



# WAH NAM INTERNATIONAL HOLDINGS LIMITED

## 華南投資控股有限公司\*

(Incorporated in Bermuda with limited liability)  
(Stock Code: 159)

### 2008 INTERIM RESULTS ANNOUNCEMENT

The board (the “Board”) of directors (the “Directors”) of Wah Nam International Holdings Limited (the “Company”) announces the unaudited consolidated interim results of the Company and its subsidiaries (collectively the “Group”) for the six months ended 30th June, 2008, together with the comparative figures for the corresponding period in 2007. The unaudited consolidated interim results have been reviewed by the Company’s audit committee.

#### CONDENSED CONSOLIDATED INCOME STATEMENT

For the six months ended 30th June, 2008

|   | Notes | For the six months ended<br>30th June, |                                 |
|---|-------|--|---------------------------------|
|   |       | 2008<br>HK\$'000<br>(Unaudited)        | 2007<br>HK\$'000<br>(Unaudited) |
| <b>Continuing operation:</b>                    |       |  |                                 |
| Revenue   | 3     | 45,190                                 | —                               |
| Direct costs                                    |       | (32,601)                               | —                               |
|   |       | <u>12,589</u>                          | <u>—</u>                        |
| Other income                                    |       | 326                                    | 78                              |
| Administrative expenses                         |       | (13,692)                               | (737)                           |
| Other operating expenses                        |       | (19,209)                               | —                               |
| Finance costs                                   |       | (3,569)                                | —                               |
|   |       | <u>(23,555)</u>                        | <u>(659)</u>                    |
| Loss before taxation                            | 4     | (23,555)                               | (659)                           |
| Income tax                                      | 5     | 456                                    | —                               |
|   |       | <u>(23,099)</u>                        | <u>(659)</u>                    |
| <b>Discontinued operation:</b>                  |       |  |                                 |
| Loss for the period from discontinued operation |       | (1,147)                                | (733)                           |
|   |       | <u>(24,246)</u>                        | <u>(1,392)</u>                  |
| Loss for the period                             |       |  |                                 |
| Attributable to:                                |       |  |                                 |
| Equity holders of the Company                   |       | (24,854)                               | (1,712)                         |
| Minority interests                              |       | 608                                    | 320                             |
|   |       | <u>(24,246)</u>                        | <u>(1,392)</u>                  |
| Loss per share                                  |       |  |                                 |
| From continuing and discontinued operations     |       |  |                                 |
| — Basic (cents)                                 | 6     | (2.78)                                 | (0.23)                          |
| — Diluted (cents)                               |       | N/A                                    | N/A                             |
| From continuing operation                       |       |  |                                 |
| — Basic (cents)                                 |       | (2.65)                                 | (0.11)                          |
| — Diluted (cents)                               |       | N/A                                    | N/A                             |

**CONDENSED CONSOLIDATED BALANCE SHEET***At 30th June, 2008*

|  |              | <b>30th June,<br/>2008</b> | 31st December,<br>2007 |
|--|--------------|----------------------------|------------------------|
|  | <i>Notes</i> | <b><i>HK\$'000</i></b>     | <i>HK\$'000</i>        |
|  |              | <b>(Unaudited)</b>         | (Audited)              |
| <b>Non-current assets</b>                                      |              |                            |                        |
| Toll road operation rights                                     |              | —                          | 82,203                 |
| Property, plant and equipment                                  |              | <b>52,599</b>              | 51,148                 |
| Goodwill   |              | <b>91,872</b>              | 91,872                 |
| Intangible asset   |              | <b>95,830</b>              | 100,977                |
| Interests in infrastructure joint ventures                     |              | —                          | —                      |
| Amounts due from minority shareholders of a subsidiary         |              | —                          | 52,674                 |
| Deferred tax assets  |              | <b>1,658</b>               | 5,754                  |
|  |              | <b>241,959</b>             | 384,628                |
| <b>Current assets</b>  |              |                            |                        |
| Trade receivables  | 7            | <b>15,390</b>              | 13,455                 |
| Other receivables, deposits and prepayments                    |              | <b>16,070</b>              | 4,265                  |
| Bank balances and cash   |              | <b>13,520</b>              | 40,027                 |
|  |              | <b>44,980</b>              | 57,747                 |
| Assets of a disposal group classified as held for sale         |              | <b>162,498</b>             | —                      |
|  |              | <b>207,478</b>             | 57,747                 |
| <b>Current liabilities</b>                                     |              |                            |                        |
| Trade payables   | 8            | <b>4,981</b>               | 6,159                  |
| Other payables and accrued charges                             |              | <b>11,745</b>              | 8,576                  |
| Tax liabilities  |              | <b>1,077</b>               | 74                     |
| Bank borrowings due within one year                            |              | <b>22,283</b>              | 26,183                 |
| Obligations under finance leases                               |              | <b>1,686</b>               | 1,507                  |
|  |              | <b>41,772</b>              | 42,499                 |
| Liabilities associated with assets classified as held for sale |              | <b>102,498</b>             | —                      |
|  |              | <b>144,270</b>             | 42,499                 |
| <b>Net current assets</b>                                      |              | <b>63,208</b>              | 15,248                 |
| <b>Total assets less current liabilities</b>                   |              | <b>305,167</b>             | 399,876                |

|   | <b>30th June, 2008</b> | 31st December, 2007   |
|---|------------------------|-----------------------|
| <i>Notes</i>  | <b><i>HK\$'000</i></b> | <i>HK\$'000</i>       |
|   | <b>(Unaudited)</b>     | (Audited)             |
| <b>Capital and reserves</b>                                 |                        |                       |
| Share capital   | 88,474                 | 78,474                |
| Reserves  | <u>134,365</u>         | <u>129,835</u>        |
| <b>Equity attributable to equity holders of the Company</b> | <b>222,839</b>         | 208,309               |
| <b>Minority interests</b>                                   | <u>—</u>               | <u>77,878</u>         |
| <b>Total equity</b>   | <u><b>222,839</b></u>  | <u>286,187</u>        |
| <b>Non-current liabilities</b>                              |                        |                       |
| Bank borrowings due after one year                          | 237                    | 1,647                 |
| Obligations under finance leases                            | 3,113                  | 3,719                 |
| Convertible notes   | 56,548                 | 84,058                |
| Deferred tax liabilities                                    | <u>22,430</u>          | <u>24,265</u>         |
|   | <u><b>82,328</b></u>   | <u>113,689</u>        |
|   | <u><b>305,167</b></u>  | <u><b>399,876</b></u> |

## NOTES:

### 1. BASIS OF PREPARATION

The condensed consolidated financial statements have been prepared in accordance with the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited and with Hong Kong Accounting Standard 34 “Interim Financial Reporting” issued by the Hong Kong Institute of Certified Public Accountants (the “HKICPA”).

### 2. PRINCIPAL ACCOUNTING POLICIES

The condensed consolidated financial statements have been prepared under the historical cost basis.

The accounting policies used in the condensed consolidated financial statements are consistent with those followed in the preparation of the Group’s annual financial statements for the year ended 31st December, 2007 except for the following accounting policy which is applicable to the period ended 30th June, 2008.

#### Disposal group classified as held for sale

Disposal group is classified as held for sale if its carrying amount will be recovered principally through a sale transaction rather than through continuing use. This condition is regarded as met only when the sale is highly probable and the asset or disposal group is available for immediate sale in its present condition.

Disposal group’s assets classified as held for sale is measured at the lower of the disposal group’s previous carrying amount and fair value less costs to sell.

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

|                    |   |
|--------------------|---|
| 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,<br>minimum funding requirements and their interaction |

The adoption of these new Interpretations had no material effect on the results or financial position of the Group for the current or prior accounting periods. Accordingly, no prior period adjustment has been recognised.

The Group has not early applied the following new or revised standard, amendments or interpretations that have been issued but are not yet effective.

|                          |  |
|--------------------------|--|
| 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>                        |
| HKAS 32 & 1 (Amendments) | Puttable financial instruments and obligations arising on liquidation <sup>1</sup> |
| HKFRS 2 (Amendment)      | Vesting conditions and cancellations <sup>1</sup>                                  |
| HKFRS 3 (Revised)        | Business combinations <sup>2</sup>   |
| HKFRS 8                  | Operating segments <sup>1</sup>  |
| HK(IFRIC) — Int 13       | Customer loyalty programmes <sup>3</sup>   |
| HK(IFRIC) — Int 15       | Agreements for the construction of real estate <sup>1</sup>                        |
| HK(IFRIC) — Int 16       | Hedges of a net investment in a foreign operation <sup>4</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 March, 2007.

<sup>3</sup> Effective for annual periods beginning on or after 1st January, 2008.

<sup>4</sup> Effective for annual periods beginning on or after 1st October, 2008.

The adoption of HKFRS 3 (Revised) may affect the accounting for business combination for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after 1st July, 2009. HKAS 27 (Revised) will affect the accounting treatment for changes in a parent's ownership interest in a subsidiary that do not result in a loss of control, which will be accounted for as equity transactions. The directors of the Company anticipate that the application of the other new or revised standards or amendments or interpretation will have no material impact on the results and the financial position of the Group.

### 3. SEGMENTAL INFORMATION

For management purposes, the Group is currently organised into three operating divisions, namely, toll road operation, limousine rental services and airport shuttle rental services. These divisions are the basis on which the Group reports its primary segment information.

On 6th June, 2008, the Group entered into the sale and purchase agreement to sell the entire equity interest in the issued capital of Cableport Holdings Limited ("Cableport"), a direct and wholly owned subsidiary of the Company, Cableport is a major shareholder and owns as to 60% equity interest in Hangzhou Huanan Engineering Development Co. Ltd. ("HHED"), which manages and operates a toll road in the Peoples' Republic of China ("PRC"). The disposal of the 100% in Cableport represents and has been accounted for as a discontinued operation. An analysis of the Group's revenue and segment results by business segments is as follows:

#### Business segments

|                                 | Continuing<br>operation<br>Limousine<br>rental<br>services<br><i>HK\$'000</i><br>(unaudited) | Continuing<br>operation<br>Airport<br>shuttle rental<br>services<br><i>HK\$'000</i><br>(unaudited) | Total<br><i>HK\$'000</i><br>(unaudited) | Discontinued<br>operation<br>Toll road<br>operation<br><i>HK\$'000</i><br>(unaudited) | Consolidated<br><i>HK\$'000</i><br>(unaudited) |
|---------------------------------|--|--|---|---|--|
| <b>For the six months ended</b> |  |  |   |   |  |
| <b><u>30th June, 2008</u></b>   |  |  |   |   |  |
| Segment revenue                 | 36,339   | 8,851  | 45,190                                  | 3,242   | 48,432   |
| Segment results                 | 1,845  | 1,135  | 2,980                                   | (1,627)   | 1,353  |
| Unallocated income              |  |  | 326                                     | —   | 326  |
| Unallocated expenses            |  |  | (23,292)                                | —   | (23,292)                                       |
| Finance costs                   |  |  | (3,569)                                 | —   | (3,569)  |
| Loss before taxation            |  |  | (23,555)                                | (1,627)   | (25,182)                                       |
| Income tax credit/(expense)     |  |  | 456                                     | (128)   | 328  |
| Loss for the period             |  |  | (23,099)                                | (1,755)   | (24,854)                                       |
| <b>For the six months ended</b> |  |  |   |   |  |
| <b><u>30th June, 2007</u></b>   |  |  |   |   |  |
| Segment revenue                 | —  | —  | —                                       | 3,182   | 3,182  |
| Segment results                 | —  | —  | —                                       | (901)   | (901)  |
| Unallocated income              |  |  | 79                                      | —   | 79   |
| Unallocated expenses            |  |  | (738)                                   | —   | (738)  |
| Finance costs                   |  |  | —                                       | (40)  | (40)   |
| Loss before taxation            |  |  | (659)                                   | (941)   | (1,600)  |
| Income tax expense              |  |  | —                                       | (112)   | (112)  |
| Loss for the period             |  |  | (659)                                   | (1,053)   | (1,712)  |

#### 4. LOSS BEFORE TAXATION

Loss for the period has been arrived at after:

|   | Continuing               |          | Discontinued             |          | Consolidated             |          |
|---|--------------------------|----------|--------------------------|----------|--------------------------|----------|
|   | For the six months ended |          | For the six months ended |          | For the six months ended |          |
|   | 30th June,               |          | 30th June,               |          | 30th June,               |          |
|   | 2008                     | 2007     | 2008                     | 2007     | 2008                     | 2007     |
|   | HK\$'000                 | HK\$'000 | HK\$'000                 | HK\$'000 | HK\$'000                 | HK\$'000 |
| <b>charging:</b>  |                          |          |                          |          |                          |          |
| Amortisation of toll road operation rights (included in direct costs)             | —                        | —        | 2,685                    | 2,359    | 2,685                    | 2,359    |
| Amortisation of intangible assets   | 5,148                    | —        | —                        | —        | 5,148                    | —        |
| Impairment loss on assets of a disposal group classified as held for resale       | 14,062                   | —        | —                        | —        | 14,062                   | —        |
| Depreciation of property, plant and equipment                                     | 5,043                    | —        | 75                       | 65       | 5,118                    | 65       |
| Repairs and renovation costs  | 3,030                    | —        | 109                      | 122      | 3,139                    | 122      |
| Directors' emoluments   | 224                      | —        | —                        | —        | 224                      | —        |
| Retirement benefit scheme contributions   | 754                      | —        | 38                       | 17       | 792                      | 17       |
| Other staff costs   | 13,094                   | —        | 1,251                    | 1,070    | 14,345                   | 1,070    |
| Total staff costs   | 14,072                   | —        | 1,289                    | 1,087    | 15,361                   | 1,087    |
| Operating lease rentals in respect of office premises                             | 2,429                    | —        | —                        | —        | 2,429                    | —        |
| Loss/(gain) on disposal of fixed assets   | 51                       | —        | (1)                      | —        | 50                       | —        |
| <b>crediting:</b>   |                          |          |                          |          |                          |          |
| Interest income   | 88                       | 33       | 54                       | 55       | 142                      | 88       |
| Imputed interest income on amounts due from minority shareholders of a subsidiary | —                        | —        | 155                      | 137      | 155                      | 137      |

#### 5. INCOME TAX

|  | For the six months ended |             |
|--|--------------------------|-------------|
|  | 2008                     | 2007        |
|  | HK\$'000                 | HK\$'000    |
|  | (Unaudited)              | (Unaudited) |
| <b>Current tax:</b>                                    |                          |             |
| Hong Kong  | 1,199                    | —           |
| PRC  | 181                      | —           |
|  | <u>1,380</u>             | <u>—</u>    |
| <b>Deferred tax:</b>                                   |                          |             |
| Current period credit to consolidated income statement | <u>(1,836)</u>           | <u>—</u>    |
| Tax charge/(credit) for the period                     | <u>(456)</u>             | <u>—</u>    |

Hong Kong profits tax is calculated at 16.5% of the estimated assessable profit for the period.

PRC income tax charge represents the PRC enterprise income tax paid or payable during the period. Enterprise income tax in the PRC has been provided at the prevailing rate of 25% (2007: 18%) on the estimated assessable profit applicable to the Company's subsidiary established in the PRC.

## 6. LOSS PER SHARE

### From continuing and discontinuing operations

The calculation of the basic loss per share attributable to equity holders of the Company is based on the following data:

|   | <b>For the six months ended<br/>30th June,</b> |                 |
|---|--|-----------------|
|   | <b>2008</b>                                    | 2007            |
|   | <i>HK\$'000</i>                                | <i>HK\$'000</i> |
|   | <b>(Unaudited)</b>                             | (Unaudited)     |
| Loss for the purpose of basic loss per share  | <u>24,246</u>                                  | <u>1,392</u>    |
|   | <i>'000</i>                                    | <i>'000</i>     |
| Weighted average number of ordinary shares for the purpose<br>of basic loss per share | <u>871,623</u>                                 | <u>606,239</u>  |

### From continuing operations

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

|   | <b>For the six months ended<br/>30th June,</b> |                 |
|---|--|-----------------|
|   | <b>2008</b>                                    | 2007            |
|   | <i>HK\$'000</i>                                | <i>HK\$'000</i> |
|   | <b>(Unaudited)</b>                             | (Unaudited)     |
| Loss attributable to equity holders of the Company                      | <u>24,246</u>                                  | 1,392           |
| Loss from discontinued operations                                       | <u>(1,147)</u>                                 | <u>(733)</u>    |
| Loss for the purpose of basic loss per share from continuing operations | <u>23,099</u>                                  | <u>659</u>      |

### From discontinued operation

For the six months ended 30th June, 2008, basic loss per share from discontinued operation was HK0.13 cent per share (six months ended 30th June, 2007: HK0.12 cent per share). The calculation of the basic loss per share was based on the loss for the period from the discontinued operation of HK\$1,147,000 (six months ended 30th June, 2007: HK\$733,000) attributable to the ordinary equity holders of the Company. The denominators used are the same as those detailed above for both basic and diluted loss per share.

The Company has no dilutive potential ordinary shares for both periods under review.

## 7. TRADE RECEIVABLES

The Group's credit terms granted to customers of limousine and airport shuttle rental services range between 30 days and 45 days to its customers. An aged analysis of the trade receivables at the balance sheet date is as follow:

|              | 2008<br><i>HK\$'000</i> | 2007<br><i>HK\$'000</i> |
|--------------|-------------------------|-------------------------|
| 0 — 30 days  | 9,894                   | 7,856                   |
| 31 — 60 days | 1,940                   | 3,605                   |
| 61 — 90 days | 3,150                   | 1,371                   |
| Over 90 days | 406                     | 623                     |
|              | <u>15,390</u>           | <u>13,455</u>           |

## 8. TRADE PAYABLES

Trade payables, other payables and accrued charges comprise amounts outstanding for trade purpose and on-going costs. Trade payables principally comprise amounts outstanding for direct costs. The normal credit period taken for direct costs is 30 days. The following is an aged analysis of trade payables at the balance sheet date:

|              | 2008<br><i>HK\$'000</i> | 2007<br><i>HK\$'000</i> |
|--------------|-------------------------|-------------------------|
| 0 — 30 days  | 3,825                   | 4,975                   |
| 31 — 60 days | 1,144                   | 1,180                   |
| 61 — 90 days | 5                       | 1                       |
| Over 90 days | 7                       | 3                       |
|              | <u>4,981</u>            | <u>6,159</u>            |



## **INTERIM DIVIDEND**

The Board of Directors does not recommend the payment of an interim dividend for the six months ended 30th June, 2008 (2007: nil).

## **POST BALANCE SHEET EVENTS**

On 30th January, 2008, the Company entered into a sale and purchase agreement pursuant to which the Company conditionally agreed to acquire and the vendors conditionally agreed to dispose of the entire issued share capital of Smart Year Investment Limited, a company legally and beneficially owns as to 90% equity interest in Luchun Xingtai, for a total consideration of HK\$650,000,000. Subject to the supplemental deed dated 27th June, 2008, the total consideration has been amended and satisfied (i) as to HK\$119,800,000 in cash; (ii) as to HK\$94,699,800 by the issue of the consideration shares by the Company to the vendors at the issue price; and (iii) as to HK\$435,500,000 by the issue of the convertible notes to the vendors. Details of the acquisition were disclosed in the circular of the Company dated 30th June, 2008. Luchun Xingtai is principally engaged in exploitation, processing and sale of copper, lead, zinc, arsenic, silver and other mineral resources, and has been granted the exploitation rights relating to a copper Mine in Luchun County, Yunnan Province, the PRC. The acquisition has been completed on 19th September, 2008.

On 6th June, 2008, the Company entered into the agreement with Leading Highway Limited, 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 as at the date of the agreement for a consideration of HK\$37,631,679; and (ii) the shareholder's loan for a consideration of HK\$22,368,321. The total consideration payable for the disposal is HK\$60,000,000 in cash, of which HK\$37,631,679 represents the consideration for the sale of the sales shares and the balance of HK\$22,368,321 represents the consideration for the assignment of the shareholder's loan. On 30th July, 2008, an agreement has been reached and signed between HHED and the Hangzhou City government and it has been agreed that the amount of daily compensation to be received by HHED is determined at RMB50,000 for 2006 and RMB51,250 for 2007 and 2008. The disposal has been completed as at the date hereof. Details of the disposal were disclosed in the circular of the Company dated 9th August, 2008.

On 1st September, 2008, the Company and VC Brokerage Limited, the placing agent, entered into the placing agreement pursuant to which the placing agent placed 240,000,000 placing shares, at the placing price of HK\$0.50 per placing share. It is expected that the maximum net proceeds after deduction of related expenses from the placing of approximately HK\$118,500,000 would be used for financing part of the cash consideration in relation to the acquisition, payment of the mining resources usage fees of Luchun Xingtai and the working capital and capital expenditure of Luchun Xingtai upon the completion of the acquisition. Details of the placement of shares were disclosed in the announcement of the Company dated 2nd September, 2008.

On 17th September, 2008, a holder of the convertible notes of the Company has converted HK\$12,150,000 convertible notes into 30,000,000 new ordinary shares of the Company.

## **MANGEMENT DISCUSSION AND ANALYSIS**

### **Business and financial review**

On 6th June, 2008, the Group entered into the sale and purchase agreement to sell the entire equity interest in the issued capital of Cableport, a direct and wholly owned subsidiary of the Company, Cableport is a major shareholder and owns as to 60% equity interest in HHED, which manages and operates a toll road in the PRC. The disposal is part of the Group's new business development strategy and, we are of the view that the disposal is conducive to curtailing further operating and financial losses of the Group and helps to preserve financial and cash resources which can be invested in other more lucrative ventures.

The disposal of the 100% interest in Cableport, represents a discontinued operation, and have therefore been accounted for accordingly in the interim results.

The income statement for the period show financial results of the continuing operations, with comparative figures adjusted to the same. Overall, the Group recorded total consolidated revenue of HK\$48.4 million for the period, with the discontinued toll road operations contributing revenue of HK\$3.2 million, same level as last year, and HK\$45.1 million from the newly acquired business of limousine and airport shuttle rental services of Perryville Group Limited ("Perryville Group"), which was acquired in October 2007.

The loss for the period of the Group of HK\$24.2 million included two significant expenses, namely the amortization of intangible asset of HK\$5.1 million, and in connection with the disposal of the toll road operations, an impairment loss of approximately HK\$14 million has been recognised thereof in this period's results.

During the period, the discontinued toll road operations recorded an operating loss of approximately HK\$1.8 million as compared to HK\$1 million recorded last period. The escalating level of operating loss is attributable to the continuing competition of emerging new roads and diversion of non-Hangzhou registered automobiles to adjacent alternate roads, reduced toll fare in light of direct competition and non-recognition of compensation income from Hangzhou City government.

Since acquisition in October 2007, the limousine and airport shuttle rental operations of Perryville Group continued to progress with its expansion and performance. During the period, limousine and airport shuttle rental operations have contributed approximately HK\$45.1 million to the Group's overall revenue, and recorded segment operating profit from the limousine and shuttle rental service of approximately HK\$1.8 million and HK\$1.1 million, respectively, totalling HK\$2.9 million.

The management of the Group believes that, the business of Perryville Group has helped the Group's financial results for the period and will continue to do so, it has also provided the Group a platform to diversify into business and industry with more lucrative returns, reducing its existing business and cash flow risk exposure.

## **Prospects**

The operating and financial performance of Perryville Group's limousine and shuttle rental services operations in Hong Kong have and is expected to be stable for the financial year. With the demand of the high-end limousine rental services increasing in China and leveraging on its expertise and successful experience in Hong Kong, Perryville Group has now expanded geographically and established its operations in Shenzhen, Guangzhou, Shanghai and Beijing to capture the market shares in these vast and unexplored markets. The financial performance of the PRC operations may not have positive contributions to the profitability of the Group in the second half of the financial year owing to the infancy of these operations, but we are optimistic of its operating and financial success in the near future.

In January 2008, we have signed a conditional agreement to acquire Smart Year Investment Limited, a company legally and beneficially owns as to 90% equity interest in Luchun Xingtai, which has been granted the exploitation rights relating to a copper mine in Luchun County, Yunnan Province, the PRC. The acquisition was completed on 19th September, 2008. Luchun Xingtai is principally engaged in the exploitation, processing and sale of copper, lead, zinc, arsenic, silver and other mineral resources. The acquisition would further allow the Group to diversify its income base. In view of the increase in demand for natural resources in the world and the increase in the prices of mineral resources over the past years, we are optimistic about the future prospects and demand for natural resources. The strong and sustainable growth momentum of the PRC economy and the continuous development of the cities, infrastructure and real estate sectors, demand for mineral resources and their related products will continue to grow robustly. We therefore believe that the acquisition provides an opportunity for the Group to enhance 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 operation, credit facilities from suppliers and banking facilities provided by our principal bankers.

Subsequent to the balance sheet date, to facilitate the financing for the acquisition of Smart Year Investment Limited and to inject new funding for expansion and working capital needs, the Group has raised net proceeds of HK\$118.5 million through the placement of 240 million new ordinary shares on 1st September, 2008.

No significant change in the working capital structure for this period, the current ratio for the period measures at 1.4 times, same as that reported in December 2007.

The gearing ratio for the period (Long term debts over Equity and long term debts) is measured at 0.21 compared to 0.24 recorded as at December 2007. As at the 30th June, 2008, the Group has total bank and other borrowing amounted to approximately HK\$27.3 million, all of which are secured, approximately HK\$23.9 million due within one year and the balance of HK\$3.4 million due more than one year. All of the borrowings are denominated in Hong Kong dollars.

During the period, the Group did not engage in the use of any other financial instruments for hedging purposes, and there is no hedging instrument outstanding as at 30th June, 2008.

## **Capital structure**

During the period, the holder of the convertible notes of the Company has converted HK\$42 million convertible notes into 100,000,000 new ordinary shares of the Company.

## **Charge of assets**

As at 30th June, 2008, motor vehicles with an aggregate carrying value of HK\$39,008,088 of certain subsidiary of the Company were charged to a bank to secure general banking facilities granted to the subsidiary.

## **Contingent liabilities**

The Group did not have any contingent liabilities as at 30th June, 2008.

## **Staff and remuneration**

As at 30th June, 2008, the Group employed approximately 241 full time employees (30th June, 2007: 42), of which approximately 114 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 six months ended 30th June, 2008, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the listed shares of the Company.

## **COMPLIANCE OF THE CODE ON CORPORATE GOVERNANCE PRACTICES**

In the opinion of the Directors, the Company has complied throughout the period with the code provisions set out in the Code on Corporate Governance Practices contained in Appendix 14 to the Listing Rules (the "CGP Code") except for the deviation from the following provisions of the CGP Code:

There was no separation of the role of chairman ("Chairman") and chief executive officer ("CEO") as set out in the code provision A.2.1. Mr. Cheng Yung Pun currently assumes 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 Company's strategies. However, as the Group's business becomes more diversified, there is a need for and the Board is actively seeking a suitable candidate to assume the role of the CEO of the Company.

All other information on the corporate governance practices of the Company have been disclosed in the corporate governance report contained in the 2007 Annual Report of the Company issued in April 2008.

## MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code set out in Appendix 10 of the Listing Rules (the “Model Code”). Having made specific enquiry of all the Directors, the Company had obtained confirmation from all Directors that they have complied with the required standard set out in the Model Code throughout the six months ended 30th June, 2008.

### AUDIT COMMITTEE

The Audit Committee comprises three independent non-executive Directors (“INEDs”), Mr. Lau Kwok Kuen, Eddie, Mr. Uwe Henke Von Parpart and Mr. Wilton Timothy Carr Ingram. The Audit Committee has adopted the terms of reference which are in line with the Code on Corporate Governance Practice. The Group’s condensed interim financial information for the six months ended 30th June, 2008 have been reviewed by the Audit Committee, who is of the opinion that such statements comply with the applicable accounting standard and legal requirements, and that adequate disclosures have been made.

By Order of the Board

**Cheng Yung Pun**

*Chairman*

Hong Kong, 26th September, 2008

*As at the date of this announcement, the Board comprises Mr. Cheng Yung Pun as Chairman and executive Director, Mr. Chan Kam Kwan, Jason as executive Director, Mr. Lau Kwok Kuen, Eddie, Mr. Uwe Henke Von Parpart and Mr. Wilton Timothy Carr Ingram as independent non-executive Director.*

\* *For identification purpose only*