

## Balance Sheets

as at 31 December 2008

|   | Note | Group          |                | Company        |                |
|---|------|----------------|----------------|----------------|----------------|
|   |      | 2008<br>\$'000 | 2007<br>\$'000 | 2008<br>\$'000 | 2007<br>\$'000 |
| <b>Non-Current Assets</b>               |      |                |                |                |                |
| Property, plant and equipment           | 5    | 1,297          | 19,164         | 7              | 9              |
| Investment in subsidiaries              | 6    | –              | –              | –              | 12,481         |
| Deferred tax assets                     | 7    | –              | 624            | –              | –              |
|   |      | 1,297          | 19,788         | 7              | 12,490         |
| <b>Current Assets</b>                   |      |                |                |                |                |
| Assets held for sale                    | 8    | 4,377          | –              | –              | –              |
| Inventories                             | 9    | 141            | 414            | –              | –              |
| Trade and other receivables             | 10   | 3,569          | 6,812          | 2,794          | 14,061         |
| Other current assets                    | 23   | 1,042          | 103            | 957            | 20             |
| Cash and cash equivalents               | 11   | 2,362          | 886            | 1,893          | 417            |
|   |      | 11,491         | 8,215          | 5,644          | 14,498         |
| <b>Current Liabilities</b>              |      |                |                |                |                |
| Loans and borrowings                    | 12   | 6,818          | 9,287          | 978            | 1,746          |
| Trade and other payables                | 13   | 6,302          | 8,141          | 3,197          | 4,809          |
| Income tax payable                      |      | 309            | 380            | 144            | 144            |
|   |      | 13,429         | 17,808         | 4,319          | 6,699          |
| <b>Net Current (Liabilities)/Assets</b> |      | (1,938)        | (9,593)        | 1,325          | 7,799          |
| <b>Non-Current Liabilities</b>          |      |                |                |                |                |
| Loans and borrowings                    | 12   | 10,699         | 4,807          | 10,699         | 4,470          |
| Deferred tax liabilities                | 7    | –              | 624            | –              | –              |
|   |      | 10,699         | 5,431          | 10,699         | 4,470          |
| <b>Net (Liabilities)/Assets</b>         |      | (11,340)       | 4,764          | (9,367)        | 15,819         |
| <b>Capital and reserves</b>             |      |                |                |                |                |
| Share capital                           | 15   | 22,945         | 18,706         | 22,945         | 18,706         |
| Reserves                                | 16   | (34,285)       | (13,942)       | (32,312)       | (2,887)        |
| <b>Total (Deficit)/Equity</b>           |      | (11,340)       | 4,764          | (9,367)        | 15,819         |

The accompanying accounting policies and explanatory notes form an integral part of the financial statements.

## Consolidated Income Statement

for the year ended 31 December 2008

|   |      | Group          |                |
|---|------|----------------|----------------|
|   | Note | 2008<br>\$'000 | 2007<br>\$'000 |
| <b>Revenue</b>  |      | 12,018         | 19,341         |
| Cost of sales   |      | (18,651)       | (22,919)       |
| <b>Gross loss</b>   |      | (6,633)        | (3,578)        |
| Other income  | 17   | 1,029          | 1,098          |
| Selling and distribution expenses   |      | (744)          | (867)          |
| Administrative expenses   |      | (4,237)        | (4,831)        |
| Other operating expenses  | 17   | (8,513)        | (2,820)        |
| Finance costs   | 18   | (573)          | (755)          |
| Loss before exceptional items   |      | (19,671)       | (11,753)       |
| Exceptional items   | 19   | (743)          | (104)          |
| Loss before taxation  | 20   | (20,414)       | (11,857)       |
| Income tax expense  | 21   | 76             | (284)          |
| Loss for the year   |      | (20,338)       | (12,141)       |
| Loss for the year attributable to equity holders of the parent  |      | (20,338)       | (12,141)       |
| Basic and fully diluted loss per share attributable to equity holders of the parent (cents per share) | 22   | (7.69)         | (5.44)         |

The accompanying accounting policies and explanatory notes form an integral part of the financial statements.

## Statements of Changes in Equity

for the year ended 31 December 2008

| Group   | Attributable to equity holders of the parent |   |   |   |                                 |                             | Total<br>(deficit)/<br>equity<br>\$'000 |
|---|--|---|---|---|---------------------------------|-----------------------------|---|
|   | Share<br>capital<br>\$'000                   | Capital<br>reduction<br>reserve<br>\$'000 | Asset<br>revaluation<br>reserve<br>\$'000 | Foreign<br>currency<br>translation<br>reserve<br>\$'000 | Accumulated<br>losses<br>\$'000 | Total<br>reserves<br>\$'000 |   |
|   | <b>At 1 January 2007</b>                     | 6,232                                     | 3,710                                     | 2,373   | (6,180)                         | (1,715)                     |   |
| Foreign currency translation,<br>representing net income<br>recognised directly in equity | -  | -   | -   | 11  | -                               | 11                          | 11                                      |
| Loss for the year   | -  | -   | -   | -   | (12,141)                        | (12,141)                    | (12,141)                                |
| Total recognised income and<br>expenses for the year                                      | -  | -   | -   | 11  | (12,141)                        | (12,130)                    | (12,130)                                |
| Issuance of shares (Note 15)  | 12,474                                       | -   | -   | -   | -                               | -                           | 12,474                                  |
| <b>At 31 December 2007 and<br/>1 January 2008</b>   | 18,706                                       | 3,710                                     | 2,373                                     | (6,169)   | (13,856)                        | (13,942)                    | 4,764                                   |
| Impairment loss on leasehold,<br>land and building (Note 5)                               | -  | -   | (75)                                      | -   | -                               | (75)                        | (75)                                    |
| Foreign currency translation,<br>representing net income<br>recognised directly in equity | -  | -   | -   | 70  | -                               | 70                          | 70                                      |
| Net income and expense<br>recognised directly in equity                                   | -  | -   | (75)                                      | 70  | -                               | (5)                         | (5)                                     |
| Loss for the year   | -  | -   | -   | -   | (20,338)                        | (20,338)                    | (20,338)                                |
| Total recognised income and<br>expenses for the year                                      | -  | -   | (75)                                      | 70  | (20,338)                        | (20,343)                    | (20,343)                                |
| Issuance of shares (Note 15)  | 4,360  | -   | -   | -   | -                               | -                           | 4,360                                   |
| Shares issue expenses (Note 15)   | (121)  | -   | -   | -   | -                               | -                           | (121)                                   |
| <b>At 31 December 2008</b>  | 22,945                                       | 3,710                                     | 2,298                                     | (6,099)   | (34,194)                        | (34,285)                    | (11,340)                                |

The accompanying accounting policies and explanatory notes form an integral part of the financial statements.

## Statements of Changes in Equity

for the year ended 31 December 2008

| Company   | Share<br>capital<br>\$'000 | Capital<br>reduction<br>reserve<br>\$'000 | Accumulated<br>losses<br>\$'000 | Total<br>reserves<br>\$'000 | Total<br>(deficit)/<br>equity<br>\$'000 |
|---|----------------------------|---|---------------------------------|-----------------------------|---|
| <b>At 1 January 2007</b>  | 6,232                      | 3,710                                     | (10,001)                        | (6,291)                     | (59)                                    |
| Profit for the year, representing total<br>recognised income for the year | –                          | –   | 3,404                           | 3,404                       | 3,404                                   |
| Issuance of shares (Note 15)  | 12,474                     | –   | –                               | –                           | 12,474                                  |
| <b>At 31 December 2007 and<br/>1 January 2008</b>                         | 18,706                     | 3,710                                     | (6,597)                         | (2,887)                     | 15,819                                  |
| Loss for the year, representing total<br>recognised expense for the year  | –                          | –   | (29,425)                        | (29,425)                    | (29,425)                                |
| Issuance of shares (Note 15)  | 4,360                      | –   | –                               | –                           | 4,360                                   |
| Shares issue expenses (Note 15)   | (121)                      | –   | –                               | –                           | (121)                                   |
| <b>At 31 December 2008</b>  | 22,945                     | 3,710                                     | (36,022)                        | (32,312)                    | (9,367)                                 |

*The accompanying accounting policies and explanatory notes form an integral part of the financial statements.*

## Consolidated Cash Flow Statement

for the year ended 31 December 2008

|  | 2008<br>\$'000 | 2007<br>\$'000 |
|--|----------------|----------------|
| <b>Operating activities</b>  |                |                |
| Loss before taxation   | (20,414)       | (11,857)       |
| Adjustments for:   |                |                |
| Allowance for doubtful trade receivables   | –              | 144            |
| Bad debts written off  | –              | 8              |
| Allowance for inventory obsolescence   | 67             | 458            |
| Depreciation of property, plant and equipment  | 6,043          | 7,662          |
| Interest income on bank deposits   | (3)            | (4)            |
| Interest expense   | 573            | 755            |
| Gain on waiver of loan from a corporate shareholder  | –              | (3,000)        |
| Loss on disposal of property, plant and equipment  | 2,099          | 13             |
| Impairment loss in value of idle property, plant and equipment (Note 5)                                | 6,135          | 1,213          |
| Write down in value of property, plant and equipment due to closure and relocation of factory (Note 5) | 323            | 2,620          |
| <b>Operating cash flows before changes in working capital</b>  | (5,177)        | (1,988)        |
| Decrease in inventories  | 206            | 597            |
| Decrease in trade and other receivables  | 2,742          | 5,185          |
| Decrease in trade and other payables   | (1,839)        | (1,807)        |
| <b>Cash flows (used in)/generated from operations</b>  | (4,068)        | 1,987          |
| Income tax refund/(paid)   | 5              | (146)          |
| Interest paid  | (573)          | (755)          |
| Interest received  | 3              | 4              |
| <b>Net cash flows (used in)/generated from operating activities</b>                                    | (4,633)        | 1,090          |
| <b>Investing activities</b>  |                |                |
| Proceeds from disposal of property, plant and equipment  | 446            | 40             |
| Purchase of property, plant and equipment (Note 5)   | (473)          | (411)          |
| Payment for professional fees for the proposed acquisition of Kingworld Resources Limited (Note 23)    | (659)          | –              |
| <b>Net cash flows used in investing activities</b>   | (686)          | (371)          |
| <b>Financing activities</b>  |                |                |
| Repayment of term loans  | (1,747)        | (1,449)        |
| Repayment of finance leases  | (458)          | (1,020)        |
| Loans from a corporate shareholder   | 6,229          | 2,950          |
| Net proceeds from issuance of shares   | 4,239          | –              |
| <b>Net cash generated from financing activities</b>  | 8,263          | 481            |
| Net increase in cash and cash equivalents  | 2,944          | 1,200          |
| Cash and cash equivalents at beginning of year   | (2,033)        | (2,765)        |
| Net effect of exchange rate changes on opening cash and cash equivalents                               | (667)          | (468)          |
| <b>Cash and cash equivalents at end of year (Note 11)</b>  | 244            | (2,033)        |

The accompanying accounting policies and explanatory notes form an integral part of the financial statements.