**—**	—	**7,895**	13,748

5. FINANCE COSTS

	Continuing operations		Discontinued operations		Consolidated	
	2008	2007	**2008**	2007	**2008**	2007
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
Interest on bank and other borrowings due within one year	**624**	140	**—**	—	**624**	140
Finance leases	**13**	30	**—**	—	**13**	30
Imputed interest on convertible bonds *(note 16)*	**21,884**	3,065	**—**	—	**21,884**	3,065
	22,521	3,235	**—**	—	**22,521**	3,235

6. LOSS BEFORE INCOME TAX

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

	Continuing operations		Discontinued operations		Consolidated	
	2008	2007	**2008**	2007	**2008**	2007
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
Cost of inventories recognised as expense	**10,506**	21,316	**6,513**	22,167	**17,019**	43,483
— including write-down of inventories to net realisable value	**—**	—	**—**	458	**—**	458
Depreciation *(note)*						
— owned assets	**2,170**	1,756	**1,185**	6,542	**3,355**	8,298
— leased assets	**94**	103	**—**	—	**94**	103
	2,264	1,859	**1,185**	6,542	**3,449**	8,401
Amortisation of prepaid lease payments	**—**	—	**244**	299	**244**	299
Operating lease charges on land and buildings	**6,936**	3,187	**154**	287	**7,090**	3,474
Auditors' remuneration	**494**	800	**—**	9	**494**	809
Loss of disposals of property, plant and equipment**	**2,090**	490	**—**	—	**2,090**	490
Impairment loss of goodwill	**253,030**	327	**—**	754	**253,030**	1,081
Bad debts written off**	**—**	—	**11,720**	—	**11,720**	—
Loss on deemed disposal of subsidiaries *(note 19)* **	**11,027**	—	**—**	—	**11,027**	—
Provision for impairment loss of trade and other receivables**	**—**	620	**—**	868	**—**	1,488
Outgoings in respect of leasing properties	**1,545**	905	**—**	—	**1,545**	905
Exchange difference, net	**400**	321	**—**	(1)	**400**	320
Assets in disposal group classified as held for sale						
— loss on re-measurement to fair value less costs to sell **	**1,730**	—	**13,680**	—	**15,410**	—
Staff costs, including directors' emoluments	**20,807**	16,136	**1,500**	3,359	**22,307**	19,495

** Included in "Other operating expenses" on the face of the consolidated income statement.

Note: Depreciation expenses of HK$810,000 (2007: HK$5,779,000) has been included in cost of sales and HK$2,639,000 (2007: HK$2,622,000) in administrative expenses.

7. INCOME TAX EXPENSE

No Hong Kong profits tax has been provided as the Group had no estimated assessable profits arising in or derived from Hong Kong for both years. PRC foreign enterprise income tax has not been provided as the PRC subsidiaries incurred a loss for taxation purposes for both years.

8. **DIVIDENDS**

The board of directors did not recommend any payment of dividends during the year (2007: Nil).

9. **DISCONTINUED OPERATIONS**

The business of carpet manufacturing was carried out by its subsidiaries, namely Hui Zhou Orient Carpet Manufacturing Co., Ltd. ("HZOCM") and 唐山勝盟工藝製毯有限公司("唐山勝盟") (collectively referred to as the "Carpet Manufacturing Group") whilst the business of goods trading was carried out by the Group's other subsidiaries, namely Wise Mount Management Limited ("Wise Mount") and Win Alliance Development Limited ("Win Alliance") (collectively referred to as the "Goods Trading Business Group").

As these two business segments had been suffering persistent losses and there will be no significant improvement in the near future in these operations, on 4 December 2008, the Group entered into two separate sale and purchase agreements to dispose of the Carpet Manufacturing Group and the Goods Trading Business Group. The Carpet Manufacturing Group and the Goods Trading Business Group are collectively referred to as the Discontinued Operations *(note 14)*.

Details of the disposals of the Carpet Manufacturing Group and the Goods Trading Business Group are set out in the Company circular dated 12 January 2009. The disposals of the Carpet Manufacturing Group and the Goods Trading Business Group were completed in March and February 2009 respectively. These two business segments are presented as discontinued operations in accordance with HKFRS 5.

An analysis of the results and cash flows of the Discontinued Operations included in the consolidated income statement and the consolidated cash flow statement is as follows:

	2008			2007		
	The Carpet Manufacturing Business	**The Goods Trading Business**	**Total**	The Carpet Manufacturing Business	The Goods Trading Business	Total
	HK$'000	***HK$'000***	***HK$'000***	*HK$'000*	*HK$'000*	*HK$'000*
Revenue	**6,418**	**—**	**6,418**	11,745	15,051	26,796
Other income	**21**	**—**	**21**	216	—	216
Expenses	**(10,364)**	**(12,060)**	**(22,424)**	(20,550)	(16,618)	(37,168)
Deficits on revaluation of property, plant and equipment	**—**	**—**	**—**	(26,976)	—	(26,976)
	(3,925)	**(12,060)**	**(15,985)**	(35,565)	(1,567)	(37,132)
Income tax expense	**—**	**—**	**—**	—	—	—
	(3,925)	**(12,060)**	**(15,985)**	(35,565)	(1,567)	(37,132)
Assets in disposal group classified as held for sale — loss on re-measurement to fair value less costs to sell	**(11,540)**	**(2,140)**	**(13,680)**	—	—	—
Loss for the year from discontinued operations	**(15,465)**	**(14,200)**	**(29,665)**	(35,565)	(1,567)	(37,132)
Operating cash flows	**2**	**(1)**	**1**	74	(3)	71
Investing cash flows	**(153)**	**—**	**(153)**	(27)	—	(27)
Total cash flows	**(151)**	**(1)**	**(152)**	47	(3)	44

Depreciation of property, plant and equipment and amortisation of prepaid land lease payments of the discontinued operations are set out in note 6.

Assets and liabilities of the Discontinued Operations as at 31 December 2008 are set out in note 14 to the financial statements in details.

10. LOSS ATTRIBUTABLE TO EQUITY HOLDERS OF THE COMPANY

Of the consolidated loss attributable to the equity holders of the Company of HK$341,321,000 (2007: HK$79,129,000), a loss of HK$54,670,000 (2007: HK$151,756,000) has been dealt with in the financial statements of the Company.

11. LOSS PER SHARE

The calculations of basic and diluted losses per share attributable to the equity holders of the Company are based on the following data:

	2008	2007
	HK$'000	*HK$'000*
Loss		
Loss for the year attributable to the equity holders of the Company for the purpose of basic loss per share	**(341,321)**	(79,129)
Effect of dilutive potential ordinary shares:		
Imputed interest on convertible bonds	**21,884**	3,065
Loss for the year attributable to the equity holders of the Company for the purpose of diluted loss per share	**(319,437)**	(76,064)

	2008	2007
Number of shares		
Weighted average number of ordinary shares for the purpose of basic loss for per share	**2,150,465,902**	838,233,260
Effect of dilutive potential ordinary shares:		
Convertible bonds	**1,126,333,333**	472,333,333
Weighted average number of ordinary shares for the purpose of diluted loss per share	**3,276,799,235**	1,310,566,593

No diluted loss per share attributable to the equity holders of the Company is presented for the years ended 31 December 2008 and 2007 as the potential ordinary shares have anti-dilutive effect.

From continuing operations

The calculations of basic and diluted losses per share from continuing operations attributable to the equity holders of the Company are based on the following data:

	2008	2007
	HK$'000	*HK$'000*
Loss for the year attributable to the equity holders of the Company for the purpose of basic loss per share	**(341,321)**	(79,129)
Loss for the year from discontinued operations	**(29,665)**	(37,132)
Less: Loss for the year attributable to minority interests from discontinued operations	**(3,617)**	—
Loss for the year attributable to the equity holders of the Company from discontinued operations	**(26,048)**	(37,132)
Loss for the year attributable to the equity holders of the Company for the purpose of basic loss per share from continuing operations	**(315,273)**	(41,997)
Effect of dilutive potential ordinary shares:		
Imputed interest on convertible bonds	**21,884**	3,065
Loss for the purpose of diluted loss per share attributable to the equity holders of the Company from the continuing operations	**(293,389)**	(38,932)

No diluted loss per share from continuing operations attributable to the equity holders of the Company is presented for the years ended 31 December 2008 and 2007 as the potential ordinary shares have anti-dilutive effect.

From discontinued operations

Basic loss per share attributable to the equity holders of the Company from discontinued operations is HK1.2 cents per share (2007: loss of HK4.4 cents per share), based on the loss for the year attributable to the equity holders of the Company from discontinued operations of approximately HK$26,048,000 (2007: loss of approximately HK$37,132,000) and the denominators detailed above.

No diluted loss per share attributable to the equity holders of the Company from discontinued operations is presented for the years ended 31 December 2008 and 2007 as the potential ordinary shares have anti-dilutive impact.

12. AVAILABLE-FOR-SALE FINANCIAL ASSETS

On 10 March 2008, the Company and certain of its subsidiaries, Capital Gain Assets Management Limited ("Capital Gain"), a company in which Mr. Pang Man Kin, Nixon ("Mr. Pang") has beneficial interests, and Mr. Pang entered into an agreement such that, to assume the Group's obligations to contribute approximately US$4,070,000 (HK$31,725,000 equivalent) to the registered capital of Hebei Da Sheng Warranty Company Limited ("Hebei Da Sheng"), 51% previously owned by the Group, the Group agreed to allot and issue 804 ordinary shares of Aurora Logistic Finance Group Inc. ("Aurora Logistics Finance"), previously a 100% subsidiary of the Company, of US$1.00 each to Capital Gain. As a result, the Company's interest in the Aurora Logistic Finance and its subsidiaries (the "Deemed Disposal Group") was diluted from 100% to 19.6%. The balance of available-for-sale financial assets as at 31 December 2008 represented the cost of 19.6% equity interest in the Deemed Disposal Group. Details of the calculation are set out in note 19 to the financial statements.

	2008	2007
	HK$'000	*HK$'000*
Unlisted equity securities, at cost	**12,091**	—

These assets are stated at cost less impairment as the range of reasonable fair value estimates is so significant that the directors of the Company are of the opinion that their fair value cannot be measured reliably.

13. TRADE AND BILLS RECEIVABLES

The Group normally allows trading credit terms ranging from 30 to 120 days to its established customers. Each customer has a maximum credit limit. Trade debtors with balances aged over 120 days are required to settle all outstanding balances before any further credit is granted. In view of this, there is no significant concentration of credit risk. Trade receivables are non-interest-bearing. Ageing analysis of trade and bills receivables, net of provision, as at the balance sheet date, based on the date of recognition of the sale, is as follows:

	2008	2007
	HK$'000	*HK$'000*
1-90 days	**43**	7,871
91-120 days	**—**	5,899
121-365 days	**—**	3,449
Over 1 year	**—**	2,677
	43	19,896
Less : Provision for impairment of trade receivables	**—**	(2,677)
Trade and bills receivables — net	**43**	17,219

14. ASSETS AND LIABILITIES IN DISPOSAL GROUP CLASSIFIED AS HELD FOR SALE

As described in note 9, on 4 December 2008, the Group entered into a sale and purchase agreement such that the entire issued share capital of Wise Mount is to be sold to an independent third party for a consideration of HK$30,000. The disposal of Wise Mount and its subsidiaries was completed in February 2009.

On 4 December 2008, the Group also entered into a separate sale and purchase agreement such that the entire issued share capital of Orient Carpet Manufacturing (HK) Limited ("Orient Carpet") is to be sold to an independent third party in the way that the total amount of HK$19.3 million of which (a) HK$12.2 million would be used to set off against the net current liabilities of HZOCM (being a subsidiary of Orient Carpet) and assumed by the independent third party and (b) HK$7.1 million would be used to set off against the net current liabilities of Orient Carpet and assumed by the independent third party. The disposal of Orient Carpet and its subsidiaries was completed in March 2009.

On 29 October 2008, another sale and purchase agreement was entered into between the Group and another independent third party such that the entire 100% equity interests held by the Group in one of its subsidiaries in the PRC, namely Beijing Forest Source Mining Industry Development Company Limited ("BJFSMI"), is to be disposed of for a consideration of HK$10.0 million. BJFSMI is principally engaged in mineral dressing and trading of mineral resources in the PRC. The disposal of BJFSMI was completed in January 2009. As the Group continues to be engaged in exploration of mines, this disposal is not included in the Discontinued Operations.

The directors have assessed the carrying amount of the relevant assets and liabilities of Wise Mount and its subsidiaries, Orient Carpet and its subsidiaries, and BJFSMI (collectively referred to as the "Disposal Group") with reference to the sale and purchase agreements dated on 4 December 2008 and 29 October 2008 and the net total consideration was approximately HK$10.0 million.

At 31 December 2008, the net assets of the Disposal Group attributable to the Group amounted to approximately HK$25.4 million, which represented the total net assets of approximately HK$26.7 million less net assets attributable to minority interests of approximately HK$1.3 million, and resulted for a loss on re-measurement to fair value less costs to sell amounting to approximately HK$15.4 million (note 9). Included in the HK$15.4 million is the loss of HK$1.7 million attributable to BJFSMI and Orient Carpet which are not discontinued operations; therefore, the amount is included in the results of continuing operations.

Major classes of assets and liabilities of the Disposal Group at 31 December 2008 which are classified as assets held for sale are as follows:

	Carrying amount as at 31 December 2008 *HK$'000*	**Carrying amount upon being classified as held for sale** *HK$'000*
Assets		
Property, plant and equipment	26,736	40,508
Prepaid lease payments	14,062	14,062
Inventories	7,321	7,321
Prepayments, deposits and other receivables	10,113	11,751
Trade receivables *(note (a))*	1,851	1,851
Cash and bank balances	1,506	1,506
Assets in disposal group classified as held for sale	61,589	76,999
Liabilities		
Trade payables *(note (b))*	(17,582)	(17,582)
Other payables and accruals	(26,725)	(26,725)
Other borrowings *(note (c))*	(5,964)	(5,964)
Liabilities in disposal group classified as held for sale	(50,271)	(50,271)
Net assets classified as held for sale	11,318	26,728

Notes

(a) Trade receivables

Trade receivables are denominated in RMB and generally have credit terms ranging from 30 to 120 days to established customers. Ageing analysis of the Disposal Group's trade receivables, net provision, as at 31 December 2008, based on the date of recognition of the sale, is as follows:

	HK$'000
1-90 days	**1,276**
91-120 days	**55**
121-365 days	**520**
Over 1 year	**320**
	2,171
Less: Provision for impairment of trade receivables	**(320)**
	1,851

Ageing analysis of the trade and bills receivables that are not impaired are as follows:

	HK$'000
Neither past due nor impaired	**161**
Past due of less than 120 days but not impaired	**1,170**
Past due of 120 to 365 days but not impaired	**520**
Past due of more than 365 days but not impaired	**—**
	1,851

Receivables that were neither past due nor impaired relate to a wide range of customers for whom there was no recent history of default.

Receivables that were past due but not impaired relate to a number of customers that have a good track record with the Group. Based on past experience, management believes that no impairment allowance is necessary in respect of these balances as there has not been a significant change in credit quality and the balances are still considered fully recoverable. The Group does not held any collateral over these balances.

(b) Trade payables

Ageing analysis of the trade payables of the Disposal Group at 31 December 2008, based on the receipts of goods purchased, is as follows:

	HK$'000
1-90 days	**1,307**
91-120 days	**79**
121-365 days	**14,317**
Over 1 year	**1,879**
	17,582

Included in trade payables are the followings amounts denominated in a currency other than functional currency of the entity to which it relates:

	HK$'000
USD	**11,521**
RMB	**6,061**

Trade payables are non-interest-bearing and are normally settled on 60-day terms.

(c) Other borrowings

These were unsecured and bore interest at the fixed rate of 12% per annum and were repayable with one-month notice by the lender.

15. TRADE PAYABLES

Ageing analysis of trade payables as at the balance sheet date, based on the receipts of goods purchased, is as follows:

	2008	2007
	HK$'000	*HK$'000*
1-90 days	**—**	9,017
91-120 days	**—**	5,696
121-365 days	**—**	2,306
Over 1 year	**—**	2,685
	—	19,704

16. CONVERTIBLE BONDS

On 5 November 2007, the Company issued zero coupon convertible bonds (the "CB1") in the principal amount of HK$365,000,000 as a part of the consideration for the acquisition of 51% equity interests in Kanson Development Ltd. ("Kanson") The CB1 bear no interest with a maturity date on 4 November 2012 (the "Maturity Date of CB1") and are convertible into shares of the Company at the conversion price of HK$0.60 per share (subject to the standard adjustment clauses relating to share sub-division, share consolidation, capitalisation issues and rights issues) at any time after the issue date. The details of the CB1 are set out in the Company circular dated 15 October 2007.

On 3 July 2008, the Company issued zero coupon convertible bonds (the "CB3") in the principal amount of HK$580,000,000 as the consideration for the acquisition of the remaining 49% equity interests in Kanson. The CB3 bear no interest with maturity date on 2 July 2013 (the "Maturity Date of CB3") and are convertible into shares of the Company at the conversion price of HK$0.25 per share (subject to the standard adjustment clauses relating to share sub-division, share consolidation, capitalisation issues and rights issues) at any time after the issue date. The details of the CB3 are set out in the Company circular dated 6 June 2008.

The fair value of the liability components, included in the CB1 and CB3, was calculated using a market interest rate for an equivalent non-convertible bond. The residual amount, representing the value of the equity conversion component, is included in the convertible bond equity reserve in shareholders' equity.

The CB1 and CB3 recognised in the balance sheet are calculated as follows:

	CB1	**CB3**	**Total**
	HK$'000	*HK$'000*	*HK$'000*
Face value of convertible bonds issued	365,000	580,000	945,000
Proceeds of issue (fair value on initial recognition)	365,467	363,506	728,973
Equity component	(189,421)	(103,438)	(292,859)
Liability component	176,046	260,068	436,114

Movement of liability component

Movement of liability component for the years ended 31 December 2008 and 2007 is as follows:

		2008	
	CB1	**CB3**	**Total**
	HK$'000	*HK$'000*	*HK$'000*
At 1 January 2008	139,671	—	139,671
Liability component on initial recognition	—	260,068	260,068
Exercise of the convertible bonds	(64,276)	(164,685)	(228,961)
Imputed interest expenses *(note 5)*	13,019	8,865	21,884
At 31 December 2008	88,414	104,248	192,662

		2007	
	CB1	**CB3**	**Total**
	HK$'000	*HK$'000*	*HK$'000*
At 1 January 2007	—	—	—
Liability component on initial recognition	176,046	—	176,046
Exercise of the convertible bonds	(39,440)	—	(39,440)
Imputed interest expenses *(note 5)*	3,065	—	3,065
At 31 December 2007	139,671	—	139,671

Movement of equity component

Movement of equity component for the years ended 31 December 2008 and 31 December 2007 is as follows:

		2008	
	CB1	**CB3**	**Total**
	HK$'000	*HK$'000*	*HK$'000*
At 1 January 2008	147,261	—	147,261
Equity component on initial recognition	—	103,438	103,438
Issue of shares on conversion	(65,389)	(64,938)	(130,327)
At 31 December 2008	81,872	38,500	120,372

		2007	
	CB1	**CB3**	**Total**
	HK$'000	*HK$'000*	*HK$'000*
At 1 January 2007	—	—	—
Equity component on initial recognition	189,421	—	189,421
Issue of shares on conversion	(42,160)	—	(42,160)
At 31 December 2007	147,261	—	147,261

The fair value of the liability components of CB1 and CB3 at the dates of issue amounted to approximately HK$176 million and HK$260 million respectively.

Interest expense on the bonds is calculated using the effective interest rate method by applying interest rate of 15.7% and 17.4% per annum to the liability components of CB1 and CB3 respectively.

During the year, 210,000,000 (2007: 136,000,000) ordinary shares were issued in aggregate, at the conversion price of HK$0.60 per share, to the bond holders upon the conversion of the CB1. As a result, there was an increase in the share capital and share premium of HK$2,100,000 (2007: HK$1,360,000) and HK$127,565,000 (2007: HK$80,240,000) respectively.

During the year, 1,456,000,000 ordinary shares were issued in aggregate, at the conversion price of HK$0.25 per share, to the bond holders upon the conversion of the CB3. As a result, there was an increase in the share capital and share premium of HK$14,560,000 and HK$215,063,000 respectively.

Subsequent to the balance sheet date, another 195,000,000 and 832,000,000 ordinary shares were issued to the bond holders upon the conversion of CB1 and CB3 respectively. As a result, there was a further increase in the share capital and share premium of HK$10,270,000 and HK$257,213,000 respectively. Accordingly, the liability component of CB1 and CB3 decreased by HK$67,026,000 and HK$102,632,000 respectively; and the equity component of CB1 and CB3 decreased by HK$60,718,000 and HK$37,107,000 respectively. These conversions have not yet been reflected in the financial statements for the year ended 31 December 2008.

17. BUSINESS COMBINATIONS

(a) Win Alliance

On 15 February 2007, the Group acquired of 70% equity interest in Win Alliance through Wise Mount, a 100% indirectly subsidiary of the Company, at the consideration comprising of cash of HK$5,000,000 and consideration shares with fair value of HK$7,200,000. Win Alliance's principal activity was trading of goods. It had a wholly-owned subsidiary, namely 唐山勝盟, whose principal activity was manufacturing of carpets. Goodwill arising from this acquisition was fully impaired in 2007. Win Alliance became a part of the Discontinued Operations in 2008 and its assets and liabilities are included as assets and liabilities in Disposal Group classified as held for sale as at 31 December 2008 (note 14).

Details of net identifiable assets acquired and goodwill are as follows:

	HK$'000
Purchase consideration	
— Cash paid	5,000
— Fair value of shares issued	7,200
Total purchase consideration	12,200
Fair value of net identifiable assets acquired	(11,446)
Goodwill	754

The fair values of the identifiable assets and liabilities arising from the acquisition as at the date of acquisition and the corresponding carrying amounts immediately prior to the acquisition are as follows:

	Fair value *HK$'000*	Acquiree's carrying amount *HK$'000*
Property, plant and equipment	8,676	8,676
Prepaid lease payments	9,000	9,000
Trade receivables	2,499	2,499
Prepayments, deposits and other receivables	1,633	1,633
Cash at banks and in hand	1	1
Trade payables	(2,274)	(2,274)
Deposits received, other payables and accruals	(3,184)	(3,184)
Net assets	16,351	16,351
Minority interests (30%)	(4,905)	
Net identifiable assets acquired	11,446	
Purchase consideration settled in cash		(5,000)
Cash at banks and in hand in the subsidiaries acquired		1
Cash outflow on acquisition		(4,999)

Since the acquisition, Win Alliance and its subsidiary contributed revenue and a loss of HK$14,378,000 and HK$835,000 respectively to the Group for the period ended 31 December 2007.

Had the acquisition been taken place at 1 January 2007, the revenue and the loss of the Group for the year ended 31 December 2007 would have been approximately HK$58,047,000 and HK$78,551,000 respectively. The pro forma information was for illustrative purposes only and was not necessarily indicative of revenue and results of the Group that actually would have been achieved had the acquisition been completed on 1 January 2007 nor are they intended to be projection of future results.

(b) Go On

On 29 March 2007, the Group acquired 100% equity interests in Go On Foundate Company Limited ("Go On") at a cash consideration of HK$2 through a wholly-owned subsidiary, namely Aurora International Enterprises Limited. Goodwill arising from this acquisition was fully impaired in 2007.

Details of net identifiable liabilities acquired and goodwill are as follows:

	HK$'000
Fair value of net identifiable liabilities acquired	327
Total purchase consideration - Cash paid	—
Goodwill	327

The fair values of the identifiable assets and liabilities arising from the acquisition as at the date of acquisition and the corresponding carrying amounts immediately prior to the acquisition are as follows:

	Fair value	**Acquiree's Carrying amount**
	HK$'000	*HK$'000*
Property, plant and equipment	284	284
Deposits received, other payables and accruals	(313)	(313)
Finance lease payables	(298)	(298)
Net identifiable liabilities acquired	(327)	(327)
Purchase consideration in cash		—
Cash at banks and in hand in the subsidiary acquired		—
Cash outflow on acquisition		—

Since the acquisition, Go On contributed no revenue and a loss of HK$103,000 to the Group for the period ended 31 December 2007.

Had the acquisition been taken place at 1 January 2007, the revenue and the loss of the Group for the year ended 31 December 2007 would have been approximately HK$55,647,000 and HK$78,593,000 respectively. The pro forma information was for illustrative purposes only and was not necessarily indicative of revenue and results of the Group that actually would have been achieved had the acquisition been completed on 1 January 2007 nor are they intended to be projection of future results.

(c) Kanson

On 5 November 2007, the Group entered into a sale and purchase agreement for the acquisition of 51% equity interests in Kanson from Ms. Leung Lai Ching Margaret. Kanson has 100% equity interests in Hong Kong Forest Source Mining Industry Holding Company Limited ("HKFSMI"), BJFSMI (included in assets and liabilities in Disposal Group classified as held for sale in 2008 (note 14)) and Qinghai Forest Source Mining Industry Developing Company Limited ("QHFSMI"), the principal activity of all of which is the exploration of mine.

Details of net identifiable assets acquired and goodwill are as follows:

	HK$'000
Purchase consideration:	
— Cash paid	100,000
— Fair value of CB1 issued *(note 16)*	365,467
— Fair value of shares issued	175,500
Total purchase consideration	640,967
Fair value of net identifiable assets acquired	(29,482)
Goodwill	611,485

According to the sale and purchase agreement, another zero-coupon convertible bonds with face value of HK$400,000,000 (the "CB2") would be issued to Ms. Leung Lai Ching, Margaret on the fifth business day following the date of receipt of mining license in respect of the underlying mine. The CB2 are convertible into shares of the Company at the conversion price of HK$0.60 per share. As at 31 December 2008 and 2007, Kanson and its subsidiaries were still in the progress of obtaining the mining license. Thus CB2 have not been issued and have not been included in the purchase consideration above.

The fair values of the identifiable assets and liabilities arising from the acquisition as at the date of acquisition and the corresponding carrying amounts immediately prior to the acquisition are as follows:

	Fair value	**Acquiree's carrying amount**
	HK$'000	*HK$'000*
Property, plant and equipment	2,598	2,598
Exploratory and evaluation assets	19,064	19,064
Prepayments, deposits and other receivables	15,270	15,270
Cash at banks and in hand	20,875	20,875
Net identifiable assets	57,807	57,807
Minority interests (49%)	(28,325)	
Net identifiable assets acquired	29,482	
Purchase consideration settled in cash		(100,000)
Cash at banks and in hand in the subsidiaries acquired		20,875
Cash outflow on acquisition		(79,125)

Since the acquisition, Kanson and its subsidiaries contributed no revenue but a loss of HK$3,007,000 to the Group for the period ended 31 December 2007.

Had the acquisition been taken place at 1 January 2007, the revenue and the loss of the Group for the year ended 31 December 2007 would have been approximately HK$55,647,000 and HK$89,816,000 respectively. The pro forma information was for illustrative purposes only and was not necessarily indicative of revenue and results of the Group that actually would have been achieved had the acquisition been completed on 1 January 2007 nor are they intended to be projection of future results.

(d) Acquisition of additional interests in Kanson

On 8 April 2008, the Group entered into a sale and purchase agreement for the acquisition of the remaining 49% equity interests in Kanson from Ms. Leung Lai Ching Margaret.

Details of net assets acquired and goodwill are as follows:

	HK$'000
Purchase consideration:	
— Fair value of CB3 issued *(note 16)*	**363,506**
Total purchase consideration	**363,506**
Carrying value of net assets acquired	**(25,928)**
Goodwill	**337,578**

According to the sale and purchase agreement, another zero-coupon convertible bonds with face value of HK$380,780,000 (the "CB4") will be issued on the fifth business day following the date of receipt of mining license in respect of the underlying mine. The CB4 are convertible into shares of the Company at the conversion price of HK$0.25 per share. As at 31 December 2008, Kanson and its subsidiaries were still in the progress of obtaining the mining license. Thus CB4 have not been issued and have not been included in the purchase consideration above.

18. DISPOSALS OF SUBSIDIARIES

(a) Kaicheng

As mentioned in note 3, on 6 March 2008, the Group disposed of 75.5% equity interests in Kaicheng for a consideration of HK$1. Particulars of the disposal transaction are as follows:

	HK$'000
Net liabilities disposed of:	
Amount due to a minority shareholder	**(774)**
Deposits received, other payables and accruals	**(68)**
Minority interests	**—**
	(842)
Gain on disposal of a subsidiary *(note 3)*	**842**
Total consideration	**—**
Satisfied by cash	**—**

(b) ICC

As mentioned in note 3, on 30 May 2008, the Group disposed of 51% equity interests in ICC for a consideration of HK$200,000. Particulars of the disposal transaction are as follows:

	HK$'000
Net liabilities disposed of:	
Property, plant and equipment	**30**
Prepayments, deposits and other receivables	**4,261**
Inventories	**273**
Trade and bills receivables	**7,663**
Provision for impairment of trade receivables	**(2,357)**
Cash at banks and in hand	**763**
Amount due from a minority shareholder	**1,370**
Minority interests	**217**
Trade payables	**(2,300)**
Deposits received, other payables and accruals	**(15,158)**
	(5,238)
Gain on disposal of a subsidiary *(note 3)*	**5,438**
Total consideration	**200**
Satisfied by cash	**200**

(c) South Hill

As mentioned in note 3, on 30 May 2007, the Group disposed of 100% equity interests in South Hill for a consideration of HK$1. Particulars of the disposal transaction are as follows:

	HK$'000
Net liabilities disposed of:	
Property, plant and equipment	**373**
Prepayments, deposits and other receivables	**143**
Cash at banks and in hand	**3**
Finance lease payables	**(272)**
Deposits received, other payables and accruals	**(528)**
	(281)
Gain on disposal of a subsidiary *(note 3)*	**281**
Total consideration	**—**
Satisfied by cash	**—**

(d) An analysis of the net outflow of cash and cash equivalents in respect of the disposals of the above subsidiaries is as follows:

	2008	2007
	HK$'000	*HK$'000*
Total consideration	**200**	—
Cash at bank and in hand disposed of	**(763)**	(3)
Net cash outflows in respect of the disposals of subsidiaries	**(563)**	(3)

19. DEEMED DISPOSAL OF SUBSIDIARIES

As mentioned in note 12, on 10 March 2008, the Company and certain of its subsidiaries, Capital Gain, a company in which Mr. Pang has beneficial interests, and Mr. Pang entered into an agreement such that, to assume the Group's obligation to contribute approximately US$4,070,000 (HK$31,725,000 equivalent) to the registered capital of Hebei Da Sheng, 51% previously owned by the Group, the Group agreed to allot and issue 804 ordinary shares of Aurora Logistic Finance, previously a 100% subsidiary of the Company, of US$1.00 each to Capital Gain. As a result, the Company's interest in Aurora Logistic Finance and its subsidiaries (i.e. the Deemed Disposal Group) was diluted from 100% to 19.6%.

	HK$'000	***HK$'000***
Net assets owned by the Group prior to the deemed disposal		
Property, plant and equipment		**4,057**
Prepayments, deposits and other receivables		**59,344**
Cash at banks and in hand		**9,221**
Deposits received, other payables and accruals		**(721)**
Amounts due to minority shareholders		**(40,787)**
Minority interests		**(1,148)**
		29,966
Release of exchange reserve upon the deemed disposal		**(6,848)**
		23,118
Interests owned by the Group after the deemed disposal		
Property, plant and equipment	**4,057**	
Prepayments, deposits and other receivables	**59,344**	
Cash at banks and in hand	**9,221**	
Deposits received, other payables and accruals	**(721)**	
Amounts due to minority shareholders	**(40,787)**	
Minority interests	**(1,148)**	
Net assets owned by the Group prior to the deemed disposal	**29,966**	
Capital injection for the 804 ordinary shares by Capital Gain	**31,725**	
	61,691	
Equity interests held by the Group (19.6%) after the deemed disposal		**12,091**
Loss on the deemed disposal of subsidiaries *(note 6)*		**11,027**

An analysis of the net outflow of cash and cash equivalents in respect of the disposal of the Deemed Disposal Group is as follows:

	HK$'000
Total consideration	**—**
Cash at bank and in hand disposed of	**(9,221)**
Net cash outflows in respect of the deemed disposal of subsidiaries	**(9,221)**

BUSINESS REVIEW

For the year ended 31 December 2008, the Group recorded revenue from its continuing operations of approximately HK$12.8 million (2007: HK$28.9 million (restated)), and net loss from its continuing operations of approximately HK$319 million (2007: HK$41 million (restated)). The operating loss of the Group from its continuing operations was substantially increased by approximately HK$258 million as compared to last year which include the impairment loss of goodwill of HK$253 million and the loss of HK$11.0 million on deemed disposal of Aurora Logistic Finance Group Inc, Hebei Da Sheng Warranty Company Limited and its subsidiaries. Moreover, the discontinued operations of carpet manufacturing and trading of goods incurred losses of HK$15.5 million and HK$14.2 million respectively.

CARPET MANUFACTURING AND DISTRIBUTION

During the year, there was a rise in manufacturing costs of products and an intense market competition on global products market. As a result, the Group recorded a net loss of its business. Furthermore, as the carpet manufacturing and some of carpet trading subsidiaries had been suffering loss for few years, the Group decided to dispose these subsidiaries to reduce the operating loss. We will still focus on carpet trading through a new wholly-owned subsidiary in coming years. Details of discontinued operation businesses and disposal of subsidiary are set out in the notes 9 and 14; and 18(b) respectively.

LOGISTICS AND FINANCIAL BUSINESS

In May 2008, the Group disposed 80.4% interest of Aurora Logistic Finance Group Inc. ("**Aurora Logistic Finance**"), which included the interest of Hebei Da Sheng Warranty Company Limited ("**Hebei Da Sheng**"). The Directors considered that the disposal of partial interest in logistics and financial business would allow resources relocation to enhance the efficiency in a more potential project in the mining sector. The Board will depend on the return of such investment to determine whether the Group will maintain the remaining 19.6% interest of Aurora Logisitc Finance and review the performance and results of Hebei Da Sheng from time to time. Details of disposed interest in Aurora Logistic Finance are set out in the note 19.

TRADING OF GOODS

The trading of goods business had been suffering loss for past years and had not been performing at forecast level. The Group does not foresee a significant turnaround in the future. It is more commercially favourable to dispose these subsidiaries preventing any additional loss which may incur. Details of the discontinued operation businesses are set out in the notes 9 and 14.

XIAOHONGSHAN (LITTLE RED MOUNTAIN)

In July 2008, the Group acquired an additional 49% equity interests of Kanson Development Limited ("**Kanson**") from Ms. Leung Lai Ching, Margaret through Smooth Way International Limited, a wholly-owned subsidiary of the Company. After the completion, Kanson is currently a wholly-owned subsidiary of the Company which indirectly holds an exploration license of a mineral property in 2km by 1km rectangular area of Little Red Mountain located in Inner Mongolia ("**Xiao Hong Shan Project**"). Details of the acquisition is set out in the note 17(d).

Current status of Xiao Hong Shan Project

Application for the registration of the mineral resources of Xiao Hong Shan Project has been submitted to the Ministry of Land and Resources of the PRC. The application has been preliminarily approved pending some minor revisions to the supporting documents and the issuance of the official approval document regarding the actual quantity of resources. Given the global financial turmoil and the drastic decline in global commodity prices, the Company has decided to slow down the integrated utilization plan and the license application for the Xiao Hong Shan Project until further funding is secured.

Impairment of goodwill

As a result of world-wide commodities price has been decreased during the second half year of 2008, the valuation of target mine — first portion in Xiao Hong Shan Project recorded a substantially decrease at the year end. The Group would impair the goodwill of Xiao Hong Shan Project and reflects the impairment loss in the financial statement.

FUTURE PLAN AND PROSPECTS

The recent significant price decline of global commodities will have negative impacts on the realisable selling price of titanium, iron and other products of Xiao Hong Shan Project while infrastructure costs and mineral resources tax payable to the Ministry of Land Management will remain largely unchanged. This puts more pressure on the near term cash requirement. The current global financial turmoil limits the ways of fund raising. Even though most of the relevant exploration tests for the reserves of Xiao Hong Shan Project have approached the final stage, the Company believes it is financially prudent to slow down the progress of the project until the Company secures new funds to meet the future funding requirement of the project.

CURRENT AND GEARING RATIO

As at 31 December 2008, the Group has total assets of approximately HK$841 million (2007: HK$870 million), total liabilities of approximately HK$257 million (2007: HK$246 million), indicating a gearing ratio 0.31 (2007: 0.28) on the basis of total liabilities over total assets. The current ratio of the Group for the year was 1.46 (2007: 2.47).

CHARGES ON ASSETS

As at 31 December 2008, the Group had no interest-bearing bank borrowings and assets which was pledged. (2007: Nil).

CONTINGENT LIABILITIES

As at 31 December 2008, the Group did not have any significant contingent liabilities.

EMPLOYEE INFORMATION

As at 31 December 2008, the Group employed approximately 165 full-time employees (2007: 191), mostly at the Group's subsidiary factory for manufacturing carpet. The Group's emolument policies are formulated on the performance of individual employees and are reviewed annually in line with industry practice. The Group also provides provident fund schemes (as the case may be) to its employees depending on the location of such employees.

PURCHASE, REDEMPTION OR SALE OF LISTED SECURITIES OF THE COMPANY

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

REMUNERATION COMMITTEE

The Remuneration Committee, established in compliance with the Code on Corporate Governance Practices as set out in Appendix 14 of the Listing Rules, comprises the three independent non-executive Directors of the Company and the Chairman of the Company, is responsible for reviewing and evaluating the remuneration packages of the executive directors and senior management of the Company and making recommendations to the board of directors from time to time.

NOMINATION COMMITTEE

The Nomination Committee, established in compliance with the Code on Corporate Governance Practices as set out in Appendix 14 of the Listing Rules, comprises the three independent non-executive Directors of the Company and the Chairman of the Company, is responsible for making recommendations to the Board on the appointment of Directors and senior management.

AUDIT COMMITTEE

The audit committee of the Company has reviewed with management the accounting principles and practices adopted by the Group, and discussed internal controls and financial reporting matters including a review of the audited financial statements of the Company for the year ended 31 December 2008. The Audit Committee comprises the three independent non-executive directors of the Company. During the Year, two regular meetings of the audit committee have been held.

COMPLIANCE WITH CODE ON CORPORATE GOVERNANCE PRACTICES

In the opinion of the Directors, the Company has complied with the code provisions of the Code on Corporate Governance Practices as set out in Appendix 14 of the Listing Rules for the year ended 31 December 2008 except that the non-executive directors of the Company are not appointed for any specific terms as they are subject to retirement by rotation and re-election at annual general meetings in accordance with the provisions of the Company's Articles of Association.

COMPLIANCE WITH MODEL CODE

The Company has adopted the Model Code for Securities Transactions by Directors by Listed Issuers (the "Model Code") set out in Appendix 10 of the Listing Rules. The Company has made specific enquiries with each Directors and each of them confirmed that he had complied with the required standards set out in the Model Code throughout the year ended 31 December 2008.

PUBLICATION OF ANNUAL RESULTS AND ANNUAL REPORT

This annual results announcement is available for viewing on the websites of Hong Kong Exchange and Clearing Limited (www.hkex.com.hk) and the Company (www.irasia.com/listco/hk/xianyuen). The annual report of the Company for 2008 containing all the information required by the Listing Rules will be dispatched to shareholders and made available on the above websites in due course.

By order of the board
Xian Yuen Titanium Resources Holdings Limited
Law Fei Shing
Chief Executive Officer and Executive Director

Hong Kong, 24 April 2009

As at the date of this announcement, the executive Directors are Mr. Tam Owen (chairman), Mr. Law Fei Shing (chief executive officer) and Mr. Chan Sung Wai; the non-executive Director is Mr. Lam Shing Tsun Edmond and the independent non-executive Directors are Mr. Lum Pak Sum, Mr. Sun Tak Keung and Mr. Chow Pui Fung.