



# CHINA YUNNAN TIN MINERALS GROUP COMPANY LIMITED

(Incorporated in Hong Kong with limited liability)  
(Stock Code: 263)



**Interim Report 2008**

CORPORATE INFORMATION	2
MANAGEMENT DISCUSSION AND OUTLOOK	3
REPORT ON REVIEW OF INTERIM FINANCIAL INFORMATION	7
CONDENSED CONSOLIDATED INCOME STATEMENT	8
CONDENSED CONSOLIDATED BALANCE SHEET	9
CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY	10
CONDENSED CONSOLIDATED CASH FLOW STATEMENT	13
NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS	14
OTHER INFORMATION	33

# CORPORATE INFORMATION

## BOARD OF DIRECTORS

### Executive Directors

Suen Cho Hung, Paul (*Chairman*)  
Sue Ka Lok (*Chief Executive Officer*)  
Gao Wenxiang  
Chen Shuda  
Ong Lily Lee  
Ng Shin Kwan, Christine  
Cao Jian An

### Non-executive Director

Lee Yuk Lun

### Independent Non-executive Directors

Sun Ka Ziang, Henry  
Kwok Ming Fai  
Wong Yun Kuen

## AUDIT COMMITTEE

Sun Ka Ziang, Henry (*Chairman*)  
Kwok Ming Fai  
Wong Yun Kuen

## REMUNERATION COMMITTEE

Kwok Ming Fai (*Chairman*)  
Sun Ka Ziang, Henry  
Wong Yun Kuen  
Sue Ka Lok

## QUALIFIED ACCOUNTANT

Sue Ka Lok

## COMPANY SECRETARY

Chan Yuk Yee

## REGISTERED OFFICE

Units 2502-5, 25th Floor  
Harbour Centre  
25 Harbour Road  
Wanchai  
Hong Kong

## PRINCIPAL BANKERS

Bank of China (Hong Kong) Limited  
Bank of Communications Co., Ltd.,  
Hong Kong Branch  
Fortis Bank, Hong Kong Branch  
Standard Bank Asia Limited  
The Hongkong and Shanghai Banking  
Corporation Limited  
Hang Seng Bank Limited

## PRINCIPAL LEGAL ADVISERS

Richards Butler  
Mallesons Stephen Jaques  
Tsang, Chan & Wong

## AUDITORS

HLB Hodgson Impey Cheng  
*Chartered Accountants*  
*Certified Public Accountants*

## SHARE REGISTRARS AND TRANSFER OFFICE

Tricor Secretaries Limited  
26/F., Tesbury Centre  
28 Queen's Road East  
Wanchai  
Hong Kong

## TRADING OF SHARES

The Stock Exchange of Hong Kong Limited  
(Stock code: 263)

## WEBSITE

[www.cytmg.com](http://www.cytmg.com)

# MANAGEMENT DISCUSSION AND OUTLOOK

## INTERIM RESULTS

The Board is pleased to report that the Group achieved profitable results for the six months ended 30th June, 2008, showing a significant improvement from its loss results in the previous period. The profit attributable to equity holders of the Company was HK\$22,516,000 for the first half of 2008 (2007: loss of HK\$2,269,000), representing an earnings of HK0.71 cent per share to our equity holders (2007: loss of HK0.34 cent per share). The Group's continuing operations – trading and provision of finance, as well as its jointly controlled entity, continued to perform well during the review period which all contributed to the profitable results of the Group.

## BUSINESS REVIEW

### Group's Operations

For the first half of 2008, the Group continued to engage in the businesses of trading, provision of finance as well as brokerage and securities investment. The revenue from the Group's continuing operations for the review period was HK\$580,189,000, up by 3.4 times when compared to HK\$132,341,000 recorded in the previous period. The Group's gross profit was HK\$34,964,000, also up by 2.1 times when compared with HK\$11,219,000 in corresponding period last year. The significant increases in the Group's revenue and gross profit were mainly brought by the increased activity level and profitability of the trading and financing operations.

During the review period, the Group's trading operation continued to focus on trading of iron ore. The results of the operation was very encouraging with revenue and profit surged by 3.5 times and 7.3 times, reaching HK\$555,206,000 (2007: HK\$122,246,000) and HK\$10,425,000 (2007: HK\$1,254,000) respectively. Owing to significant increase in demand from our customers during the first half of 2008, a much higher volume of iron ore was traded by the operation when compared to the previous period. Nevertheless, due primarily to the macro-economic control measures imposed by the government of the People's Republic of China ("PRC") in recent months, there are signs that demand from our Chinese customers will be lowered, and as a result, the management expects the growth of the operation may slow down in the remainder of the year.

The interest income and operating profit generated by the financing operation were up by 251% and 90% to HK\$21,316,000 (2007: HK\$6,070,000) and HK\$21,451,000 (2007: HK\$11,275,000) respectively for the period under review. Such increases were mainly attributable to the higher average balance of loan advanced to customers when compared to the previous period. It is the Group's policy to regularly review the composition of the loan portfolio and lending rates charged in order to maximise the return of the operation.

The revenue and profit of the Group's brokerage and securities investment operation were down by 9% and 64% to HK\$3,667,000 (2007: HK\$4,025,000) and HK\$928,000 (2007: HK\$2,558,000) respectively when compared with the previous period. The decline in securities brokerage income was mainly a result of the lowered turnover of the Hong Kong stock market after peaking out in October 2007. During the review period, the Group made a small net gain of HK\$2,000 from its listed securities investment, down from HK\$375,000 posted in the previous period. At the period end, the market value of the Group's listed securities portfolio was HK\$20,023,000 comprising blue chips and actively traded shares.

# MANAGEMENT DISCUSSION AND OUTLOOK *(Continued)*

## BUSINESS REVIEW *(Continued)*

### New Acquisitions

In March 2008, the Group completed the acquisition of the entire interests in Jebson Investments Limited ("Jebson"), an investment holding company which effectively holds 51% interests in a PRC company that has the approval to produce alumina and owns a company that holds an exploitation licence of a bauxite mine in Shanxi Province, the PRC. The Group is preparing for commercial production of the mine which is scheduled to commence in the first half of 2009. The management expects the commencement of commercial production of the mine will contribute positively to the Group's results in the coming years.

In April 2008, the Group completed the acquisition of the 12.19% interest in YTC Resources Limited ("YTC") – a mineral company listed on the Australian Securities Exchange ("YTC Transaction"). YTC has 7 major exploration tenements at present, comprising projects with tin, silver, tungsten, nickel, copper-gold mineralisation. Encouraging exploration results have been reported for a number of tenements including the Giants Den, Tallebung, Doradilla and Kadungle projects. The major shareholder of YTC is the PRC incorporated Yunnan Tin Group (Holding) Co Limited ("Yunnan Tin PRC") – a major producer of non-ferrous metals products and is the world's largest producer of tin products. The interest in YTC is held by the Group for long term purpose.

### Jointly Controlled Entity

The Group's 30% owned jointly controlled entity – Shanghai Hong Qiao Friendship Shopping Center Co., Ltd. ("Hong Qiao"), which operates an upmarket department store in Shanghai, continued to deliver profitable results during the review period. Strong consumer spending in Shanghai and successful marketing strategies of Hong Qiao continued to be key drivers of its encouraging results. The turnover of Hong Qiao reached approximately HK\$373 million for the review period, representing an increase of 28% from approximately HK\$292 million in the previous period. The Group's share of profit of Hong Qiao, mainly as a result of its strong sales and profitability growth, also rose by 2.6 times to HK\$6,493,000 (2007: HK\$1,809,000). The management expects that Hong Qiao will continue to perform well in the second half of 2008.

## FINANCIAL REVIEW

### Liquidity, Financial Resources and Capital Structure

At 30th June, 2008, the Group had current assets of HK\$767,597,000 (at 31st December, 2007: HK\$842,634,000) and liquid assets comprising bank balances and marketable Hong Kong listed securities totaling HK\$115,724,000 (excluding pledged bank deposits and bank balances held under segregated trust accounts) (at 31st December, 2007: HK\$350,404,000). The Group's current ratio, calculated on the basis of current assets of HK\$767,597,000 over current liabilities of HK\$99,640,000 was at a strong ratio of 7.7 (at 31st December, 2007: ratio of 9.5). The Group had no bank and other borrowings outstanding at the period end (at 31st December, 2007: HK\$50,000,000), the promissory notes of HK\$69,599,000 outstanding at 30th June, 2008 represented the remaining consideration payable relating to acquisition of Jebson.

# MANAGEMENT DISCUSSION AND OUTLOOK *(Continued)*

## FINANCIAL REVIEW *(Continued)*

### Liquidity, Financial Resources and Capital Structure *(Continued)*

The Group issued 810 million new shares during the review period as a result of conversion of convertible notes issued, as considerations for acquisition of Jebson and YTC, and placing of new shares to Yunnan Tin Australia Investment Holding Company Pty Ltd as part of the YTC Transaction. The newly issued share capital and profit generated by the Group's operations had both contributed to the 30% increase in equity attributable to the Company's equity holders which amounted to HK\$1,267,947,000 at the period end (at 31st December, 2007: HK\$975,422,000), equivalent to a consolidated net asset value of about HK\$0.37 per share of the Company (at 31st December, 2007: HK\$0.38 per share). As of the period end date, the Group's gearing ratio calculated on the basis of finance lease obligation and promissory notes totaling HK\$71,420,000 over total assets of HK\$2,219,744,000 was at low level of 3%. As at 31st December, 2007, the Group's gearing ratio calculated on the basis of other borrowing and convertible notes issued totaling HK\$117,853,000 over total assets of HK\$1,136,063,000 was also at low level of 10%.

With the amount of liquid assets on hand as well as credit facilities available to the Group, the management is of the view that the Group has sufficient financial resources to meet its ongoing operational requirements.

### Foreign Currency Management

The monetary assets and liabilities and business transactions of the Group are mainly carried and conducted in Hong Kong dollars, Renminbi, US dollars and Australian dollars. The Group maintains a prudent strategy in its foreign currency risk management, to a large extent, foreign exchange risks are minimised via balancing the foreign currency monetary assets versus the corresponding currency liabilities, and foreign currency revenues versus the corresponding currency expenditures. In light of the above, it is considered that the Group's exposure to foreign exchange risks is not significant and no hedging measure has been undertaken by the Group.

### Pledge of Assets

At 30th June, 2008, a bank deposit of HK\$19,500,000 and fixed asset of carrying amount of HK\$2,862,000 were pledged to secure credit facilities granted to the Group.

### Capital Commitments

At 30th June, 2008, the Group had capital commitments relating to its mine operation of approximately HK\$116,508,000.

### Contingent Liability

At 30th June, 2008, the Group had no significant contingent liability.

## MANAGEMENT DISCUSSION AND OUTLOOK *(Continued)*

### EMPLOYEES AND REMUNERATION POLICY

At 30th June, 2008, the Group had about 50 employees. Total staff costs incurred for continuing operations during the period (including directors' remuneration and excluding equity settled share-based payment expenses) was HK\$6,345,000, an increase of 36% from HK\$4,681,000 recorded in the previous period. The increase in staff costs was mainly due to new staff hired during the review period to cope with expansion of the Group's operations. The Group generally remunerates its employees with reference to their qualifications, experience and work performance as well as to market benchmarks. Benefits offered by the Group to its employees included discretionary bonus, mandatory provident fund scheme, share options, training subsidies as well as medical insurance.

### BUSINESS PROSPECTS

The Group's principal businesses in trading of iron ore and provision of finance, as well as its jointly controlled entity, all continued to deliver encouraging results for the review period. In addition, it is expected that the commencement of commercial production of the bauxite mine project in the first half of 2009 will contribute positively to the Group's results. The Group has a strong capital structure and sufficient financial resources to support development of its existing businesses. Further, the Group intends to leverage on its strategic alliance with Yunnan Tin PRC to expand its mining business when suitable opportunities arise. Looking ahead, the Group will continue to focus on promoting the performance of its existing businesses, as well as to look for investment opportunities that will create substantial value to shareholders.



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Chartered Accountants  
Certified Public Accountants

**REPORT ON REVIEW OF INTERIM FINANCIAL INFORMATION  
TO THE BOARD OF DIRECTORS OF  
CHINA YUNNAN TIN MINERALS GROUP COMPANY LIMITED  
(FORMERLY KNOWN AS POLY INVESTMENTS HOLDINGS LIMITED)**  
*(incorporated in Hong Kong with limited liability)*

## **INTRODUCTION**

We have reviewed the interim financial statements set out on pages 8 to 32, which comprise the condensed consolidated balance sheet of China Yunnan Tin Minerals Group Company Limited as of 30th June 2008 and the related condensed consolidated income statement, statement of changes in equity and cash flows statement for the six-month period then ended, and a summary of significant accounting policies and other explanatory notes. The Main Board Listing Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of a report on interim financial information to be in compliance with the relevant provisions thereof and Hong Kong Accounting Standard (“HKAS”) 34 “Interim Financial Reporting” issued by the Hong Kong Institute of Certified Public Accountants. The directors are responsible for the preparation and fair presentation of this interim financial statements in accordance with HKAS 34. Our responsibility is to express a conclusion on this interim financial statements based on our review, and to report our conclusion solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

## **SCOPE OF REVIEW**

We conducted our review in accordance with Hong Kong Standard on Review Engagements 2410, “Review of Interim Financial Information Performed by the Independent Auditor of the Entity” issued by the Hong Kong Institute of Certified Public Accountants. A review of interim financial statements consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

## **CONCLUSION**

Based on our review, nothing has come to our attention that causes us to believe that the interim financial statements is not prepared, in all material respects, in accordance with HKAS 34.

**HLB Hodgson Impey Cheng**  
*Chartered Accountants  
Certified Public Accountants*

Hong Kong, 25th September, 2008



# CONDENSED CONSOLIDATED INCOME STATEMENT

For the six months ended 30th June, 2008

	Notes	Six months ended 30th June, 2008 HK\$'000 (unaudited)	2007 HK\$'000 (unaudited) (Restated)
<b>Continuing operations</b>			
Revenue	3	580,189	132,341
Cost of sales		<u>(545,225)</u>	<u>(121,122)</u>
Gross profit		34,964	11,219
Net gain on financial assets at fair value through profit or loss	5	2	375
Other income	5	3,899	11,338
Administrative expenses		(20,372)	(11,986)
Finance costs		(2,182)	(4,993)
Share of profit of a jointly controlled entity		6,493	1,809
Equity settled share-based payment expenses		<u>–</u>	<u>(4,519)</u>
Profit before taxation		22,804	3,243
Income tax expense	4	<u>(670)</u>	<u>–</u>
Profit for the period from continuing operations		<u>22,134</u>	<u>3,243</u>
<b>Discontinued operation</b>			
Loss for the period from discontinued operation		<u>–</u>	<u>(6,883)</u>
Profit/(loss) for the period	5	<u>22,134</u>	<u>(3,640)</u>
<i>From continuing and discontinued operations</i>			
Attributable to:			
Equity holders of the Company		22,516	(2,269)
Minority interests		<u>(382)</u>	<u>(1,371)</u>
		<u>22,134</u>	<u>(3,640)</u>
<i>From continuing operations</i>			
Attributable to:			
Equity holders of the Company		22,516	3,243
Minority interests		<u>(382)</u>	<u>–</u>
		<u>22,134</u>	<u>3,243</u>
<b>Earnings/(loss) per share</b>			
From continuing and discontinued operations Basic and diluted (HK cent per share)	7	<u>0.71</u>	<u>(0.34)</u>
From continuing operations Basic and diluted (HK cent per share)		<u>0.71</u>	<u>0.49</u>

The accompanying notes form an integral part of these financial statements.

# CONDENSED CONSOLIDATED BALANCE SHEET

As at 30th June, 2008

	Notes	As at 30th June, 2008 HK\$'000 (unaudited)	As at 31st December, 2007 HK\$'000 (audited)
<b>Non-current assets</b>			
Property, plant and equipment	8	11,205	1,807
Interest in a jointly controlled entity		43,012	45,127
Available-for-sale investments	9	30,000	–
Other deposits and prepayment		–	144,715
Other receivables		–	99,400
Other assets	10	2,230	2,230
Trading right		100	150
Mining right	11	1,364,000	–
Goodwill		1,600	–
		<u>1,452,147</u>	<u>293,429</u>
<b>Current assets</b>			
Trade and other receivables	12	264,050	260,593
Bills receivable	12	2,403	1,389
Financial assets at fair value through profit or loss		20,023	42,822
Short-term loans receivable		356,505	215,293
Tax recoverable		4	4
Pledged bank deposits	13	19,500	–
Bank balances held under segregated trust accounts	14	9,411	14,951
Bank balances and cash		95,701	307,582
		<u>767,597</u>	<u>842,634</u>
<b>Current liabilities</b>			
Trade and other payables	15	20,882	32,438
Bills payable	15	3,397	2,179
Tax payable		5,187	4,517
Finance lease obligation – due within one year		575	–
Other borrowing	16	–	50,000
Promissory notes	17	69,599	–
		<u>99,640</u>	<u>89,134</u>
<b>Net current assets</b>		<u>667,957</u>	<u>753,500</u>
<b>Total assets less current liabilities</b>		<u>2,120,104</u>	<u>1,046,929</u>
<b>Non-current liabilities</b>			
Deferred tax liabilities		341,000	3,654
Finance lease obligation – due after one year		1,246	–
Convertible notes	18	–	67,853
		<u>342,246</u>	<u>71,507</u>
<b>Net assets</b>		<u>1,777,858</u>	<u>975,422</u>
<b>Capital and reserves</b>			
Share capital	19	341,008	259,968
Reserves		926,939	715,454
<b>Equity attributable to equity holders of the Company</b>		<u>1,267,947</u>	<u>975,422</u>
<b>Minority interests</b>		<u>509,911</u>	<u>–</u>
<b>Total equity</b>		<u>1,777,858</u>	<u>975,422</u>

The accompanying notes form an integral part of these financial statements.

# CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30th June, 2008

	Attributable to equity holders of the Company										
	Share capital	Share premium	Translation reserve	Available-for-sale investments reserve	Convertible notes equity reserve	PRC statutory reserve	Share options reserve	Accumulated losses	Total	Minority interests	Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
At 1st January, 2007	607,059	2,252	33,919	-	-	507	-	(381,087)	262,650	1,331	263,981
Exchange differences arising on translation of overseas operations	-	-	4,212	-	-	-	-	-	4,212	460	4,672
Share of translation reserve of a jointly controlled entity	-	-	1,389	-	-	-	-	-	1,389	-	1,389
Net income and expenses recognised directly in equity	-	-	5,601	-	-	-	-	-	5,601	460	6,061
Loss for the period	-	-	-	-	-	-	-	(2,269)	(2,269)	(1,371)	(3,640)
Total recognised income and expenses for the period	-	-	5,601	-	-	-	-	(2,269)	3,332	(911)	2,421
Capital reorganisation	(594,918)	434,803	-	-	-	-	-	160,115	-	-	-
Issue of shares	2,400	15,360	-	-	-	-	-	-	17,760	-	17,760
Transaction costs attributable to issue of shares	-	(282)	-	-	-	-	-	-	(282)	-	(282)
Recognition of equity settled share-based payment expenses	-	-	-	-	-	-	4,519	-	4,519	-	4,519
Issue of shares on exercise of share options	725	12,983	-	-	-	-	(2,688)	-	11,020	-	11,020
Issue of convertible notes	-	-	-	-	25,111	-	-	-	25,111	-	25,111
Deferred tax liability on recognition of equity component of convertible notes	-	-	-	-	(4,569)	-	-	-	(4,569)	-	(4,569)
Conversion of convertible notes	11,500	99,272	-	-	(20,542)	-	-	-	90,230	-	90,230
At 30th June, 2007	26,766	564,388	39,520	-	-	507	1,831	(223,241)	409,771	420	410,191

# CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY *(Continued)*

For the six months ended 30th June, 2008

	Attributable to equity holders of the Company										
	Share capital	Share premium	Translation reserve	Available-for-sale investments reserve	Convertible notes equity reserve	PRC statutory reserve	Share options reserve	Accumulated losses	Total	Minority interests	Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Exchange differences arising on translation of overseas operations	-	-	2,044	-	-	-	-	-	2,044	-	2,044
Release of minority interests on disposal of subsidiaries	-	-	-	-	-	-	-	-	-	629	629
Share of translation reserve of a jointly controlled entity	-	-	2,031	-	-	-	-	-	2,031	-	2,031
Recognition of equity settled share-based payment expenses	-	-	-	-	-	-	53,344	-	53,344	-	53,344
Release of translation reserve from subsidiaries	-	-	(16,786)	-	-	-	-	-	(16,786)	(460)	(17,246)
Release of translation reserve from an associate	-	-	(19,771)	-	-	-	-	-	(19,771)	-	(19,771)
Net income and expenses recognised directly in equity	-	-	(32,482)	-	-	-	53,344	-	20,862	169	21,031
Disposal of an associate	-	-	-	-	-	(507)	-	507	-	-	-
Profit for the period	-	-	-	-	-	-	-	77,588	77,588	(589)	76,999
Total recognised income and expenses for the period	-	-	(32,482)	-	-	(507)	53,344	78,095	98,450	(420)	98,030
Issue of shares	8,253	140,345	-	-	-	-	-	-	148,598	-	148,598
Transaction costs attributable to issue of shares	-	(2,434)	-	-	-	-	-	-	(2,434)	-	(2,434)
Issue of shares on exercise of share options	473	8,489	-	-	-	-	(1,772)	-	7,190	-	7,190
Issue of convertible notes	-	-	-	-	94,428	-	-	-	94,428	-	94,428
Deferred tax liability on recognition of equity component of convertible notes	-	-	-	-	915	-	-	-	915	-	915
Conversion of convertible notes	29,500	265,854	-	-	(76,850)	-	-	-	218,504	-	218,504
Bonus issue of shares	194,976	(194,976)	-	-	-	-	-	-	-	-	-
At 31st December, 2007	259,968	781,666	7,038	-	18,493	-	53,403	(145,146)	975,422	-	975,422

# CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

(Continued)

For the six months ended 30th June, 2008

	Attributable to equity holders of the Company										
	Share capital	Share premium	Translation reserve	Available-for-sale investments reserve	Convertible notes equity reserve	PRC statutory reserve	Share options reserve	Accumulated losses	Total	Minority interests	Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Exchange differences arising on translation of overseas operations	-	-	3,438	-	-	-	-	-	3,438	-	3,438
Share of translation reserve of a jointly controlled entity	-	-	3,141	-	-	-	-	-	3,141	-	3,141
Net income and expenses recognised directly in equity	-	-	6,579	-	-	-	-	-	6,579	-	6,579
Profit/(loss) for the period	-	-	-	-	-	-	-	22,516	22,516	(382)	22,134
Total recognised income and expenses for the period	-	-	6,579	-	-	-	-	22,516	29,095	(382)	28,713
Issue of shares	45,000	171,750	-	-	-	-	-	-	216,750	-	216,750
Transaction costs attributable to issue of shares	-	(1,973)	-	-	-	-	-	-	(1,973)	-	(1,973)
Issue of shares on exercise of share options	40	112	-	-	-	-	-	-	152	-	152
Transfer of share option reserve to share premium upon exercise	-	37	-	-	-	-	(37)	-	-	-	-
Acquisition of subsidiaries	-	-	-	-	-	-	-	-	-	510,293	510,293
Deferred tax liability on recognition of equity component of convertible notes	-	-	-	-	3,654	-	-	-	3,654	-	3,654
Conversion of convertible notes	36,000	54,030	-	-	(22,147)	-	-	-	67,883	-	67,883
Share options cancelled	-	-	-	-	-	-	(60)	60	-	-	-
Fair value change in available-for-sale investments	-	-	-	(23,036)	-	-	-	-	(23,036)	-	(23,036)
<b>At 30th June, 2008</b>	<b>341,008</b>	<b>1,005,622</b>	<b>13,617</b>	<b>(23,036)</b>	<b>-</b>	<b>-</b>	<b>53,306</b>	<b>(122,570)</b>	<b>1,267,947</b>	<b>509,911</b>	<b>1,777,858</b>

# CONDENSED CONSOLIDATED CASH FLOW STATEMENT

For the six months ended 30th June, 2008

		Six months ended 30th June,	
		2008	2007
	Note	HK\$'000	HK\$'000
		(unaudited)	(unaudited)
<b>Net cash used in operating activities</b>		<b>(59,373)</b>	(21,839)
<b>Net cash (used in)/generated from investing activities</b>			
Dividend received from a jointly controlled entity		–	10,538
Deposit received from disposal of interest in an associate held for sale		–	3,000
Proceeds from disposal of subsidiaries		<b>50,000</b>	–
Increase in pledged bank deposits		<b>(19,500)</b>	(6,834)
Acquisition of subsidiaries	21	<b>(183,707)</b>	–
Purchase of property, plant and equipment		<b>(8,380)</b>	(3,874)
Others		<b>1,261</b>	802
		<b>(160,326)</b>	3,632
<b>Net cash generated from financing activities</b>			
Issue of convertible notes		–	115,000
Borrowings raised		–	45,615
Repayment of finance lease obligation		<b>(479)</b>	–
Proceeds from issue of shares (net of share issue expenses paid)		<b>58,141</b>	17,478
Proceeds from issue of shares on exercise of share options		<b>152</b>	11,020
Repayment of borrowings		<b>(50,000)</b>	(86,036)
Issue costs of convertible notes paid		–	(4,432)
Others		–	3,544
		<b>7,814</b>	102,189
Net (decrease)/increase in cash and cash equivalents		<b>(211,885)</b>	83,982
Cash and cash equivalents at beginning of the period		<b>307,582</b>	2,332
Effect of foreign exchange rate changes		<b>4</b>	37
Cash and cash equivalents at end of the period, represented by bank balances and cash		<b>95,701</b>	86,351

The accompanying notes form an integral part of these financial statements.

# NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30th June, 2008

## 1. Basis of preparation

The unaudited condensed consolidated interim financial statements have 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”) and the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited.

### Change in the presentation of revenue

In prior periods, the Group’s revenue included proceeds from securities investment, while the related costs of securities investment were included in cost of sales.

In the current period, the Group has revised the presentation of revenue in order to conform with market practices. The proceeds from securities investment are offset against the cost of securities investment and are presented as net gain on financial assets at fair value through profit or loss in the condensed consolidated income statement.

The effects of the change in the presentation of revenue have been accounted for retrospectively with comparative figures restated. The specific line items affected are as follows:

	Six months ended 30th June,	
	2008	2007
	<i>HK\$’000</i>	<i>HK\$’000</i>
Decrease in revenue	<b>(193,518)</b>	(14,936)
Decrease in cost of sales	<b>192,295</b>	14,485
Increase in net gain on financial assets at fair value through profit or loss	<b>1,223</b>	451
Effect on profit/(loss) for the period	–	–
Effect on basic and diluted earnings/(loss) per share attributable to equity holders of the Company	–	–

## 2. Significant accounting policies

The condensed consolidated financial statements have been prepared on the historical cost basis except for certain financial instruments, which are measured at fair values.

The accounting policies used in the condensed consolidated financial statements are consistent with those followed in the preparation of the annual report of China Yunnan Tin Minerals Group Company Limited (the “Company”) for the year ended 31st December, 2007. The Company and its subsidiaries (collectively referred to as the “Group”) have also adopted the following new accounting policies during the period:

# NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

For the six months ended 30th June, 2008

## 2. Significant accounting policies *(Continued)*

### Business combinations

The acquisition of businesses is accounted for using the purchase method. The cost of the acquisition is measured at the aggregate of the fair values, at the date of exchange, of assets given, liabilities incurred or assumed, and equity instruments issued by the Group in exchange for control of the acquiree, plus any costs directly attributable to the business combination. The acquiree's identifiable assets, liabilities and contingent liabilities that meet the conditions for recognition under Hong Kong Financial Reporting Standard ("HKFRS") 3 Business Combinations are recognised at their fair values at the acquisition date, except for non-current assets (or disposal groups) that are classified as held for sale in accordance with HKFRS 5 Non-current Assets Held for Sale and Discontinued Operations, which are recognised and measured at fair value less costs to sell.

Goodwill arising on acquisition is recognised as an asset and initially measured at cost, being the excess of the cost of the business combination over the Group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities recognised. If, after reassessment, the Group's interest in the net fair value of the acquiree's identifiable assets, liabilities and contingent liabilities exceeds the cost of the business combination, the excess is recognised immediately in profit or loss.

The interest of minority shareholders in the acquiree is initially measured at the minority's proportion of the net fair value of the identifiable assets, liabilities and contingent liabilities recognised.

### Mining right

Mining right is stated at cost less subsequent accumulated amortisation and accumulated impairment losses. Mining right is amortised using the units of production method based on the proven and probable mineral reserves.

### Goodwill

Goodwill arising on an acquisition of a business or a jointly controlled entity (which is accounted for using proportionate consolidation) for which the agreement date is on or after 1st January, 2005 represents the excess of the cost of acquisition over the Group's interest in the fair value of the identifiable assets, liabilities and contingent liabilities of the relevant business or jointly controlled entity at the date of acquisition. Such goodwill is carried at cost less any accumulated impairment losses.

Capitalised goodwill arising on an acquisition of a business or a jointly controlled entity is presented separately in the consolidated balance sheet.

For the purposes of impairment testing, goodwill arising from an acquisition is allocated to each of the relevant cash-generating units, or groups of cash-generating units, that are expected to benefit from the synergies of the acquisition. A cash-generating unit to which goodwill has been allocated is tested for impairment annually, and whenever there is an indication that the unit may be impaired.



# NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

For the six months ended 30th June, 2008

## 2. Significant accounting policies *(Continued)*

### Goodwill *(Continued)*

For goodwill arising on an acquisition in a financial year, the cash-generating unit to which goodwill has been allocated is tested for impairment before the end of that financial year. When the recoverable amount of the cash-generating unit is less than the carrying amount of the unit, the impairment loss is allocated to reduce the carrying amount of any goodwill allocated to the unit first, and then to the other assets of the unit pro rata on the basis of the carrying amount of each asset in the unit. Any impairment loss for goodwill is recognised directly in the consolidated income statement. An impairment loss for goodwill is not reversed in subsequent periods.

On subsequent disposal of the relevant cash-generating unit or a jointly controlled entity, the attributable amount of goodwill capitalised is included in the determination of the amount of profit or loss on disposal.

In the current interim period, the Group has applied, for the first time, the following new interpretations of HKFRSs issued by the HKICPA, which are effective for the Group's financial year beginning 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, Minimum Funding Requirements and their Interaction

The adoption of these new interpretations of HKFRSs 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/revised standards, amendments or interpretations of HKFRSs 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)	Consolidation and Separate Financial Statements <sup>2</sup>
HKFRS 32 & 1 (Amendments)	Puttable Financial Instruments and Obligations Arising on Liquidations <sup>1</sup>
HKFRS 2 (Amendment)	Share-based Payment – 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 New 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 July, 2009.

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

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

The directors of the Company anticipate that the application of these standards, amendments or interpretations will have no material impact on the results and the financial position of the Group.

# NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

For the six months ended 30th June, 2008

## 3. Segment information

### Business segments

For management purposes, the Group is currently organised into four operating divisions – trading of goods, provision of finance, brokerage and securities investment and exploitation and sales of minerals. These divisions are the basis on which the Group reports its primary segment information.

Six months ended 30th June, 2008

	Continuing operations					Discontinued operation		Consolidated HK\$'000
	Trading of goods HK\$'000	Provision of finance HK\$'000	Brokerage and securities investment HK\$'000	Exploitation and sales of minerals HK\$'000	Elimination HK\$'000	Total HK\$'000	Power generation HK\$'000	
<b>REVENUE</b>								
External sales	555,206	21,316	3,667	–	–	580,189	–	580,189
Inter-segment sales*	–	–	841	–	(841)	–	–	–
Total	<u>555,206</u>	<u>21,316</u>	<u>4,508</u>	<u>–</u>	<u>(841)</u>	<u>580,189</u>	<u>–</u>	<u>580,189</u>
<b>RESULTS</b>								
Segment results	10,425	21,451	928	(886)	–	31,918	–	31,918
Unallocated corporate income						1,625	–	1,625
Unallocated corporate expenses						(15,050)	–	(15,050)
Finance costs						(2,182)	–	(2,182)
Share of profit of a jointly controlled entity						6,493	–	6,493
Profit before taxation						22,804	–	22,804
Income tax expense						(670)	–	(670)
Profit for the period						<u>22,134</u>	<u>–</u>	<u>22,134</u>

# NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

For the six months ended 30th June, 2008

## 3. Segment information *(Continued)*

### Business segments *(Continued)*

Six months ended 30th June, 2007

	Continuing operations				Discontinued operation		Consolidated HK\$'000
	Trading of goods HK\$'000	Provision of finance HK\$'000	Brokerage and securities investment HK\$'000	Elimination HK\$'000	Total HK\$'000	Power generation HK\$'000	
<b>REVENUE</b>							
External sales	122,246	6,070	4,025	–	132,341	86,835	219,176
Inter-segment sales*	–	–	775	(775)	–	–	–
<b>Total</b>	<u>122,246</u>	<u>6,070</u>	<u>4,800</u>	<u>(775)</u>	<u>132,341</u>	<u>86,835</u>	<u>219,176</u>
<b>RESULTS</b>							
Segment results	1,254	11,275	2,558	–	15,087	5,148	20,235
Unallocated corporate income					4,196	–	4,196
Unallocated corporate expenses					(12,856)	–	(12,856)
Provision for litigation claim					–	(3,000)	(3,000)
Finance costs					(4,993)	(7,466)	(12,459)
Share of profit of a jointly controlled entity					1,809	–	1,809
Profit/(loss) before taxation					3,243	(5,318)	(2,075)
Income tax expense					–	(1,565)	(1,565)
Profit/(loss) for the period					<u>3,243</u>	<u>(6,883)</u>	<u>(3,640)</u>

\* Inter-segment sales were charged at cost plus margin basis as agreed between both parties.

# NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

For the six months ended 30th June, 2008

## 4. Income tax expense

	<b>Six months ended 30th June,</b>	
	<b>2008</b>	2007
	<i>HK\$'000</i>	<i>HK\$'000</i>
<b>Continuing operations</b>		
Hong Kong Profits Tax	<b>670</b>	–
<b>Discontinued operation</b>		
Deferred tax	–	1,565
	<u><b>670</b></u>	<u>1,565</u>

Hong Kong Profits Tax for the period ended 30th June, 2008 was calculated at 16.5% of the estimated assessable profit for the period.

No provision for Hong Kong Profits Tax has been made for the period ended 30th June, 2007 as the Group had no assessable profit subject to Hong Kong Profits Tax for the period.

# NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

For the six months ended 30th June, 2008

## 5. Profit/(loss) for the period

	Continuing operations		Discontinued operation		Consolidated	
	Six months ended 30th June, 2008		Six months ended 30th June, 2007		Six months ended 30th June, 2007	
	2008	2007	2008	2007	2008	2007
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
<b>Profit/(loss) for the period has been arrived at after charging:</b>						
Staff costs including directors' remuneration	6,140	4,517	-	548	6,140	5,065
Equity settled share-based payment expenses	-	4,519	-	-	-	4,519
Retirement benefits schemes contributions	205	164	-	408	205	572
Total staff costs	6,345	9,200	-	956	6,345	10,156
Amortisation of:						
prepaid lease payment	-	-	-	454	-	454
trading right	50	50	-	-	50	50
Depreciation of						
property, plant and equipment	1,223	382	-	14,984	1,223	15,366
Share of taxation of a jointly controlled entity (included in share of profit of a jointly controlled entity)	2,152	946	-	-	2,152	946
Cost of inventories recognised as expenses	510,358	117,170	-	58,183	510,358	175,353
Loss on disposal of property, plant and equipment	51	-	-	-	51	-
<b>and after crediting:</b>						
Other income						
Interest income on:						
Bank deposits	1,254	802	-	-	1,254	802
Sale proceeds on disposal of an associate and subsidiaries	600	3,700	-	-	600	3,700
Other loan and receivables	1,413	692	-	-	1,413	692
Total interest income	3,267	5,194	-	-	3,267	5,194
Reversal of impairment losses on short-term loans receivable	270	4,809	-	-	270	4,809
Exchange difference	33	-	-	-	33	-
Sundry income	329	1,335	-	1,604	329	2,939
	3,899	11,338	-	1,604	3,899	12,942
<b>Net gain on financial assets at fair value through profit or loss:</b>						
Net realised gain on financial assets at fair value through profit or loss	1,223	451	-	-	1,223	451
Unrealised loss on financial assets at fair value through profit or loss	(1,221)	(76)	-	-	(1,221)	(76)
	2	375	-	-	2	375

# NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

For the six months ended 30th June, 2008

## 6. Dividends

No dividends were declared during the period (six months ended 30th June, 2007: nil).

## 7. Earnings/(loss) per share

### From continuing and discontinued operations

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

	<b>Six months ended 30th June,</b>	
	<b>2008</b>	<b>2007</b>
	<b>HK\$'000</b>	<b>HK\$'000</b>
<i>Earnings/(loss)</i>		
Earnings/(loss) attributable to the equity holders of the Company	<u>22,516</u>	<u>(2,269)</u>
	<b>Six months ended 30th June,</b>	
	<b>2008</b>	<b>2007</b>
	<b>'000</b>	<b>'000</b>
<i>Number of shares</i>		
Weighted average number of shares for the purposes of basic earnings/(loss) per share	<b>3,176,714</b>	166,504
Effect of bonus issue of three shares for every one share held on 7th November, 2007	<u>—</u>	<u>499,512</u>
Weighted average number of shares for the purposes of basic earnings/(loss) per share	<u><b>3,176,714</b></u>	<u>666,016</u>

Basic and diluted earnings per share for continuing and discontinued operations for the six months ended 30th June, 2008 were equal because conversion of convertible notes into shares would not decrease the earnings per share.

Basic and diluted loss per share for continuing and discontinued operations for the six months ended 30th June, 2007 have been presented as equal because conversion of convertible notes into shares would result in a decrease in loss per share.

# NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

For the six months ended 30th June, 2008

## 7. Earnings/(loss) per share *(Continued)*

### From continuing operations

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

	<b>Six months ended 30th June,</b>	
	<b>2008</b>	2007
	<b>HK\$'000</b>	HK\$'000
<i>Earnings</i>		
Earnings attributable to the equity holders of the Company	<u>22,516</u>	<u>3,243</u>

	<b>Six months ended 30th June,</b>	
	<b>2008</b>	2007
	<b>'000</b>	'000
<i>Number of shares</i>		
Weighted average number of shares for the purposes of basic earnings per share	<b>3,176,714</b>	166,504
Effect of bonus issue of three shares for every one share held on 7th November, 2007	<u>–</u>	<u>499,512</u>
Weighted average number of shares for the purposes of basic earnings per share	<u><b>3,176,714</b></u>	<u>666,016</u>

Basic and diluted earnings per share for continuing operations for the six months ended 30th June, 2008 were equal because conversion of convertible notes into shares would not decrease the earnings per share.

Basic and diluted earnings per share for continuing operations for the six months ended 30th June, 2007 have been presented as equal because conversion of convertible notes into shares would increase the earnings per share.

# NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

For the six months ended 30th June, 2008

## 8. Movements in property, plant and equipment

During the period, the Group incurred costs for leasehold improvements and motor vehicles of approximately HK\$4,527,000 and HK\$3,878,000 respectively, and other property, plant and equipment at a cost of approximately HK\$2,275,000 for the purpose of expanding the Group's operations.

As at 30th June, 2008, a property, plant and equipment with a carrying amount of HK\$2,862,000 was held under finance leases (as at 31st December, 2007: nil).

## 9. Available-for-sale investments

The available-for-sale investments represent the Group's listed investment in YTC Resources Limited of which its shares are listed on the Australian Securities Exchange. The available-for-sale investments are stated at fair value.

## 10. Other assets

Other assets are statutory deposits paid to government regulators in relation to the Group's licensed activities in the Hong Kong securities market.

## 11. Mining right

	<b>Mining right</b> <b>HK\$'000</b>
<b>Cost</b>	
At 1st January, 2008	–
Acquisition of subsidiaries	<u>1,364,000</u>
At 30th June, 2008	<u><u>1,364,000</u></u>

The mining right was obtained by the Group through acquisition of subsidiaries. For details of the acquisition, please refer to note 21 of the condensed consolidated financial statements.

The right represents the mining right of the bauxite ore mine located in Yuanping City, Shanxi Province, the People's Republic of China ("PRC"), and has a duration of three years. In the opinion of the directors, the Group will be able to renew the mining right with the relevant government authorities continuously at minimal charges.

The mining right is amortised over 15 – 20 years using the units of production method based on the proven and probable mineral reserves under the assumption that the Group can renew the mining right continuously till all proven reserves have been mined.

No amortisation was provided for the period ended 30th June, 2008 as commercial production of the mine has not yet commenced during the period.



# NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

For the six months ended 30th June, 2008

## 12. Trade and other receivables/bills receivable

	<b>As at 30th June, 2008 HK\$'000</b>	As at 31st December, 2007 HK\$'000
Trade receivables	<b>51,048</b>	96,701
Less: impairment loss recognised	<b>(1,394)</b>	(1,394)
	<u><b>49,654</b></u>	<u>95,307</u>
Other receivables and prepayments	<b>214,752</b>	165,642
Less: impairment loss recognised	<b>(356)</b>	(356)
	<u><b>214,396</b></u>	<u>165,286</u>
Bills receivable	<u><b>2,403</b></u>	<u>1,389</u>
	<u><b>266,453</b></u>	<u>261,982</u>

The settlement term of trade receivables arising from securities dealing business is two days after the trade date. Trade receivables arising from securities dealing business are as follows:

	<b>As at 30th June, 2008 HK\$'000</b>	As at 31st December, 2007 HK\$'000
Cash account clients	<b>824</b>	4,408
Clearing house	<b>25,371</b>	69,852
Margin account clients	<b>24,727</b>	22,315
Others	<u><b>126</b></u>	<u>126</u>
	<u><b>51,048</b></u>	<u>96,701</u>

# NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

For the six months ended 30th June, 2008

## 12. Trade and other receivables/bills receivable *(Continued)*

The Group allows an average credit period of 60 days to its other trade customers. The following is an aged analysis of trade receivables and bills receivable (other than arising from securities dealing business) at the balance sheet date:

	<b>As at 30th June, 2008 HK\$'000</b>	As at 31st December, 2007 HK\$'000
0 to 60 days	<u>2,403</u>	<u>1,389</u>

## 13. Pledged bank deposits

As at 30th June, 2008, a bank deposit of approximately HK\$19,500,000 was pledged to secure bank trading facilities granted from a local financial institution.

## 14. Bank balances held under segregated trust accounts

As a subsidiary of the Company is principally engaged in the business of securities dealing and brokerage, it receives and holds money deposited by clients and other institutions in the course of conduct of the regulated activities. These clients' monies are maintained in one or more segregated trust bank accounts. The Group has recognised the corresponding account payables to respective clients and other institutions. However, the Group does not have a currently enforceable right to offset these payables with the deposits placed.

# NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

For the six months ended 30th June, 2008

## 15. Trade and other payables/bills payable

	<b>As at 30th June, 2008 HK\$'000</b>	As at 31st December, 2007 HK\$'000
Trade payables arising from securities dealing business:		
Cash account clients	4,567	12,754
Clearing house	88	158
Margin account clients	1,537	3,967
Others	<u>86</u>	<u>111</u>
	<u>6,278</u>	<u>16,990</u>
Trade payables and bills payable arising from other businesses:		
0 to 60 days	<u>3,397</u>	<u>2,179</u>
Other payables	<u>14,604</u>	<u>15,448</u>
	<u>24,279</u>	<u>34,617</u>

## 16. Other borrowing

	<b>As at 30th June, 2008 HK\$'000</b>	As at 31st December, 2007 HK\$'000
Secured other loan	<u>—</u>	<u>50,000</u>

As at 31st December, 2007, the Group's equity interest in Equal Link Investments Limited, a wholly-owned subsidiary of the Company which in turn holds 30% equity interest in a jointly controlled entity, was pledged to an independent third party for credit facilities granted to the Group. At 31st December, 2007, an amount of HK\$50,000,000 of such facilities was utilised. The amount was fully repaid during the period ended 30th June, 2008.

## 17. Promissory notes

On 12th March, 2008, the Group issued two promissory notes both in principal amount of HK\$70,000,000, due on 12th September, 2008 and 12th June, 2009 respectively. The promissory notes were issued for acquiring the entire interest in Jebson Investments Limited ("Jebson") (note 21) and bear interest at 5% per annum, payable on the due dates of the promissory notes.

# NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

For the six months ended 30th June, 2008

## 17. Promissory notes *(Continued)*

Movements of the promissory notes for the period are set out as below:

	<b>Promissory note due on 12th September, 2008 HK\$'000</b>	<b>Promissory note due on 12th June, 2009 HK\$'000</b>	<b>Total HK\$'000</b>
At 1st January, 2008	–	–	–
Fair value at date of issue	69,835	69,511	139,346
Interest expenses charged	587	1,143	1,730
Interest payable	–	(1,055)	(1,055)
Less: repayment during the period	<u>(70,422)</u>	<u>–</u>	<u>(70,422)</u>
At 30th June, 2008	<u>–</u>	<u>69,599</u>	<u>69,599</u>

In April 2008, the Group elected to early repay the promissory note which would due on 12th September, 2008.

## 18. Convertible notes

On 16th February, 2007, the Company entered into a placing agreement with GT Capital Limited (“GT Capital”), a wholly-owned subsidiary of the Company, to place a series of convertible notes up to an aggregate principal amount of HK\$500,000,000 to be issued by the Company (“Convertible Notes”).

The Company has agreed that GT Capital may, at any time during the period between the date immediately following the date of satisfaction of the convertible notes conditions precedent and the 270th day following such date (or such later date as the parties may agree), both dates inclusive, require the Convertible Notes to be issued up to ten tranches with the principal amount of each tranche being not less than HK\$50,000,000 and the maximum aggregate principal amount for all tranches not to more than HK\$500,000,000.

During the year ended 31st December, 2007, four tranches of Convertible Notes were issued with aggregate principal amounts of HK\$65,000,000, HK\$50,000,000, HK\$295,000,000 and HK\$90,000,000 on 26th April, 2007, 4th June, 2007, 27th July, 2007 and 31st December, 2007 respectively, totaling HK\$500,000,000, at an initial conversion price of HK\$1.00 per conversion share.

# NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

For the six months ended 30th June, 2008

## 18. Convertible notes *(Continued)*

The Convertible Notes bear an interest rate of 2% per annum payable in six months intervals from the date of issue of the Convertible Notes. The effective interest rate of the liability component ranges from 11.7% to 12.76%.

The maturity dates are on the third anniversary of the date of issue of each tranche of the Convertible Notes. Any outstanding Convertible Notes can be redeemed by the Company during the redemption period commencing the first anniversary of the date of issue of the Convertible Notes.

The movement of liabilities component of the Convertible Notes for the period is set out below:

	<b>As at 30th June, 2008 HK\$'000</b>
Amortised cost at the beginning of the period	67,853
Interest expenses	45
Interest paid	(15)
Converted into ordinary shares	<u>(67,883)</u>
Balance at the end of period	<u><u>-</u></u>

All Convertible Notes issued were fully converted and no Convertible Notes were outstanding as at the period end date.

## 19. Share capital

	<b>Number of shares '000</b>	<b>Amount HK\$'000</b>
Authorised:		
At 1st January, 2008 and 30th June, 2008		
ordinary shares of HK\$0.10 each	<u>9,000,000</u>	<u>900,000</u>
Issued and fully paid:		
At 1st January, 2008 ordinary shares of HK\$0.10 each	2,599,683	259,968
Issue of shares <i>(note (a))</i>	450,000	45,000
Issue of shares on exercise of share options <i>(note (b))</i>	400	40
Issue of shares on conversion of convertible notes <i>(note (c))</i>	<u>360,000</u>	<u>36,000</u>
At 30th June, 2008 ordinary shares of HK\$0.10 each	<u><b>3,410,083</b></u>	<u><b>341,008</b></u>

# NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

For the six months ended 30th June, 2008

## 19. Share capital *(Continued)*

Details of the changes in the Company's share capital for the six months ended 30th June, 2008 are as follows:

- (a) (i) Pursuant to the conditional sale and purchase agreement for the acquisition of Jebson entered into on 24th December, 2007 and upon completion of the transaction on 12th March, 2008, the Company issued 250,000,000 shares of the Company of HK\$0.10 each to Oriental Pine Investments Limited at an issue price of HK\$1.20 per share. Details of the transaction are set out in note 21 and the Company's circular dated on 22nd February, 2008.
- (ii) Pursuant to the amended share purchase and subscription agreement entered into between the Company and Yunnan Tin Australia Investment Holding Company Pty Ltd (the "Vendor") on 28th February, 2008 and upon completion of the transaction on 30th April, 2008, the Company issued 200,000,000 shares of the Company of HK\$0.10 each to the Vendor and its nominee at an issue price of HK\$0.54 per share.
- (b) During the six months ended 30th June, 2008, the Company issued 400,000 shares of HK\$0.10 each at an issue price of HK\$0.38 per share (adjusted for the effects of bonus issue of three bonus shares for every one share held on 7th November, 2007) on exercise of share options which were granted on 23rd March, 2007. These shares issued rank pari passu in all respects with the then existing shares.
- (c) During the six months ended 30th June, 2008, convertible notes issued by the Company in the aggregate principal amount of HK\$90,000,000 were converted into 360,000,000 shares of HK\$0.10 each of the Company at a conversion price of HK\$0.25 per share (adjusted for the effects of bonus issue of three bonus shares for every one share held on 7th November, 2007). These shares issued rank pari passu in all respects with the then existing shares. Details of the convertible notes are set out in note 18.

## 20. Capital commitments

	<b>As at 30th June, 2008 HK\$'000</b>	As at 31st December, 2007 HK\$'000
Capital expenditure contracted for but not provided in the consolidated financial statements in respect of acquisition of property, plant and equipment	–	6,020
Capital expenditure authorised but not contracted for in respect of acquisition of property, plant and equipment	<u>116,508</u>	<u>–</u>
	<u><b>116,508</b></u>	<u>6,020</u>

# NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

For the six months ended 30th June, 2008

## 21. Acquisition of subsidiaries

On 24th December, 2007, the Company entered into a conditional sale and purchase agreement to acquire the entire issued share capital of Jebson, which holds 51% interest in Baoding Taite Fuxin Kuangye Co. Ltd and 原平市恒田實業有限公司 (literally translated as Yuanping Hengtian Industrial Company Limited), and shareholder's loan at an aggregate consideration of HK\$700,000,000. The principal activities of Jebson and its subsidiaries are exploitation and sales of bauxite ore. The acquisition was approved by shareholders on 10th March, 2008 and completed on 12th March, 2008.

The net assets acquired in the transaction and the goodwill arising are as follows:

	<b>Acquiree's carrying amount HK\$'000</b>	<b>Fair value adjustment HK\$'000</b>	<b>Fair value HK\$'000</b>
Net assets acquired:			
Mining right	–	1,364,000	1,364,000
Cash and bank balances	88	–	88
Other payables and accruals	(2,339)	–	(2,339)
Deferred tax liabilities	–	(341,000)	(341,000)
	<u>(2,251)</u>	<u>1,023,000</u>	1,020,749
Less: minority interests			(510,293)
Goodwill <i>(note i)</i>			<u>1,600</u>
			<u>512,056</u>
Total consideration satisfied by:			
Cash consideration			260,000
Issue of shares <i>(note iii)</i>			108,750
Issue of promissory notes <i>(note iv)</i>			139,346
Direct attributable costs			<u>3,960</u>
Total consideration			<u>512,056</u>

# NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

For the six months ended 30th June, 2008

## 21. Acquisition of subsidiaries *(Continued)*

	<b>HK\$'000</b>
Net cash outflow in respect of acquisition of subsidiaries for the six months ended 30th June, 2008 is as follow:	
Cash and bank balances acquired	88
Cash consideration paid	(182,835)
Direct attributable costs paid	(960)
	<u>(183,707)</u>

### Notes:

- i. Goodwill arose in the business combination because the cost of the business combination included a control premium paid to acquire Jebson and its subsidiaries. Such control premium is not recognised separately from goodwill as the future economic benefits arising from it cannot be reliably measured.
- ii. During the period between the date of acquisition and 30th June, 2008, Jebson and its subsidiaries contributed loss of approximately HK\$783,000 to the Group's profit after taxation. None of Jebson and its subsidiaries contributed any revenue to the Group during the period.
- iii. The share consideration for acquisition of Jebson was settled through issue of 250,000,000 shares of the Company. The fair value of the share consideration was determined in accordance with the quoted market price of the Company's share as at the completion date of the acquisition.
- iv. The fair value of the promissory notes issued has been arrived at by reference of discounted cash flow method.
- v. If the acquisition had been completed on 1st January, 2008, the Group's total revenue and profit for the period would have been approximately HK\$580,189,000 and HK\$20,364,000 respectively. The pro forma information is for illustrative purposes only and is not necessarily an indication of revenue and results of the Group that actually would have been achieved had the acquisition been completed on 1st January, 2008, nor is it intended to be a projection of future results.

## 22. Contingent liabilities

As at 30th June, 2008, there was no material contingent liability (as at 31st December, 2007: nil).



# NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

*For the six months ended 30th June, 2008*

## **23. Material related party transactions**

During the six months ended 30th June, 2008, there was no material related party transaction (six months ended 30th June, 2007: nil).

## **24. Comparative figures**

Certain comparative figures have been adjusted to conform with changes in disclosures in the current period.

## **25. Post balance sheet events**

There was no significant event occurred subsequent to the balance sheet date.

## OTHER INFORMATION

### CHANGE OF COMPANY NAME

Pursuant to a special resolution passed by the shareholders of the Company at the extraordinary general meeting held on 17th April, 2008 and the Certificate of Incorporation on Change of Name issued by the Registrar of Companies in Hong Kong on 16th May, 2008, the name of the Company was changed from "Poly Investments Holdings Limited 保興投資控股有限公司" to "China Yunnan Tin Minerals Group Company Limited 中國雲錫礦業集團有限公司" with effect from 16th May, 2008.

### INTERIM DIVIDENDS

The Company had no distributable reserve at 30th June, 2008. The directors of the Company have resolved not to declare an interim dividend for the six months ended 30th June, 2008 (2007: nil).

### DIRECTORS' INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES

As at 30th June, 2008, the interests of the directors and chief executive of the Company in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")), as recorded in the register required to be kept under section 352 of the SFO, or as otherwise notified to the Company and The Stock Exchange of Hong Kong Limited (the "Stock Exchange") pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") contained in the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules"), were as follows:

Name of director	Capacity	Number of shares	Number of underlying shares	Total interests	Approximate percentage of the issued share capital of the Company
Suen Cho Hung, Paul	Interest held by controlled corporation	743,263,096 (note 1)	–	–	–
	Beneficial owner	5,800,000	–	749,063,096	21.97%
Sue Ka Lok	Beneficial owner	800,000	10,000,000 (note 2)	10,800,000	0.32%
Chen Shuda	Interest held by controlled corporation	269,832,000 (note 3)	–	–	–
	Beneficial owner	31,608,000	–	301,440,000	8.84%
Ong Lily Lee	Interest held by controlled corporation	250,000,000 (note 4)	–	250,000,000	7.33%

## OTHER INFORMATION *(Continued)*

### DIRECTORS' INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES *(Continued)*

Name of director	Capacity	Number of shares	Number of underlying shares	Total interests	Approximate percentage of the issued share capital of the Company
Ng Shin Kwan, Christine	Beneficial owner	–	16,780,000 <i>(note 5)</i>	16,780,000	0.49%
Sun Ka Ziang, Henry	Beneficial owner	200,000	52,000 <i>(note 6)</i>	252,000	0.01%
Kwok Ming Fai	Beneficial owner	–	252,000 <i>(note 7)</i>	252,000	0.01%
Wong Yun Kuen	Beneficial owner	200,000	52,000 <i>(note 8)</i>	252,000	0.01%

#### Notes:

- 1) These shares are beneficially owned by Top Media Resources Limited as to 143,263,096 shares and Oriental Genesis Limited as to 600,000,000 shares. Top Media Resources Limited and Oriental Genesis Limited are wholly-owned by All Sino Resources Limited which in turn is wholly-owned by Mr. Suen Cho Hung, Paul. Accordingly, Mr. Suen Cho Hung, Paul and All Sino Resources Limited were deemed to be interested in 743,263,096 shares under the SFO.
- 2) This represents the interest of Mr. Sue Ka Lok in 10,000,000 underlying shares issuable under the share options granted by the Company to him on 3rd December, 2007 under the share option scheme of the Company adopted by shareholders of the Company on 8th November, 2006 ("Share Option Scheme"). The consideration paid by Mr. Sue Ka Lok on acceptance of the share options granted was HK\$1.00. The exercise price is HK\$1.22 per share and the exercise period is between 3rd December, 2007 and 2nd December, 2017.
- 3) These shares are beneficially owned by Super Union Group Limited. Super Union Group Limited is wholly-owned by Mr. Chen Shuda. Accordingly, Mr. Chen Shuda is deemed to be interested in 269,832,000 shares under the SFO.
- 4) These shares are beneficially owned by Oriental Pine Investments Limited. Oriental Pine Investments Limited is wholly-owned by Ms. Ong Lily Lee. Accordingly, Ms. Ong Lily Lee is deemed to be interested in 250,000,000 shares under the SFO.
- 5) This represents the interest of Ms. Ng Shin Kwan, Christine in 16,780,000 underlying shares issuable under the share options granted by the Company to her on 3rd December, 2007 under the Share Option Scheme. The consideration paid by Ms. Ng Shin Kwan, Christine on acceptance of the share options granted was HK\$1.00. The exercise price is HK\$1.22 per share and the exercise period is between 3rd December, 2007 and 2nd December, 2017.

## OTHER INFORMATION *(Continued)*

### DIRECTORS' INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES *(Continued)*

Notes: *(Continued)*

- 6) This represents the interest of Mr. Sun Ka Ziang, Henry in 52,000 underlying shares issuable under the share options granted by the Company to him on 3rd December, 2007 under the Share Option Scheme. The consideration paid by Mr. Sun Ka Ziang, Henry on acceptance of the share options granted was HK\$1.00. The exercise price is HK\$1.22 per share and the exercise period is between 3rd December, 2007 and 2nd December, 2017.
- 7) This represents the interest of Mr. Kwok Ming Fai in 252,000 underlying shares, of which, 200,000 underlying shares issuable under the share options granted by the Company to him on 23rd March, 2007 and 52,000 underlying shares issuable under the share options granted by the Company to him on 3rd December, 2007 under the Share Option Scheme. The consideration paid by Mr. Kwok Ming Fai on acceptance of the share options granted was HK\$1.00 for each grant of share options. For the 200,000 share options, the exercise price is HK\$0.38 per share (adjusted for the effect of bonus issue of three bonus shares for every one share held on 7th November, 2007) and the exercise period is between 23rd March, 2007 and 22nd March, 2017. For the remaining 52,000 share options, the exercise price is HK\$1.22 per share and the exercise period is between 3rd December, 2007 and 2nd December, 2017.
- 8) This represents the interest of Dr. Wong Yun Kuen in 52,000 underlying shares issuable under the share options granted by the Company to him on 3rd December, 2007 under the Share Option Scheme. The consideration paid by Dr. Wong Yun Kuen on acceptance of the share options granted was HK\$1.00. The exercise price is HK\$1.22 per share and the exercise period is between 3rd December, 2007 and 2nd December, 2017.

Save as disclosed above, at 30th June, 2008, none of the directors or chief executive of the Company had any interests or short positions in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which required to be recorded in the register kept by the Company pursuant to Section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.

### SHARE OPTION SCHEME

The existing share option scheme was approved and adopted by the shareholders of the Company at the extraordinary general meeting held on 8th November, 2006 ("Share Option Scheme"). The primary purpose of the Share Option Scheme is to provide participants with the opportunity to acquire proprietary interests in the Company and to encourage participants to work towards enhancing the value of the Company and its shares for the benefit of the Company and its shareholders as a whole. Further details of the Share Option Scheme are as disclosed in the Company's 2007 Annual Report.

## OTHER INFORMATION *(Continued)*

### SHARE OPTION SCHEME *(Continued)*

Movement of share options under the Share Option Scheme during the six months ended 30th June, 2008 were as follows:

Name or category of participant	Date of grant	Exercise period	Exercise price per share HK\$	Number of share options				Outstanding at 30th June, 2008
				Outstanding at 1st January, 2008	Granted during the period	Exercised during the period	Cancelled during the period	
<b>Directors</b>								
Sue Ka Lok	3.12.2007	3.12.2007–2.12.2017	1.22	10,000,000	–	–	–	10,000,000
Ng Shin Kwan, Christine	3.12.2007	3.12.2007–2.12.2017	1.22	16,780,000	–	–	–	16,780,000
Sun Ka Ziang, Henry	23.3.2007	23.3.2007–22.3.2017	0.38	200,000	–	(200,000)	–	–
	3.12.2007	3.12.2007–2.12.2017	1.22	52,000	–	–	–	52,000
Kwok Ming Fai	23.3.2007	23.3.2007–22.3.2017	0.38	200,000	–	–	–	200,000
	3.12.2007	3.12.2007–2.12.2017	1.22	52,000	–	–	–	52,000
Wong Yun Kuen	23.3.2007	23.3.2007–22.3.2017	0.38	200,000	–	(200,000)	–	–
	3.12.2007	3.12.2007–2.12.2017	1.22	52,000	–	–	–	52,000
Subtotal:				<u>27,536,000</u>	<u>–</u>	<u>(400,000)</u>	<u>–</u>	<u>27,136,000</u>
<b>Employees other than directors in aggregate</b>								
	23.3.2007	23.3.2007–22.3.2017	0.38	40,000	–	–	–	40,000
	3.12.2007	3.12.2007–2.12.2017	1.22	2,188,000	–	–	(120,000)	2,068,000
Subtotal:				<u>2,228,000</u>	<u>–</u>	<u>–</u>	<u>(120,000)</u>	<u>2,108,000</u>
<b>Other participants in aggregate</b>								
	3.12.2007	3.12.2007–2.12.2017	1.22	77,940,000	–	–	–	77,940,000
Subtotal:				<u>77,940,000</u>	<u>–</u>	<u>–</u>	<u>–</u>	<u>77,940,000</u>
<b>Total:</b>				<u>107,704,000</u>	<u>–</u>	<u>(400,000)</u>	<u>(120,000)</u>	<u>107,184,000</u>

## OTHER INFORMATION *(Continued)*

### SHARE OPTION SCHEME *(Continued)*

Notes:

- a) There was no vesting period for the outstanding share options as at 30th June, 2008.
- b) The weighted average closing price of shares quoted on the Stock Exchange on the trading dates immediately before the dates on which the share options were exercised was HK\$1.09.
- c) There were no share options lapsed during the six months period ended 30th June, 2008.

### DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

Save as disclosed in the sections headed "Directors' interests and short positions in shares, underlying shares and debentures" and "Share Option Scheme" above, at no time during the six months ended 30th June, 2008 was the Company or any of its subsidiaries a party to any arrangements to enable the directors of the Company to acquire benefits by means of the acquisition of shares in, or debt securities (including debentures) of, the Company or any other body corporate, and none of the directors or their spouse or children under the age of eighteen, had any rights to subscribe for the securities of the Company, or had exercised any such rights during the period.

### INTERESTS AND SHORT POSITIONS OF SHAREHOLDERS DISCLOSEABLE UNDER THE SFO

As at 30th June, 2008, the register of interest kept by the Company under section 336 of the SFO showed that the following shareholders had notified the Company of relevant interests in the issued share capital of the Company:

Name of Shareholder	Capacity	Number of shares	Total interests	Approximate percentage of the issued share capital of the Company
Suen Cho Hung, Paul	Interest held by controlled corporation	743,263,096 <i>(note 1)</i>	–	–
	Beneficial owner	5,800,000	749,063,096	21.97%
All Sino Resources Limited	Interest held by controlled corporation	743,263,096 <i>(note 1)</i>	743,263,096	21.80%
Oriental Genesis Limited	Beneficial owner	600,000,000	600,000,000	17.59%
Chen Shuda	Interest held by controlled corporation	269,832,000 <i>(note 2)</i>	–	–
	Beneficial owner	31,608,000	301,440,000	8.84%

## OTHER INFORMATION *(Continued)*

### INTERESTS AND SHORT POSITIONS OF SHAREHOLDERS DISCLOSEABLE UNDER THE SFO *(Continued)*

Name of Shareholder	Capacity	Number of shares	Total interests	Approximate percentage of the issued share capital of the Company
Super Union Group Limited	Beneficial owner	269,832,000	269,832,000	7.91%
Ong Lily Lee	Interest held by controlled corporation	250,000,000 <i>(note 3)</i>	250,000,000	7.33%
Oriental Pine Investments Limited	Beneficial owner	250,000,000	250,000,000	7.33%
Yunnan Tin Australia Investment Holding Company Pty Ltd	Beneficial owner	89,055,556	–	–
	Interest held by controlled corporation	110,944,444 <i>(note 4)</i>	200,000,000	5.86%
雲南錫業集團(控股)有限責任公司 (literally translated as Yunnan Tin Group (Holding) Co Limited)	Interest held by controlled corporation	200,000,000 <i>(note 5)</i>	200,000,000	5.86%

## OTHER INFORMATION *(Continued)*

### INTERESTS AND SHORT POSITIONS OF SHAREHOLDERS DISCLOSEABLE UNDER THE SFO *(Continued)*

Notes:

- 1) These shares are beneficially owned by Top Media Resources Limited as to 143,263,096 shares and Oriental Genesis Limited as to 600,000,000 shares. Top Media Resources Limited and Oriental Genesis Limited are wholly-owned by All Sino Resources Limited which in turn is wholly-owned by Mr. Suen Cho Hung, Paul. Accordingly, Mr. Suen Cho Hung, Paul and All Sino Resources Limited were deemed to be interested in 743,263,096 shares under the SFO.
- 2) These shares are beneficially owned by Super Union Group Limited. Super Union Group Limited is wholly-owned by Mr. Chen Shuda. Accordingly, Mr. Chen Shuda is deemed to be interested in 269,832,000 shares under the SFO.
- 3) These shares are beneficially owned by Oriental Pine Investments Limited. Oriental Pine Investments Limited is wholly-owned by Ms. Ong Lily Lee. Accordingly, Ms. Ong Lily Lee is deemed to be interested in 250,000,000 shares under the SFO.
- 4) These shares are beneficially owned by Wise Peace Limited ("Wise Peace"). Wise Peace is wholly-owned by Yunnan Tin Australia Investment Holding Company Pty Ltd ("YTA"). Accordingly, YTA was deemed to be interested in 110,944,444 shares under the SFO.
- 5) These shares are beneficially owned by Wise Peace as to 110,944,444 shares and YTA as to 89,055,556 shares. Wise Peace is wholly-owned by YTA and YTA is in turn wholly-owned by Yunnan Tin Group (Holding) Co Limited. Accordingly, Yunnan Tin Group (Holding) Co Limited was deemed to be interested in 200,000,000 shares under the SFO.

Save as disclosed above, the Company has not been notified of any other relevant interests or short positions in the shares and underlying shares of the Company as at 30th June, 2008 as required pursuant to section 336 of the SFO.

### PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S LISTED SHARES

Neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed shares during the six months ended 30th June, 2008.



## OTHER INFORMATION *(Continued)*

### CORPORATE GOVERNANCE

The condensed consolidated financial statements of the Company for the six months ended 30th June, 2008 have not been audited, but have been reviewed by the Audit Committee of the Company and external auditors of the Company.

The Company had complied throughout the six months ended 30th June, 2008 with the code provisions set out in the Code on Corporate Governance Practices as set out in Appendix 14 of the Listing Rules.

The Company has adopted the Model Code as set out in Appendix 10 to the Listing Rules as the code of conduct regarding securities transactions by directors. All directors have confirmed, following specific enquiry by the Company, that they have fully complied with the required standard set out in the Model Code throughout the six months ended 30th June, 2008.

By Order of the Board

**Sue Ka Lok**

*Chief Executive Officer*

Hong Kong, 25th September, 2008