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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)

### INTERIM RESULTS ANNOUNCEMENT FOR THE SIX MONTHS ENDED 30 JUNE 2010

The board of directors (the “Board”) of Wah Nam International Holdings Limited (the “Company”) announces the unaudited consolidated interim results of the Company and its subsidiaries (the “Group”) for the six months ended 30 June 2010, together with the comparative figures for the corresponding period in 2009. The unaudited consolidated interim results have been reviewed by the Company’s audit committee.

#### CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30 June 2010

	Note	Six months ended 30 June	
		2010 HK\$'000 (Unaudited)	2009 HK\$'000 (Unaudited)
Revenue	3	55,189	41,988
Direct costs	6	<u>(45,349)</u>	<u>(41,710)</u>
Gross Profit		9,840	278
Other income		295	10,166
Selling and administrative expenses	6	(26,377)	(15,059)
Impairment loss		(153,000)	—
Other losses, net		(210)	(126)
Finance costs		<u>(3,286)</u>	<u>(14,940)</u>
Loss before income tax		(172,738)	(19,681)
Income tax (expense)/credit	5	<u>(264)</u>	<u>165</u>
Loss for the period		<u><u>(173,002)</u></u>	<u><u>(19,516)</u></u>

\* For identification purpose only

		<b>Six months ended 30 June</b>	
		<b>2010</b>	<b>2009</b>
<i>Note</i>		<b><i>HK\$'000</i></b>	<b><i>HK\$'000</i></b>
		<b>(Unaudited)</b>	<b>(Unaudited)</b>
<b>Other comprehensive income:</b>			
Exchange differences arising on translation of foreign operations		11,403	(1,182)
Change in fair value on available-for-sale investments, net of tax		<u>(35)</u>	<u>9,882</u>
Other comprehensive income for the period, net of tax		<u>11,368</u>	<u>8,700</u>
Total comprehensive loss for the period		<u><b>(161,634)</b></u>	<u><b>(10,816)</b></u>
<b>Loss for the period attributable to:</b>			
Equity holders of the Company		(157,363)	(18,902)
Minority interest		<u>(15,639)</u>	<u>(614)</u>
		<u><b>(173,002)</b></u>	<u><b>(19,516)</b></u>
<b>Total comprehensive loss attributable to:</b>			
Equity holders of the Company		(147,045)	(10,088)
Minority interest		<u>(14,589)</u>	<u>(728)</u>
		<u><b>(161,634)</b></u>	<u><b>(10,816)</b></u>
Loss per share attributable to the equity holders of the Company during the period	7	<b><i>HK cents</i></b>	<b><i>HK cents</i></b>
— Basic		(5.58)	(1.03)
— Diluted		<u>(5.57)</u>	<u>N/A</u>

## CONDENSED CONSOLIDATED BALANCE SHEET

As at 30 June 2010

		<b>30 June</b>	31 December
		<b>2010</b>	2009
	<i>Note</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
		<b>(Unaudited)</b>	<b>(Audited)</b>
<b>Non-current assets</b>			
Mining right		<b>835,671</b>	980,568
Property, plant and equipment		<b>83,552</b>	81,726
Goodwill		<b>11,405</b>	11,405
Intangible asset		<b>12,018</b>	12,819
Available-for-sale investments		<b>707,689</b>	309,929
Deferred income tax assets		<b>337</b>	337
Other non-current assets		<b>8,997</b>	8,900
		<u><b>1,659,669</b></u>	<u>1,405,684</u>
<b>Current assets</b>			
Inventories		<b>8,590</b>	4,516
Trade receivables	8	<b>26,530</b>	21,456
Other receivables, deposits and prepayments		<b>10,781</b>	7,470
Amount due from a related party		<b>1,783</b>	1,139
Financial assets at fair value through profit or loss		<b>3,187</b>	3,397
Restricted cash		<b>5,200</b>	5,200
Cash and cash equivalents		<b>124,434</b>	16,758
		<u><b>180,505</b></u>	<u>59,936</u>
<b>Current liabilities</b>			
Trade payables	9	<b>9,195</b>	9,738
Other payables and accrued charges		<b>39,542</b>	44,529
Amounts due to related companies		<b>7,107</b>	1,363
Bank borrowings due within one year		<b>43,241</b>	39,258
Obligations under finance leases		<b>2,211</b>	1,965
		<u><b>101,296</b></u>	<u>96,853</u>
<b>Net current assets/(liabilities)</b>		<u><b>79,209</b></u>	<u>(36,917)</u>
<b>Total assets less current liabilities</b>		<u><b>1,738,878</b></u>	<u>1,368,767</u>

	<b>30 June</b>	31 December
	<b>2010</b>	2009
<i>Note</i>	<b><i>HK\$'000</i></b>	<i>HK\$'000</i>
	<b>(Unaudited)</b>	<b>(Audited)</b>
<b>Capital and reserves</b>		
Share capital	372,944	278,226
Reserves	<u>1,184,842</u>	<u>844,930</u>
Equity attributable to the equity holders of the Company	<b>1,557,786</b>	1,123,156
Minority interest	<u>80,836</u>	<u>95,425</u>
<b>Total equity</b>	<b><u>1,638,622</u></b>	<b><u>1,218,581</u></b>
<b>Non-current liabilities</b>		
Obligations under finance leases	1,612	1,168
Amount due to a related party	28,745	21,353
Convertible notes	—	74,119
Deferred income tax liabilities	69,422	53,074
Provision for restoration costs	<u>477</u>	<u>472</u>
	<u>100,256</u>	<u>150,186</u>
	<b><u>1,738,878</u></b>	<b><u>1,368,767</u></b>

## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL INFORMATION

### 1. BASIS OF PREPARATION

The condensed consolidated financial information for the six months ended 30 June 2010 has been prepared in accordance with Hong Kong Accounting Standard (“HKAS”) 34 “Interim Financial Reporting” issued by the Hong Kong Institute of Certified Public Accountants (the “HKICPA”). The condensed consolidated interim financial information should be read in conjunction with the annual financial statements for the year ended 31 December 2009, which have been prepared in accordance with Hong Kong Financial Reporting Standards (“HKFRSs”).

### 2. PRINCIPAL ACCOUNTING POLICIES

The condensed consolidated financial statements have been prepared under the historical cost convention, as modified by the revaluation of available-for-sale investment and financial assets and financial liabilities at fair value through profit or loss.

Except as described below, the accounting policies applied are consistent with those of the annual financial statements for the year ended 31 December 2009, as described in those annual financial statements.

#### **New and amended standards adopted by the Group**

In the current interim period, the Group has applied, for the first time, a number of new and revised standards, amendments and interpretations (“new or revised HKFRSs”) issued by the HKICPA, which are effective for the Group’s financial year beginning on 1 January 2010.

- HKFRS 3 (Revised) “Business Combinations”. The revised standard continues to apply the acquisition method to business combinations, with some significant changes. For example, all payments to purchase a business are to be recorded at fair value at the acquisition date, with contingent payments classified as debt subsequently re-measured through the income statement. There is a choice on an acquisition-by-acquisition basis to measure the non-controlling interest in the acquiree either at fair value or at the non-controlling interest’s proportionate share of the acquiree’s net assets. When a business combination achieved in stages, the acquirer should remeasure its previously held interest in the acquiree at its fair value at the date of control is obtained, recognising a gain/loss in the income statement. All acquisition-related costs should be expensed.
- HKAS 27 (Revised), “Consolidated and Separate Financial Statements”. The revised standard requires the effects of all transactions with non-controlling interests to be recorded in equity if there is no change in control and these transactions will no longer result in goodwill or gains and losses. The standard also specifies the accounting when control over a previous subsidiary is not. Any remaining interest in the entity is re-measured to fair value and a gain or loss is recognised in income statement.
- HKFRS 1 (Amendment), “First-time Adoption of HKFRSs”. The amendments address the retrospective application of HKFRSs to particular situations and aims to ensure that entities applying HKFRSs will not face undue cost or effort in the transition process.

- HKFRS 2 (Amendment), “Group Cash-settled Share-based Payment Transaction”. The amendments expand on the guidance in HK(IFRIC) — Int 11 to address the accounting in the separate financial statements of a subsidiary when its suppliers/employees will receive cash payments from the parent that are linked to the price of the equity instruments of an entity in the Group. The parent, and not the entity, has the obligation to deliver cash. The amendments state that the entity shall account for the transaction with its suppliers/employees as equity-settled, and recognise a corresponding increase in equity as a contribution from its parent. The subsidiary shall remeasure the cost of the transaction subsequently for any changes resulting from non-market vesting conditions not being met.

**Improvements to HKFRS — Amendments to existing standards effective from 1 January 2010 adopted by the Group**

HKAS 1	Current/Non-current Classification of Convertible Instruments
HKAS 7	Classification of Expenditures on Unrecognised Assets
HKAS 17	Classification of Leases of Land and Buildings
HKAS 36	Unit of Accounting for Goodwill Impairment Test
HKAS 38	Additional Consequential Amendments Arising from HKFRS 3 (Revised) and Measuring the Fair Value of an Intangible Asset Acquired in Business Combination
HKAS 39	Cash Flow Hedge Accounting
HKFRS 2	Group Cash-settled Share-based Payments Transactions
HKFRS 8	Disclosure of Information about Segment Assets

**3. REVENUE**

Revenue represents the amounts received and receivable for providing limousine rental and airport shuttle bus services and sales of mineral ore products for the six months ended 30 June 2010. An analysis of the Group’s revenue for the period is as follows:

	<b>Six months ended 30 June</b>	
	<b>2010</b>	<b>2009</b>
	<b><i>HK\$’000</i></b>	<b><i>HK\$’000</i></b>
	<b>(unaudited)</b>	<b>(unaudited)</b>
Income from limousine rental services	<b>44,885</b>	29,899
Income from airport shuttle bus services	<b>6,889</b>	6,568
Sales of copper, lead and zinc ore concentrates	<b>3,415</b>	5,521
	<b>55,189</b>	41,988

#### 4. SEGMENT INFORMATION

Management has determined the operating segments based on the internal reports reviewed and used by the executive directors for strategic decision making.

The Group comprises the following main business segments:

Limousine rental services	—	provision of limousine rental services in both Hong Kong and the People's Republic of China ("PRC")
Airport shuttle bus services	—	provision of airport shuttle bus 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 following is an analysis of the Group's revenue and results by business segment for the period under review:

	<b>Six months ended 30 June 2010</b>				
	<b>Limousine rental services HK\$'000 (unaudited)</b>	<b>Airport shuttle bus services HK\$'000 (unaudited)</b>	<b>Mining operation HK\$'000 (unaudited)</b>	<b>Others HK\$'000 (unaudited)</b>	<b>Total HK\$'000 (unaudited)</b>
<b>Revenue</b>					
Segment revenue from external customers	<u>44,885</u>	<u>6,889</u>	<u>3,415</u>	<u>—</u>	<u>55,189</u>
<b>Results</b>					
Segment results	<u>1,741</u>	<u>588</u>	<u>(156,400)</u>	<u>—</u>	<u>(154,071)</u>
Unallocated income					21
Unallocated expenses					(15,402)
Finance costs					<u>(3,286)</u>
Loss before income tax					(172,738)
Income tax expense					<u>(264)</u>
Loss for the period					<u>(173,002)</u>

Six months ended 30 June 2009

	Limousine rental services <i>HK\$'000</i> (unaudited)	Airport shuttle bus services <i>HK\$'000</i> (unaudited)	Mining operation <i>HK\$'000</i> (unaudited)	Others <i>HK\$'000</i> (unaudited)	Total <i>HK\$'000</i> (unaudited)
<b>Revenue</b>					
Segment revenue from external customers	<u>29,899</u>	<u>6,568</u>	<u>5,521</u>	<u>—</u>	<u>41,988</u>
<b>Results</b>					
Segment results	<u>(2,892)</u>	<u>(769)</u>	<u>(6,153)</u>	<u>(126)</u>	(9,940)
Unallocated income					10,011
Unallocated expenses					(4,812)
Finance costs					<u>(14,940)</u>
Loss before income tax					(19,681)
Income tax credit					<u>165</u>
Loss for the period					<u>(19,516)</u>

The following is an analysis of the Group's assets by business segment:

As at 30 June 2010

	Limousine rental services <i>HK\$'000</i> (unaudited)	Airport shuttle bus services <i>HK\$'000</i> (unaudited)	Mining operation <i>HK\$'000</i> (unaudited)	Others <i>HK\$'000</i> (unaudited)	Total <i>HK\$'000</i> (unaudited)
Segment assets	105,677	24,034	884,932	710,826	1,725,469
Unallocated assets					<u>114,705</u>
Consolidated total assets					<u>1,840,174</u>



As at 31 December 2009

	Limousine rental services <i>HK\$'000</i> (audited)	Airport shuttle bus services <i>HK\$'000</i> (audited)	Mining operation <i>HK\$'000</i> (audited)	Others <i>HK\$'000</i> (audited)	Total <i>HK\$'000</i> (audited)
Segment assets	101,563	20,213	1,024,342	310,117	1,456,235
Unallocated assets					<u>9,385</u>
Consolidated total assets					<u><u>1,465,620</u></u>

**5. INCOME TAX EXPENSE/(CREDIT)**

	<b>Six months ended 30 June</b>	
	<b>2010</b> <i>HK\$'000</i> (unaudited)	2009 <i>HK\$'000</i> (unaudited)
Current income tax:		
Hong Kong profits tax	742	508
PRC Enterprise Income Tax	<u>—</u>	<u>65</u>
	742	573
Deferred income tax:		
Origination and reversal of temporary differences	<u>(478)</u>	<u>(738)</u>
	<u><u>264</u></u>	<u><u>(165)</u></u>

Hong Kong profits tax has been provided at the rate of 16.5% (2009: 16.5%) on the estimated assessable profit for the period.

PRC Enterprise Income Tax has been provided at the prevailing rate of 25% (2009: 25%) on the estimated assessable profit applicable to the Company's subsidiaries established in the PRC.

## 6. EXPENSES BY NATURE

	Six months ended 30 June	
	2010 <i>HK\$'000</i> (unaudited)	2009 <i>HK\$'000</i> (unaudited)
Cost of inventories	1,309	4,087
Amortisation of intangible asset (included in direct costs)	801	5,148
Amortisation of mining right (included in direct costs)	1,257	3,025
Depreciation	7,428	6,509
Staff costs ( <i>note a</i> )	19,255	13,819
Operating lease rentals in respect of office premises	1,530	1,925
Loss on disposal of property, plant & equipment	170	100
Motor vehicles rental charges	10,410	5,354
Fuel and oil	5,022	3,299
Toll charges	2,266	1,982
	<u>19,255</u>	<u>13,819</u>

### (a) Staff costs

	Six months ended 30 June	
	2010 <i>HK\$'000</i> (unaudited)	2009 <i>HK\$'000</i> (unaudited)
Directors' emoluments	952	516
Retirement benefit scheme contributions	834	792
Share-based compensation	1,768	—
Other staff costs	15,701	12,511
	<u>19,255</u>	<u>13,819</u>

## 7. LOSS PER SHARE

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

Diluted loss per share is calculated by adjusting the weighted average number of ordinary shares outstanding to assume conversion of all dilutive potential ordinary shares. The company has two categories of dilutive potential ordinary shares: convertible notes and share options.

	Six months ended 30 June	
	2010 (unaudited)	2009 (unaudited)
Loss attributable to the equity holders of the Company (HK\$ thousands)	(157,363)	(18,902)
<u>Number of shares</u>		
Weighted average number of ordinary shares for the purpose of calculating the basic loss per share (thousands)	2,823,328	1,843,320
Adjustment of share options (thousands)	<u>2,703</u>	<u>N/A</u>
Weighted average number of ordinary shares for the purpose of calculating the diluted loss per share (thousands)	<u>2,826,031</u>	<u>1,843,320</u>
Basic loss per share attributable to the equity holders of the Company (HK cents per share)	<u>(5.58)</u>	<u>(1.03)</u>
Diluted loss per share attributable to the equity holders of the Company (HK cents per share)	<u>(5.57)</u>	<u>N/A</u>

For the periods ended 30 June 2010 and 30 June 2009, the effect of assumed conversion of the convertible notes of the Company was anti-dilutive.

## 8. TRADE RECEIVABLES

The Group's credit terms granted to customers of limousine rental and airport shuttle bus services range between 60 days and 90 days. Before accepting any new customers, the Group will understand the potential customer's credit quality and approve its credit limits. Credit limits attributed to customers are reviewed regularly.

The aged analysis of the trade receivables, based on invoice date as at the balance date is as follows:

	<b>2010</b> <i>HK\$'000</i> <b>(unaudited)</b>	2009 <i>HK\$'000</i> (audited)
0 — 30 days	<b>10,761</b>	7,091
31 — 60 days	<b>7,906</b>	9,234
61 — 90 days	<b>4,929</b>	3,761
Over 90 days	<b>2,934</b>	1,370
	<u><b>26,530</b></u>	<u>21,456</u>

## 9. TRADE PAYABLES

The aged analysis of trade payables of the Group is as follows:

	<b>2010</b> <i>HK\$'000</i> <b>(unaudited)</b>	2009 <i>HK\$'000</i> (audited)
0 — 30 days	<b>4,561</b>	5,056
31 — 60 days	<b>1,702</b>	1,126
61 — 90 days	<b>415</b>	478
Over 90 days	<b>2,517</b>	3,078
	<u><b>9,195</b></u>	<u>9,738</u>

## **INTERIM DIVIDEND**

The Board of Directors does not recommend the payment of an interim dividend for the six months ended 30 June 2010 (2009: nil).

## **MANAGEMENT DISCUSSION AND ANALYSIS**

### **Business and Financial Review**

The consolidated revenue of the Group for the six months ended 30 June 2010 increased by 31.4% to approximately HK\$55.2 million as compared to the corresponding period last year, of which approximately HK\$51.8 million (2009: HK\$36.5 million) was contributed by the provision of limousine rental and airport shuttle bus services and approximately HK\$3.4 million (2009: HK\$5.5 million) was contributed by the sales of copper ore concentrates. As at 30 June 2010, the Group's net asset value amounted to HK\$1,638.6 million (2009: HK\$1,218.6 million) and cash and bank balances, including restricted cash, amounted to HK\$129.6 million (2009: HK\$22.0 million).

Loss attributable to equity holders of the Company increased to HK\$157.4 million as compared to HK\$18.9 million for the same period recorded in 2009 mainly due to the impairment loss on the valuation of mining right. Basic loss per share is HK\$5.58 cents (2009: HK\$1.03 cents).

An impairment loss on the valuation of mining right is recorded during the period amounted to approximately HK\$153.0 million. The management has been closely monitoring the trend of copper price, both spot and the long-term price projections from the experts in the commodity sector. We have also been closely monitoring the recent global economic development and its impact towards copper price. The Directors had discussions on the future long-term copper price that were used in our valuation model. Based on the latest statistics and relevant information available to the directors, contrary to our previous optimistic expectation, we saw that since our last reporting period, the global economic outlook has not been improving as expected and there is still high degree of uncertainty to the recovery of the general economy which may possibly affect the volatility of the copper price. The Directors reckoned that the Company needed to take a more conservative approach in valuing our own mine. An impairment was therefore made to the fair value of our mine as a result of the adjustment of the long-term copper price projection. Such impairment loss, however, did not have any impact on the operating cash flow of the Group.

### **Provision of limousine rental and airport shuttle bus services**

The limousine rental and airport shuttle bus services segments are operated by Parklane Limousine Service Limited and Airport Shuttle Services Limited, both operations are wholly owned by Perryville Group Limited (collectively the "Perryville Group").

The financial performance of Perryville Group, which marked the results of our limousine rental and airport shuttle bus operations, contributed approximately 93.8% of the overall revenue of the Group. Recorded revenue for the period amounted to HK\$51.8 million (2009: HK\$36.5 million) and an increment of 42.0% is noted. The segment reported an operating profit, before amortisation of intangible asset, of HK\$3.1 million, representing an increase of 110.6% over the corresponding period last year. The increase of segment revenue is attributed by the surging demand for limousine rental services in both Hong Kong and the PRC. Significant growth in travel industry in Hong Kong and the PRC region is the major driver of our revenue increase from this business segment. We consider the trend of the business results in line with the growth of the industry.

During the period, increase in the demand for limousine services is brought by the Shanghai World Expo. There recorded a higher growth rate for our business in Shanghai than the other cities. The Group believes that the World Expo effect will continuously benefit our business for the second half of the year.

The Group continues to provide limousine rental services in the PRC and we expect a steady growth from this sector. Nevertheless, the limousine business in Beijing will gradually phase out and resources will be reallocated to focus on more profitable locations such as Shanghai, Guangzhou and Shenzhen.

### **Mining Operation**

The Group's mining business mainly comprises the exploitation, processing and sales of copper, lead, zinc, arsenic, silver and other mineral resources, through 90% subsidiary of the Group, Luchun Xingtai Mining Co., Ltd. ("Luchun Xingtai").

During the period, Luchun Xingtai has contributed revenue of approximately HK\$3.4 million (2009: HK\$5.5 million), and the loss before amortisation and impairment of mining right was approximately HK\$2.1 million (2009: HK\$3.1 million). The production volume of copper ore concentrates was approximately 125 metal tonnes (2009: 116 metal tonnes) and sales of the copper ore concentrates was approximately 74 metal tonnes (2009: 173 metal tonnes).

The cost of sales of the mining segment mainly includes mining, processing and refining cost, ore transportation costs and waste disposal costs.

Total expenditure associated with the mining operation during the period amounted to approximately HK\$5.6 million (2009: HK\$8.6 million).

We have put majority of our focus at Luchun Xingtai operation for further exploration, hence we have not been operating at a full capacity. We will gradually increase our production capacity once we have achieved a satisfactory result from our further exploration activities. During the period, the

expenditure associated with the mining exploration activities amounted to approximately RMB0.4 million and the total accumulative expenditure incurred for exploration activities was approximately RMB1.0 million since September 2009.

## UPDATE OF RESOURCES/RESERVES

The table below sets out the details of the Company's reserves for the period ended 30 June 2010.

<b>Damajianshan Mine Ore Reserve Summary — 31 December 2007 by BDASIA</b>									
<b>JORC Reserve Category</b>	<b>Ore Tonnage (kt)</b>	<b>Grades</b>				<b>Contained Metals</b>			
		<b>Cu %</b>	<b>As %</b>	<b>Pb %</b>	<b>Ag g/t</b>	<b>Cu kt</b>	<b>As kt</b>	<b>Pb kt</b>	<b>Ag t</b>
Proved	4,648	1.49	5.70	1.28	42.6	69.3	265	59.7	198
Probable	3,150	1.42	6.28	1.49	47.9	44.6	198	47.1	151
<b>Total</b>	<b>7,798</b>	<b>1.46</b>	<b>5.94</b>	<b>1.37</b>	<b>44.8</b>	<b>113.9</b>	<b>463</b>	<b>106.8</b>	<b>349</b>

Saved as disclosed in Appendix VII of the circular dated 30 June 2008, the Company's ore reserves as at this date are estimated to contain 7.798 million tonnes of copper ore, contained in within the Damajianshan copper mine site in China. There were no significant changes to our ore reserves in the Damajianshan mine since the date of the last ore reserve statement published as our production has not gone fully underway.

The mining of 22,364 tonnes of copper ore is recorded from Damajianshan mine during the period, representing a decrease of 7.89% compared to the corresponding period last year. As the Company focused more on exploration activities during the period, more resources has been allocated to this aspect, hence lower production is resulted. The Damajianshan mine has in aggregate consumed only approximately 154,000 tonnes out of 7.798 million tonnes of its ore reserves thus derived in no significant changes to our reserves.

### Significant Investments

During the period, the Group has further acquired equity stakes in Brockman Resources Limited ("BRM"), a company listed on the Australian Securities Exchange ("ASX"). We have also added a new investment in Australian iron ore sector through an off-market shares subscription and on-market purchases of the shares of FerrAus Limited ("FRS"). FRS is a company listed on the ASX. FRS is principally engaged in the exploration and development of iron ore and manganese.

As at 30 June 2010, the Group has acquired 27,833,505 shares of BRM, representing approximately 19.67% of the total issued share capital of BRM and the market value of such investment as at 30 June 2010 amounted to approximately HK\$551.2 million.

During the period, the Group has acquired in aggregate 30,201,575 shares of FRS, representing approximately 14.90% of issued FRS shares as at 30 June 2010. The market value of such investment as at 30 June 2010 amounted to approximately HK\$156.5 million.

The change in fair value on available-for-sale investments, together with the corresponding exchange loss due to depreciation of Australia dollar, of approximately HK\$16.8 million is recorded in the available-for-sale investment reserve during the six-month period ended 30 June 2010 for the investments in BRM and FRS as described above.

Going forward, the Group will continue to focus its resources in the mining business. While continuing the activities in our existing mine in Yunan, we will seek for potential acquisition opportunities, both in the PRC and overseas. We are aiming at becoming one of the globally competitive mining companies.

The management will consider various debt and equity financing options from time to time to facilitate optimal capital structure for the Group, our ultimate objective is to enhance shareholders' return.

## **LIQUIDITY AND FINANCIAL RESOURCES**

The Group generally finances its short term funding requirement with cash generated from operations, credit facilities from suppliers and banking facilities.

During the period, the Group has raised net proceeds of HK\$297 million through the placement of 334,000,000 new ordinary shares on 18 February 2010 and HK\$199 million was raised through the placement of 185,000,000 new ordinary shares on 29 June 2010. For detail of such placements, please refer to the announcements of the Company dated 9 February 2010 and 19 June 2010 respectively.

Save as above, there is no significant change in the working capital structure during the period, the current ratio for the period measures at 1.78 times compared to 0.62 times as reported as at 31 December 2009.

The gearing ratio for the period (long term debts over equity and long term debts) is measured at 0.02 as compared to 0.07 recorded as at 31 December 2009. As at 30 June 2010, the Group has total bank and other borrowings amounted to approximately HK\$47.1 million, all of which are secured, approximately HK\$45.5 million was due within one year and the balance of HK\$1.6 million was due in 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 financial instruments for hedging purposes, and there was no hedging instrument outstanding as at 30 June 2010.



## CAPITAL STRUCTURE

During the period, the Company has the following movement in the share capital:

- (a) Pursuant to placing and subscription agreement executed on 9 February 2010, a total of 334,000,000 ordinary shares were issued at an issued price of HK\$0.90 per share, raising net proceed of approximately HK\$297 million.
- (b) Pursuant to placing and subscription agreement executed on 17 June 2010, a total of 185,000,000 ordinary shares were issued at an issued price of HK\$1.11 per share, raising net proceed of approximately HK\$199 million.
- (c) During the period, convertible notes of aggregate principal amounts of HK\$124,171,400 were converted into ordinary shares of the Company at the conversion price of HK\$0.29 per share. Accordingly, a total of 428,177,241 ordinary shares of the Company were issued. As of the date of this report, all convertible notes issued by the Group have been converted and there are no further convertible notes outstanding.

## CHARGES OF ASSETS

As at 30 June 2010, motor vehicles with an aggregate carrying value of HK\$20,541,000 of certain subsidiaries of the Company were charged to secure general banking facilities granted to a subsidiary of the Company.

## MARKET RISK

The Group is exposed to various types of market risks, including fluctuations in copper price and exchange rates.

### (a) Copper concentrate price risk

The Group's revenue and results of the mining business during the period, and the value of the Group's mining rights were affected by fluctuations in the copper concentrate price. All of our mining products were sold at the market price. We have not used any commodity derivative instruments or futures for speculation or hedging purpose. The management will review the market condition from time to time and determine the best strategy to deal with the fluctuation of copper concentrate price.

### (b) Exchange rate risk

The Group is exposed to exchange rate risk primarily because our available-for-sale investment is denominated in Australian dollars. Depreciation in Australian dollar may adversely affect our net asset value and earnings when the value of such investment is converted to Hong Kong dollars. During the period, no financial instrument was used for hedging purpose.

## **CONTINGENT LIABILITIES**

The Group has no contingent liabilities as at 30 June 2010.

## **STAFF AND REMUNERATION**

As at 30 June 2010, the Group employed 385 full time employees (31 December 2009: 552), of which approximately 264 employees were in the PRC. The remuneration of employees includes salary and discretionary bonus. The Group also adopted a share option scheme to provide incentives to the employees.

The remuneration policy and packages, including the share options, of the Group's employees, senior management and directors are maintained at market level and reviewed periodically by the management and the remuneration committee, whichever appropriate.

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

During the six months ended 30 June 2010, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the listed securities of the Company.

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

The Company has complied with its own code on corporate governance practices which incorporates all code provisions in the Code on Corporate Governance Practices (the "CGP Code") as set out in Appendix 14 of the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules") throughout the six months ended 30 June 2010, except with the following deviation:

### **Code Provision A.2.1**

There was no separation of the role of chairman (the "Chairman") and chief executive officer (the "CEO"). Mr. Luk Kin Peter Joseph was appointed as the Chairman of the Company on 16 February 2009 and assumed the role of both the Chairman and the CEO of the Company as this structure was considered more suitable to the Company at this fast development stage because it could promote the efficient formulation and implementation of the Company's strategies.

As the Group's business becomes more diversified, the Board will review the needs of appointing suitable candidate to assume of the role of the CEO 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 to all directors of the Company, all directors confirmed that they have complied with the required standard set out in the Model Code throughout the six months ended 30 June 2010.

## **AUDIT COMMITTEE**

The Audit Committee comprises of three independent non-executive directors, Messrs. Lau Kwok Kuen, Eddie, Uwe Henke Von Parpart and Yip Kwok Cheung, Danny. Mr. Lau Kwok Kuen, Eddie is the Chairman of the Audit Committee. The Audit Committee has adopted the terms of reference which are in line with the CGP Code. The Audit Committee has reviewed the Group's interim results for the six months ended 30 June 2010.

By order of the Board  
**Wah Nam International Holdings Limited**  
**Luk Kin Peter Joseph**  
*Chairman*

19 August 2010, Hong Kong

*As at the date of this announcement, the Board 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. Yip Kwok Cheung, Danny as independent non-executive directors.*