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## WAH NAM INTERNATIONAL HOLDINGS LIMITED

### 華南投資控股有限公司\*

(Incorporated in Bermuda with limited liability)

(Stock Code: 159)

### ANNUAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 31ST DECEMBER, 2008

The board of directors (“the Board”) of Wah Nam International Holdings Limited (the “Company”) announces the consolidated results of the Company and its subsidiaries (the “Group”) for the year ended 31st December, 2008, together with the comparative figures for 2007.

#### CONSOLIDATED INCOME STATEMENT

For the year ended 31st December, 2008

	Notes	2008 HK\$'000	2007 HK\$'000
<b>Continuing operations</b>			
Revenue	4	88,837	18,948
Direct costs	10	(80,384)	(14,867)
Gross profit		8,453	4,081
Selling and administrative expenses	10	(30,058)	(5,853)
Other income		1,561	319
Other losses, net		(14,501)	—
Excess payment of assets acquisition		(167,481)	—
Impairment losses	6	(118,414)	—
Finance costs	7	(15,692)	(1,718)
Loss before income tax		(336,132)	(3,171)
Income tax credit/(expense)	8	15,886	(459)
Loss for the year from continuing operations		(320,246)	(3,630)
<b>Discontinued operation</b>			
Profit/(loss) for the year from discontinued operation	9	37,784	(2,399)
Loss for the year		(282,462)	(6,029)
Attributable to:			
Equity holders of the Company		(296,660)	(5,243)
Minority interests		14,198	(786)
		(282,462)	(6,029)
<b>(Loss)/earnings per share from continuing and discontinued operations attributable to the equity holders of the Company during the year (expressed in HK cents per share)</b>			
Basic and diluted			
— from continuing operations	12	(30.28)	(0.53)
— from discontinued operation	12	3.57	(0.24)
<b>Loss per share attributable to the equity holders of the Company during the year (expressed in HK cents per share)</b>			
Basic and diluted	12	(26.71)	(0.77)

## CONSOLIDATED BALANCE SHEET

At 31st December, 2008

	<i>Notes</i>	<b>2008</b> <i>HK\$'000</i>	2007 <i>HK\$'000</i>
<b>Non-current assets</b>			
Toll road operation rights		—	82,203
Mining right		<b>987,005</b>	—
Property, plant and equipment		<b>86,024</b>	51,148
Goodwill		<b>49,719</b>	91,872
Intangible asset		<b>14,421</b>	100,977
Interests in infrastructure joint ventures		—	—
Amounts due from minority shareholders of a subsidiary		—	52,674
Deferred tax assets		<b>966</b>	5,754
Other non-current assets		<b>8,419</b>	—
		<u><b>1,146,554</b></u>	<u>384,628</u>
<b>Current assets</b>			
Inventories		<b>7,379</b>	—
Trade receivables	<i>13</i>	<b>12,246</b>	13,455
Other receivables, deposits and prepayments		<b>7,232</b>	4,265
Amount due from a related party		<b>1,500</b>	—
Financial asset at fair value through profit or loss		<b>2,894</b>	—
Cash and cash equivalents		<b>59,757</b>	40,027
		<u><b>91,008</b></u>	<u>57,747</u>
<b>Current liabilities</b>			
Trade payables	<i>14</i>	<b>10,667</b>	6,159
Other payables and accrued charges		<b>40,008</b>	8,650
Amounts due to directors		<b>305</b>	—
Bank borrowings due within one year		<b>30,131</b>	26,183
Obligations under finance leases		<b>1,739</b>	1,507
		<u><b>82,850</b></u>	<u>42,499</u>
<b>Net current assets</b>		<u><b>8,158</b></u>	<u>15,248</u>
<b>Total assets less current liabilities</b>		<u><b>1,154,712</b></u>	<u>399,876</u>

	<i>Notes</i>	<b>2008</b> <i>HK\$'000</i>	2007 <i>HK\$'000</i>
<b>Capital and reserves</b>			
Share capital	15	<b>151,534</b>	78,474
Reserves		<b>610,018</b>	129,835
		<hr/>	<hr/>
<b>Equity attributable to equity holders of the Company</b>		<b>761,552</b>	208,309
<b>Minority interests</b>		<b>96,503</b>	77,878
		<hr/>	<hr/>
<b>Total equity</b>		<b>858,055</b>	286,187
<b>Non-current liabilities</b>			
Bank borrowings due after one year		—	1,647
Obligations under finance leases		<b>2,230</b>	3,719
Amount due to a related party		<b>23,829</b>	—
Convertible notes		<b>262,828</b>	84,058
Deferred tax liabilities		<b>7,298</b>	24,265
Provision for restoration costs		<b>472</b>	—
		<hr/>	<hr/>
		<b>296,657</b>	113,689
		<hr/>	<hr/>
		<b>1,154,712</b>	399,876
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## 1. CORPORATE INFORMATION

The Company is incorporated in Bermuda as an exempted company with limited liability and its shares are listed on The Stock Exchange of Hong Kong Limited (the “Stock Exchange”).

The Company is an investment holding company. The principal activities of the Company and its subsidiaries (the “Group”) are as follows:

Limousine rental services	—	provision of limousine rental services in both Hong Kong and the People’s Republic of China (“PRC”)
Airport shuttle rental services	—	provision of airport shuttle rental services in Hong Kong
Mining operation	—	exploitation, processing and sales of copper, zinc and lead ore concentrates in the PRC
Others	—	investment in equity securities

## 2. SIGNIFICANT ACCOUNTING POLICIES

The consolidated financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards (“HKFRSs”) issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”). They have been prepared under the historical cost convention, as modified by the revaluation of financial assets and financial liabilities at fair value through profit or loss. In addition, the consolidated financial statements include applicable disclosures required by the Rules Governing the Listing of Securities on the Stock Exchange and by the Hong Kong Companies Ordinance.

## 3. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS (“HKFRSs”)

In the current year, the Group has applied, for the first time, the following amendments and interpretations (“new HKFRSs”) issued by HKICPA, which are effective for the Group’s accounting period beginning on or after 1st January, 2008.

HKAS 39	Finance Instruments: Recognition and measurement — amendment on reclassification of financial assets
HK(IFRIC) — Int 11	HKFRS 2 Group and Treasury Share Transactions
HK(IFRIC) — Int 12	Service Concession Arrangements
HK(IFRIC) — Int 14	HKAS 19 — The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction

The adoption of the new HKFRSs had no material effect on how the results and financial position for the current or prior accounting periods have been prepared and presented. Accordingly, no prior period adjustment has been required.

The following standards and amendments to existing standards have been published and are mandatory for the Group’s accounting periods beginning on or after 1st January, 2009 or later periods, but the Group has not early adopted them:

HKAS 1 (Revised)	Presentation of Financial Statements <sup>1</sup>
HKAS 23 (Revised)	Borrowing Costs <sup>1</sup>
HKAS 27 (Revised)	Consolidated and Separate Financial Statements <sup>2</sup>
HKFRS 1 and HKAS 27 (Amendment)	Cost of an Investment on First Time Adoption <sup>2</sup>
HKFRS 3 (Revised)	Business Combinations and Consequential Amendments <sup>2</sup>
HKFRS 8	Operating Segments <sup>1</sup>

<sup>1</sup> Effective for annual periods beginning on or after 1st January, 2009

<sup>2</sup> Effective for annual periods beginning on or after 1st July, 2009

The Group has commenced an assessment of the impact of these new standards, amendments and interpretations but is not yet in a position to state whether they would have significant import on its results of operations and financial position.

#### 4. REVENUE

Revenue represents the amounts received and receivable for providing limousine and airport shuttle rental services, sales of mineral ore products, amounts of toll receipts generated from the toll road and compensation received and receivable from Hangzhou City government for the loss of toll receipts from automobiles registered in Hangzhou City during the year. An analysis of the Group's revenue for the year, for both continuing and discontinued operations, is as follows:

	2008 <i>HK\$'000</i>	2007 <i>HK\$'000</i>
Continuing operations		
Income from limousine rental services	71,326	14,941
Income from airport shuttle rental services	15,854	4,007
Sales of copper, lead and zinc ore concentrates	1,657	—
	<u>88,837</u>	<u>18,948</u>
Discontinued operation		
Gross toll receipts	5,366	6,432
Hangzhou City government compensation	48,019	—
	<u>53,385</u>	<u>6,432</u>

#### 5. BUSINESS AND GEOGRAPHICAL SEGMENTS

##### Business Segments

Segment information is presented in respect of the Group's business and geographical segments. Business segment information is chosen as the primary reporting format because this is more consistent with the Group's internal financial reporting.

The Group comprises the following business segments:

Limousine rental services	—	provision of limousine rental services in both Hong Kong and the People's Republic of China ("PRC")
Airport shuttle rental services	—	provision of airport shuttle rental services in Hong Kong
Mining operation	—	exploitation, processing and sales of copper, zinc and lead ore concentrates in the PRC
Others	—	investment in equity securities

The Group was also involved in the management and operation of a toll road in the PRC. Such operation was discontinued and disposed of on 26th September, 2008.

**(1) Consolidated income statement**

*For the year ended 31st December, 2008*

	2008					Discontinued operation	2007				
	Continuing operations						Toll road operation	Continuing operations			Discontinued operation
	Limousine rental services <i>HKS'000</i>	Airport shuttle rental services <i>HKS'000</i>	Mining operation <i>HKS'000</i>	Others <i>HKS'000</i>	Total <i>HKS'000</i>			Limousine rental services <i>HKS'000</i>	Airport shuttle rental services <i>HKS'000</i>	Total <i>HKS'000</i>	
<b>Revenue</b>											
Segment revenue	<u>71,326</u>	<u>15,854</u>	<u>1,657</u>	<u>—</u>	<u>88,837</u>	<u>53,385</u>	<u>14,941</u>	<u>4,007</u>	<u>18,948</u>	<u>6,432</u>	
<b>Result</b>											
Segment results	<u>(118,525)</u>	<u>(7,419)</u>	<u>(173,501)</u>	<u>(5,381)</u>	<u>(304,826)</u>	<u>44,952</u>	<u>119</u>	<u>524</u>	<u>643</u>	<u>(2,785)</u>	
Unallocated revenue					1,486	—			92	627	
Unallocated expenses					(17,100)	—			(2,188)	—	
Finance costs					(15,692)	—			(1,718)	—	
(Loss)/profit before taxation					(336,132)	44,952			(3,171)	(2,158)	
Income tax credit/ (expense)					15,886	(7,168)			(459)	(241)	
(Loss)/profit for the year					<u>(320,246)</u>	<u>37,784</u>			<u>(3,630)</u>	<u>(2,399)</u>	

(2) **Consolidated balance sheet**  
*As at 31st December, 2008*

	2008					2007			
	Limousine rental services <i>HKS'000</i>	Airport shuttle rental services <i>HKS'000</i>	Mining operation <i>HKS'000</i>	Others <i>HKS'000</i>	Total <i>HKS'000</i>	Limousine rental services <i>HKS'000</i>	Airport shuttle rental services <i>HKS'000</i>	Toll road Operation <i>HKS'000</i>	Total <i>HKS'000</i>
Segment assets	133,404	22,366	1,037,717	6,088	1,199,575	233,067	27,476	83,067	343,610
Amounts due from minority shareholders of a subsidiary					—				52,674
Unallocated assets					37,987				46,091
Consolidated total assets					<u>1,237,562</u>				<u>442,375</u>
Segment liabilities	6,100	4,426	37,475	—	48,001	6,816	5,393	1,526	13,735
Unallocated liabilities					331,506				142,453
Consolidated total liabilities					<u>379,507</u>				<u>156,188</u>

(3) *Other information:*

	2008					Discontinued operation	2007				
	Continuing operations						Continuing operations				Discontinued operation
	Limousine rental services <i>HKS'000</i>	Airport shuttle rental services <i>HKS'000</i>	Mining operation <i>HKS'000</i>	Others <i>HKS'000</i>	Total <i>HKS'000</i>		Limousine rental services <i>HKS'000</i>	Airport shuttle rental services <i>HKS'000</i>	Total <i>HKS'000</i>	Toll road operation <i>HKS'000</i>	
Excess payment of assets acquisition	—	—	167,481	—	167,481	—	—	—	—	—	
Impairment of goodwill	42,153	—	—	—	42,153	—	—	—	—	—	
Impairment of intangible asset	69,826	6,435	—	—	76,261	—	—	—	—	—	
Amortisation of mining right	—	—	3,430	—	3,430	—	—	—	—	—	
Depreciation of property, plant and equipment	10,434	8	742	—	11,184	119	1,820	—	1,820	129	
Amortisation of toll road operation rights	—	—	—	—	—	4,047	—	—	—	5,057	
Amortisation of intangible asset	8,996	1,299	—	—	10,295	—	1,726	249	1,975	—	
Gain on disposal of property, plant and equipment	144	—	—	—	144	—	36	—	36	—	
Allowance for doubtful debts	—	—	—	—	—	—	104	—	104	—	
Additions of property, plant and equipment	14,554	—	105	1,135	15,794	281	500	—	500	245	
Additions of property, plant and equipment through assets acquisition	—	—	30,917	—	30,917	—	51,727	23	51,750	—	
Additions of goodwill and intangible asset	—	—	—	—	—	—	181,833	12,991	194,824	—	
Addition of mining right	—	—	997,341	—	997,341	—	—	—	—	—	



## Geographical segments

The limousine and airport shuttle rental services are located in Hong Kong and the PRC and the mining operation is located in the PRC.

Revenue from the Group's discontinued toll road operation was derived principally from the PRC (2008: HK\$53,385,000, 2007: HK\$6,432,000).

The following table provides an analysis of the Group's revenue from continuing operations by geographical market, based on location of customers, irrespective of the origin of the services:

	2008			2007		
	The PRC <i>HK\$'000</i>	Hong Kong <i>HK\$'000</i>	Consolidated <i>HK\$'000</i>	The PRC <i>HK\$'000</i>	Hong Kong <i>HK\$'000</i>	Consolidated <i>HK\$'000</i>
Segment revenue	<b>9,904</b>	<b>78,933</b>	<b>88,837</b>	515	18,433	18,948

The following is an analysis of the carrying amount of segment assets, and additions to property, plant and equipment and intangible asset, analysed by geographical area in which the assets are located:

	2008			2007		
	The PRC <i>HK\$'000</i>	Hong Kong <i>HK\$'000</i>	Consolidated <i>HK\$'000</i>	The PRC <i>HK\$'000</i>	Hong Kong <i>HK\$'000</i>	Consolidated <i>HK\$'000</i>
Segment assets	<b>1,068,772</b>	<b>168,790</b>	<b>1,237,562</b>	210,907	231,468	442,375
Additions of property, plant and equipment	13,134	2,941	16,075	245	500	745
Additions of property, plant and equipment through assets acquisition	30,917	—	30,917	—	51,750	51,750
Additions of goodwill and intangible asset	—	—	—	75,166	119,658	194,824
Addition of mining right	<b>997,341</b>	—	<b>997,341</b>	—	—	—

## 6. IMPAIRMENT LOSSES

	2008 <i>HK\$'000</i>	2007 <i>HK\$'000</i>
Impairment of goodwill	42,153	—
Impairment of intangible asset	76,261	—
	<u>118,414</u>	<u>—</u>

## 7. FINANCE COSTS

Finance costs represent:

	2008 <i>HK\$'000</i>	2007 <i>HK\$'000</i>
Effective interest expense on convertible notes	14,166	1,170
Imputed interest on amount due to a director	—	107
Interest on bank borrowings wholly repayable within five years	1,239	363
Finance leases	287	78
	<u>15,692</u>	<u>1,718</u>

## 8. INCOME TAX (CREDIT)/EXPENSE

	2008 <i>HK\$'000</i>	2007 <i>HK\$'000</i>
<b>Continuing operations</b>		
Hong Kong profits tax:	430	—
PRC Enterprise Income Tax:		
Current year	34	74
Underprovision in prior years	(77)	—
	<u>387</u>	<u>74</u>
Deferred tax:		
Original and reversal of temporary differences	(15,227)	385
Effect of change in Hong Kong profits tax rate	(1,046)	—
	<u>(15,886)</u>	<u>459</u>
<b>Discontinued operation</b>		
PRC Enterprise Income Tax:		
Current year	6,980	—
Deferred tax:		
Original and reversal of temporary differences	188	241
	<u>7,168</u>	<u>241</u>

On 26th June, 2008, the Hong Kong Legislative Council passed the Revenue Bill 2008 which reduced corporate profits tax rate from 17.5% to 16.5% effective from the year of assessment 2008/2009. Therefore, Hong Kong Profits Tax is calculated at 16.5% (2007: 17.5%) of the estimated assessable profit for the year.

PRC Enterprise income tax for discontinued operation has been provided at the prevailing rate of 18% (2007: 18%) on the estimated assessable profit applicable to the Company's subsidiary established in the PRC disposed during the year. On 16th March, 2007, the PRC promulgated the Law of the PRC on Enterprise Income Tax (the "New Law") by Order No. 63 of the President of the PRC. On 6th December, 2007, the State Council of the PRC issued Implementation Regulations of the New Law. The New Law and Implementation Regulations will change the tax rate from 18% to 25% progressively in next few years.

For the year ended 31st December, 2007, no Hong Kong profits tax had been provided as there were sufficient tax losses brought forward to set off against the assessable profit.

## 9. DISCONTINUED OPERATION

Discontinued operation represents a separate major line of business or geographical area of operation disposed of in the current year.

On 6th June, 2008, the Company entered into a sale and purchase agreement to dispose of the entire equity interest of a subsidiary of the Company, Cableport Holdings Limited and its subsidiaries ("Cableport Group"), which carried out all of the Group's toll road operation. The disposal was completed on 26th September, 2008. (Please refer to note 17 for more detail)

The profit for the year from the discontinued operation is analysed as follows:

	<b>2008</b> <i>HK\$'000</i>	2007 <i>HK\$'000</i>
Profit/(loss) of toll road operation for the year	<b>37,784</b>	(2,399)
Loss on disposal of toll road operation	<b>(8,311)</b>	—
	<b><u>29,473</u></b>	<b><u>(2,399)</u></b>

The results of the toll road operation for the period from 1st January, 2008 to 26th September, 2008, which have been included in the consolidated income statement, were as follows:

	<b>Period ended 26th September, 2008 HK\$'000</b>	Year ended 31st December, 2007 HK\$'000
Revenue	<b>53,385</b>	6,432
Direct costs	<b>(6,326)</b>	(7,775)
Business Tax	<b>(2,671)</b>	(322)
Other Income	<b>1,604</b>	399
Administrative expenses	<b>(1,040)</b>	(892)
	<hr/>	<hr/>
Profit/(loss) before income tax	<b>44,952</b>	(2,158)
Income tax expense	<b>(7,168)</b>	(241)
	<hr/>	<hr/>
Profit/(loss) for the period/year	<b><u>37,784</u></b>	<b><u>(2,399)</u></b>

#### 10. EXPENSES BY NATURE

	<b>2008 HK\$'000</b>	2007 HK\$'000
Cost of inventories	<b>3,079</b>	—
Amortisation of intangible asset (included in direct costs)	<b>10,295</b>	1,975
Amortisation of mining right (included in direct costs)	<b>3,430</b>	—
Depreciation	<b>11,184</b>	1,820
Auditor's remuneration	<b>1,300</b>	1,000
Allowance for doubtful debts	<b>—</b>	104
Staff costs ( <i>note a</i> )	<b>29,726</b>	4,893
Operating lease rentals in respect of office premises	<b>4,842</b>	733
Motor vehicles rental charges	<b>11,008</b>	2,176
Fuel and oil	<b>10,330</b>	2,565
Toll charges	<b>4,677</b>	1,116
Others ( <i>note b</i> )	<b>20,571</b>	4,338
	<hr/>	<hr/>
Total direct costs and selling and administrative expenses	<b><u>110,442</u></b>	<b><u>20,720</u></b>

(a) Staff costs

	2008 <i>HK\$'000</i>	2007 <i>HK\$'000</i>
Directors' emoluments	639	376
Retirement benefit scheme contributions	955	167
Other staff costs	<u>28,132</u>	<u>4,350</u>
	<u><u>29,726</u></u>	<u><u>4,893</u></u>

(b) Other expenses mainly represented the repairs and maintenance, insurance expenses, licence fee, legal and professional fee and other office utilities expenses.

11. DIVIDEND

No dividend was paid or proposed during 2008, nor has any dividend been proposed since the balance sheet date (2007: nil).

12. LOSS PER SHARE

(a) Basic

Basic earnings/loss per share is calculated by dividing the profit/loss attributable to equity holders of the Company by the weighted average number of ordinary shares in issue during the year.

	2008	2007
Weighted average number of shares in issue ( <i>thousands</i> )	1,057,465	679,478
Loss from continuing operations attributable to equity holders of the Company ( <i>HK\$ thousands</i> )	(320,246)	(3,630)
Basic loss per share from continuing operations attributable to equity holders of the Company ( <i>HK cents per share</i> )	<u>(30.28)</u>	<u>(0.53)</u>
Profit/(loss) from discontinued operation attributable to equity holders of the Company ( <i>HK\$ thousands</i> )	37,784	(1,613)
Basic earnings/(loss) per share from discontinued operation attributable to equity holders of the Company ( <i>HK cents per share</i> )	<u>3.57</u>	<u>(0.24)</u>
Loss attributable to equity holders of the Company ( <i>HK\$ thousands</i> )	(282,462)	(5,243)
Basic loss per share attributable to equity holders of the Company ( <i>HK cents per share</i> )	<u><u>(26.71)</u></u>	<u><u>(0.77)</u></u>

(b) Diluted

Diluted loss per share is the same as basic loss per share for the years ended 31st December, 2008 and 2007 because the effects of the assumed conversion of the convertible notes of the Company during these years were anti-dilutive.

**13. TRADE RECEIVABLES**

	<b>2008</b> <i>HK\$'000</i>	2007 <i>HK\$'000</i>
Trade receivables	<b>12,356</b>	13,559
<i>Less:</i> allowance for doubtful debts	<b>(110)</b>	(104)
Trade receivables — net	<b><u>12,246</u></b>	<b><u>13,455</u></b>

The Group's credit terms granted to customers of limousine and airport shuttle rental services range between 45 days and 60 days to its customers. An aged analysis of the trade receivables at the reporting dates is as follow:

	<b>2008</b> <i>HK\$'000</i>	2007 <i>HK\$'000</i>
0 — 30 days	<b>6,581</b>	7,856
31 — 60 days	<b>4,075</b>	3,605
61 — 90 days	<b>898</b>	1,371
Over 90 days	<b>802</b>	727
	<b><u>12,356</u></b>	<b><u>13,559</u></b>

**14. TRADE PAYABLES**

Trade payables of the Group principally comprise amounts outstanding for direct costs. The normal credit period taken for direct costs is between 30 days and 90 days. The following is an aged analysis of trade payables at the balance sheet date:

	<b>2008</b> <i>HK\$'000</i>	2007 <i>HK\$'000</i>
0 — 30 days	<b>2,696</b>	4,975
31 — 60 days	<b>1,629</b>	1,180
61 — 90 days	<b>1,810</b>	1
Over 90 days	<b>4,532</b>	3
	<b><u>10,667</u></b>	<b><u>6,159</u></b>

## 15. SHARE CAPITAL

	Number of shares		Share Capital	
	2008 '000	2007 '000	2008 HK\$'000	2007 HK\$'000
Ordinary shares of HK\$0.10 each				
<b>Authorised</b>				
At beginning of year	2,000,000	800,000	200,000	80,000
Increase ( <i>Note a, b</i> )	<u>2,000,000</u>	<u>1,200,000</u>	<u>200,000</u>	<u>120,000</u>
At end of year	<u><b>4,000,000</b></u>	<u>2,000,000</u>	<u><b>400,000</b></u>	<u>200,000</u>
<b>Issued and fully paid</b>				
At beginning of year	784,738	594,838	78,474	59,484
Placing of new shares ( <i>Note c</i> )	240,000	189,900	24,000	18,990
Issued in consideration for acquisition of assets ( <i>Note d</i> )	315,666	—	31,566	—
Conversion of convertible notes ( <i>Note e, f</i> )	<u>174,938</u>	<u>—</u>	<u>17,494</u>	<u>—</u>
At end of year	<u><b>1,515,342</b></u>	<u>784,738</u>	<u><b>151,534</b></u>	<u>78,474</u>

### Notes:

- (a) Pursuant to shareholders' approval at the Special General Meeting held on 18th September, 2007, the authorised share capital of the Company has been increased from 800,000,000 shares at HK\$0.10 each to 2,000,000,000 shares of HK\$0.10 each.
- (b) Pursuant to shareholders' approval at the Special General Meeting held on 18th July, 2008, the authorised share capital of the Company has been increased from 2,000,000,000 shares at HK\$0.10 each to 4,000,000,000 shares of HK\$0.10 each.
- (c) Pursuant to a placing and subscription agreement executed on 10th September, 2008, a total of 240,000,000 ordinary shares were issued at an issue price of HK\$0.50 per share, raising net proceeds of approximately HK\$118.8 million.
- (d) Pursuant to a sales and purchase agreement executed on 19th September, 2008, a total of 315,666,000 ordinary shares of HK\$0.10 per share, and convertible notes of aggregate principle amount of HK\$435,500,000 and conversion price of HK\$0.30, were issued for the acquisition of Smart Year Group.

- (e) During the year, convertible notes with principal amounts of HK\$42,000,000 and HK\$ 28,350,000 were converted into shares of HK\$0.10 each in the Company at the conversion price of HK\$0.42 and HK\$0.405 per share respectively. Accordingly, a total of 170,000,000 ordinary shares of HK\$0.10 per share were issued.
- (f) During the year, convertible notes of a total principal amount of HK\$1,481,200 were converted into shares of HK\$0.10 each in the Company at the conversion price of HK\$0.30 per share. Accordingly, a total of 4,938,000 ordinary shares of HK\$0.10 per share were issued.

## **16. ACQUISITION OF MINING RIGHT AND OTHER ASSETS AND LIABILITIES**

On 30th January, 2008 and 27th June, 2008, the Company entered into a sale and purchase agreement and the supplemental deed respectively, pursuant to which the Company conditionally agreed to acquire and the vendors conditionally agreed to dispose of the entire issued share capital of the Smart Year Investments Limited, a company legally and beneficially owns as to 90% equity interest in Luchun Xingtai Mining Co., Ltd., (“Smart Year Group”) for a total consideration of HK\$650,000,000. The total consideration has been satisfied (i) as to HK\$119,800,000 in cash; (ii) as to HK\$94,700,000 by the issue of the consideration shares by the Company to the vendors at the issue price of HK\$0.30 each; and (iii) as to HK\$435,500,000 by the issue of the convertible notes to the vendors. The excess payment of approximately HK\$167.5 million arised from the excess of the total fair value of consideration, by reference to the market value of the shares of the Company as at the date of completion of such acquisition, over the total fair value of Smart Year Group, was charged to income statement as loss immediately. Based on the fair value of the consideration shares and convertible notes issued as part of the total consideration, the total fair value of consideration paid (including the cash consideration) was HK\$1,054.7 million. The acquisition has been completed on 19th September, 2008.

Smart Year Group is principally engaged in exploitation, processing and sale of copper, lead, zinc, arsenic, silver and other mineral resources, and has been granted the mining rights relating to a copper mine in Luchun Country, Yunnan Province, the PRC.

## **17. DISPOSAL OF SUBSIDIARIES**

On 6th June, 2008, the Company entered into the agreement with Leading Highway Limited (the ultimate holding company), the purchaser, pursuant to which the Company agreed to sell and the purchaser agreed to acquire (i) the sale shares, representing the entire issued share capital of Cableport Holdings Limited (“Cableport”); and (ii) the shareholder’s loan of HK\$22,368,321. The total consideration payable for the disposal was HK\$60,000,000 in cash, of which HK\$37,631,679 represented the consideration for the sale of the sales shares and the balance of HK\$22,368,321 represented the consideration for the assignment of the shareholder’s loan. The disposal had been completed on 26th September, 2008 and loss on disposal of approximately HK\$8,311,000 was charged to income statement in the current year. Details of the disposal were disclosed in the circular of the Company dated 9th August, 2008.



## 18. EXTRACT FROM THE INDEPENDENT AUDITOR'S REPORT

### Basis for qualified opinion

The consolidated financial statements of the Group for the year ended 31st December, 2007, were audited by another auditor whose report dated 22nd April, 2008 expressed a qualified opinion in respect of the matters as described below:

1. included in the consolidated balance sheet as at 31st December, 2007 were toll road operation rights stated at an aggregate carrying amount of approximately HK\$82,203,000 held by Hangzhou Huanan Engineering Development Co. Ltd. ("HHED"), a subsidiary of the Company. The directors of the Company had performed an impairment assessment of these toll road operation rights in the People's Republic of China (the "PRC"), and concluded that no impairment loss is required in respect of the toll road operation rights for the year ended 31st December, 2007. The assessment was made based on the assumption that the Group will receive a daily compensation of RMB50,000 from the Hangzhou City Government, the PRC ("Government") in future years. Other than the amount already received during the year ended 31st December, 2006 as detailed below, the Group is still negotiating with the Government as to the remaining amount of compensation to be received by the Group as at the date of auditor's report dated 22nd April, 2008. Other than the compensation of HK\$7,804,000 received in 2006, no further compensation was received or recognised by the Group as at the date of auditor's report dated 22nd April, 2008. The Group's PRC lawyer had advised that a civil petition ("民事起訴狀") was submitted to the PRC court against the Government seeking a judgement on the compensation amount, but the court decision is still pending as at the date of auditor's report dated 22nd April, 2008. However, the Group's PRC lawyer had further advised that the Government had agreed that compensation will be paid to the Group once the amount thereof is finalised. In the absence of an agreement between the Group and the Government, or the court decision, as to the final amount of daily compensation in respect of the years ended 31st December, 2006 and 31st December, 2007 and thereafter, the previous auditor was unable to assess whether any impairment loss against the toll road operation rights is required as at 31st December, 2007;
2. included in the consolidated balance sheet as at 31st December, 2007 were the deferred tax assets with an aggregate carrying amount of approximately HK\$4,094,000 in respect of the repairs and renovation costs and impairment loss on toll road operation rights. The recoverability of these deferred tax assets was dependent on the ability of HHED to generate future taxable profits which in turn, was dependent on the amount of daily compensation to be received from the Government as described above. Because of the matter explained in the preceding paragraph, the previous auditor was unable to assess whether these deferred tax assets should be reversed as at 31st December, 2007; and

3. included in the consolidated balance sheet as at 31st December, 2007 were the amounts due from minority shareholders of HHED with an aggregate carrying amount of approximately HK\$52,674,000. The amounts due from minority shareholders may be settled through dividends to be declared by HHED at the discretion of the directors of HHED. As stated above, the ability of HHED to declare dividends was dependent on the profitability of HHED which in turn, was dependent on the amount of daily compensation received from the Government. The previous auditor was unable to obtain financial information regarding the minority shareholders to assess their ability to repay these amounts in the event that HHED is unable to declare sufficient dividends to realise the amounts due from the minority shareholders. Against this background, the previous auditor was unable to assess whether allowance is required in respect of the amounts due from these minority shareholders as at 31st December, 2007.

On 26th September, 2008 the Company had disposed the subsidiaries Cableport Holdings Limited and HHED, which hold the toll road operation rights as mentioned above, (together, the “Cableport Group”) with a loss on disposal of HK\$8,311,000 recognised in the consolidated income statement.

As at the date of this announcement, there were no alternative audit procedures that the auditors could satisfy themselves that the carrying amounts in respect of the toll road operation rights, deferred tax assets and amounts due from minority shareholders of HHED as mentioned above are free from material misstatement as at 1st January, 2008. Any adjustment found to be necessary to these amounts would affect the net assets and retained earnings of the Group as at 1st January, 2008 and the loss on the disposal of Cableport Group for year ended 31st December, 2008.

#### **Qualified opinion**

In the current auditor’s opinion, except for the possible effects of the matters described in the basis for qualified opinion paragraphs, the consolidated financial statements give a true and fair view of the state of affairs of the Company and of the Group as at 31st December, 2008 and of the Group’s loss and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards and have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

## **BUSINESS REVIEW AND FINANCIAL HIGHLIGHTS**

The Group recorded total consolidated revenue for the year of HK\$142.2 million which consisted of HK\$53.4 million from the discontinued toll road operation, HK\$87.2 million from the limousine and airport shuttle rental services, and HK\$1.6 million from the newly acquired subsidiaries which engaged in the sales of copper, lead and zinc ore concentrates. Overall, the group's total consolidated revenue represented a significant increase of 4.6 times compared to last year's total consolidated revenue of HK\$25.3 million.

Loss attributable to shareholders significantly increased by HK\$276.5 million to HK\$282.5 million compared to the loss of HK\$6.0 million in 2007, mainly due to the impairment of goodwill and intangible asset of HK\$118.4 million and the excess payment of asset acquisition of HK\$167.5 million.

### **Toll road operation**

During the year of 2008, the gross toll road receipts of the group amounted to HK\$5.4 million, representing a decrease of approximately 16.6%, compared to HK\$6.4 million reported last year. An amount of approximately HK\$48 million, representing a compensation income from Hangzhou City government (the "Hanzhou Government"), was received in the current year in respect of the compensation for the previous years' loss of toll receipts as a result of the Government's intra city toll free collection policy, exempting all Hangzhou locally-registered vehicles from toll payment.

On 26th September, 2008, the Group had discontinued and disposed of such business operation.

### **Provision of limousine and airport shuttle transportation services**

The Group acquired Perryville Group Limited and its subsidiaries ("Perryville Group") in October 2007. The principal operations of Perryville Group are the provisions of limousine and airport shuttle rental services. The Perryville Group is a well established and leading operator in the market.

During the year of 2008, limousine and airport shuttle rental operations have contributed HK\$87.2 million to the Group's overall revenue, and recorded segment operating profit, before amortisation and impairment of goodwill and intangible assets from the limousine and shuttle rental services, of HK\$2.8 million.

Due to the global financial crisis, the business growth and expansion plan of airport shuttle and limousine rental services in both Hong Kong and the PRC are seriously affected.

In Hong Kong, we have recorded reduction in the number of passengers from approximately 235,000 to 192,000 in the airport shuttle service, and a decrease in the number of trips from approximately 142,000 to 128,000 in the limousine rental services compared to last year.

In the PRC, due to the lower-than-expected occupancy rate of the hotels in four key areas namely, Beijing, Shanghai, Guangzhou and Shenzhen, our expansion plan in the PRC has been slowed down and we have recorded a loss of HK\$4.8 million during the year in these areas. Due to an unforeseeable economic condition, we will adopt a more conservative strategy to expand our limousine rental services in the PRC.

Looking ahead, the management expects that there will be constant growth in the business of the Perryville Group following the recovery of the overall economy. The management will also review the operation in the PRC from time to time and adjust the business strategy when necessary.

### **Mining Operation**

During the year, the Group has successfully completed the acquisition of Smart Year Group in September, 2008.

The acquisition was accounted for as assets acquisition. Based on the valuation, the mining right acquired as part of the acquisition has a value of HK\$987 million as at the year end date.

Smart Year Group is principally engaged in exploitation, processing and sale of copper, lead, zinc, arsenic, silver and other mineral resources. Since the completion of acquisition, Smart Year Group has contributed HK\$1.6 million to the Group's overall revenue for the year, and a loss, before amortisation of mining right and excess payment of assets acquisition, of approximately HK\$2.6 million in its preliminary stage of production.

The management is optimistic of the natural resources exploitation business in the PRC. Given the strong and sustainable growth momentum of the PRC economy and the continuous development of the cities, the infrastructure and the real estate sectors, demand for mineral resources and their related products will continue to grow robustly. The management believes that such acquisition provides an opportunity for the Group to enhance its investment returns, and in the long term, offers better financial performance to the Group and enhancement to shareholders' value.

### **LIQUIDITY AND FINANCIAL RESOURCES**

The Group generally finances its short term funding requirements with cash generated from operations, credit facilities from suppliers and banking facilities provided by our principal bankers.

During the year, the Group has also generated cash from the following activities:

- (a) To facilitate the acquisition of Smart Year Group and to inject new funding for expansion and working capital needs, the Group has raised a net proceed of HK\$118.8 million through the placement of 240 million new ordinary shares during the year.
- (b) The Group has disposed of Cableport and has received cash consideration of HK\$60,000,000.

Save as above, there is no significant change in the working capital structure for the year. The current ratio as at balance sheet date is measured at 1.10 times compared to 1.36 times as recorded in last year.

The gearing ratio (long term debts over equity) is measured at 0.25 compared to 0.24 recorded as last year. As at the balance sheet date, the Group had total bank and other borrowings amounted to approximately HK\$34.1 million, of which approximately HK\$31.9 million would be due within one year and the balance of HK\$2.2 million would be due more than one year. All of the borrowings were secured and denominated in Hong Kong dollars.

During the year, the Group did not engage in the use of any other financial instruments for hedging purposes, and there was no hedging instrument outstanding as at 31st December, 2008.

### **CHARGE OF ASSETS**

As at 31st December, 2008, motor vehicles with an aggregate carrying value of HK\$30,612,000 of certain subsidiary of the Company were pledged to a bank to secure general banking facilities granted to the subsidiary.

### **CONTINGENT LIABILITIES**

The Group has no significant contingent liabilities as at 31st December, 2008.

### **STAFF AND REMUNERATION**

As at 31st December, 2008, the Group employed approximately 496 full time employees, of which approximately 387 were in the PRC. The remuneration of employees includes salary and discretionary bonus. The Group also adopted a share option scheme to provide an incentive to the employees.

The remuneration policy and package, include the share options, of the Group's employees are maintained at market level and reviewed annually by the management.

### **PURCHASE, REDEMPTION OR SALE OF LISTED SECURITIES**

During the year, neither the Company nor any of its subsidiaries purchased, redeemed or sold any of the listed shares of the Company.

### **CORPORATE GOVERNANCE PRACTICES**

The Company had adopted its own code on corporate governance practices which incorporates all code provisions in the Code on Corporate Governance Practices as set out in Appendix 14 of the Rules Governing the Listing of Securities on the Stock Exchange (“Listing Rules”) (the “CGP Code”), except with the following deviation:

## **Code Provision A.2.1**

During the year, there was no separation of the role of chairman (“Chairman”) and chief executive officer (“CEO”). Mr. Cheng Yung Pun assumed the role of both the Chairman and the CEO of the Company as the structure was more suitable to the Company because it could promote the efficient formulation and implementation of the then Company’s strategies.

On 16th February, 2009, Mr. Cheng Yung Pun resigned as the Chairman of the Company and Mr. Luk Kin Peter Joseph was appointed as the new Chairman. As the Group’s business becomes more diversified, the Board will review the needs of appointing suitable candidate to assume the role of a chief executive officer when necessary.

## **MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS**

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the “Model Code”) as set out in Appendix 10 of the Listing Rules as its own code of conduct regarding securities transactions by directors of the Company. Having made specific enquiry of all directors of the Company, all directors confirmed that they had complied with the required standard set out in the Model Code throughout the year under review.

## **AUDIT COMMITTEE**

The Audit Committee comprises of three independent non-executive directors namely, Messrs Lau Kwok Kuen, Eddie, Uwe Henke Von Parpart and Wilton Timothy Carr Ingram. Mr. Lau is the chairman of the Audit Committee. The Audit Committee has adopted the terms of references which are in line with the CGP Code. The Audit Committee has reviewed the Group’s annual results for the year ended 31st December, 2008.

## **APPRECIATION**

The Board wishes to take this opportunity to express gratitude to our employees for their contribution and dedication to the Group. We also thank our shareholders, customers and suppliers for their continuous support.

By order of the Board  
**Luk Kin Peter Joseph**  
*Chairman*

Hong Kong, 24th April, 2009

*As at the date of this announcement, the Board of the Company comprises Mr. Luk Kin Peter Joseph and Mr. Chan Kam Kwan, Jason as executive directors, and Mr. Lau Kwok Kuen, Eddie, Mr. Uwe Henke Von Parpart and Mr. Wilton Timothy Carr Ingram as independent non-executive directors.*