華南

Wah Nam International Holdings Limited

(Incorporated in Bermuda with limited liability)

Stock Code: 159

Annual Report 2008

CONTENTS

CORPORATE INFORMATION

BOARD OF DIRECTORS

Executive Directors

Luk Kin Peter Joseph *(Chairman)*
Chan Kam Kwan, Jason

Independent Non-executive Directors

Lau Kwok Kuen, Eddie *(Chairman of the Audit Committee and Remuneration Committee)*
Uwe Henke Von Parpart
Wilton Timothy Carr Ingram

COMPANY SECRETARY

Chan Kam Kwan, Jason

AUDITORS

PricewaterhouseCoopers
Certified Public Accountants

REGISTERED OFFICE

Clarendon House
2 Church Street
Hamilton HM11
Bermuda

SHARE REGISTRAR

Butterfield Fund Services (Bermuda) Limited
Rosebank Centre
11 Bermudiana Road
Pembroke HM08
Bermuda

BRANCH SHARE REGISTRAR IN HONG KONG

Tricor Secretaries Limited
26th Floor
Tesbury Centre
28 Queen's Road East
Wanchai, Hong Kong

PRINCIPAL PLACE OF BUSINESS IN HONG KONG

Room 2805, 28/F.,
Shun Tak West Tower,
Shun Tak Centre,
168-200 Connaught Road Central,
Sheung Wan, Hong Kong

PRINCIPAL BANKER

Hang Seng Bank

WEBSITE

www.wnintl.com
www.irasia.com/listco/hk/wahnam

STOCK CODE

159
(Main Board of The Stock Exchange of Hong Kong Limited)

CHAIRMAN'S STATEMENT

During the year of 2008 and in the year preceding, the Group has undergone a business restructuring, shifting its core business from toll road operation, to the limousine rental and airport shuttle service, and has further acquired a mining operation in the Yunan Province, PRC.

Such business restructuring has broadened the revenue base of the Group and has set the fundamental for the future growth potential.

The limousine rental and airport shuttle service business in Hong Kong continued to bring positive cashflow to the Group. However, due to the worsen business environment this year, the expansion plan in the PRC has been deeply affected.

In the coming year, we will place more focus on our mining operation and related investment.

According to the National Bureau of Statistics of China, the production volume of refined copper in the PRC in 2007 increased by 17.8% from 2006, attaining 3,440,000 tonnes, while apparent consumption of refined copper in the PRC increased by 36.3% to 4,770,000 tonnes from 2006, leading to the excess of demand over the supply of refined copper in the PRC market. Therefore, we believe that China's copper market will still call for higher production volume to meet the excess of demand over supply.

Despite the recent drop in prices of copper and other mineral resources due to the global financial crisis, we are very optimistic about the future prospects and demand for natural resources exploitation business in the PRC. Given the strong and sustainable growth momentum of the PRC economy after the financial crisis and the continuous development of the cities, the infrastructure and the real estate sector, demand for mineral resources and their related products will continue to grow robustly.

Apart from the PRC, we are also actively seeking opportunities to establish footsteps, including investments, to other countries which have abundant natural mineral resources, such as Australia, Canada & etc. We aim at positioning the Group as one of the major platform in the world for the trading of mineral resources.

By doing that and to cope with the expansion of the Group, we need to strengthen our capital base. Fund raising activities such as debt financing or capital placement will be considered by the management from time to time, in order to formulate the best alternative to maximise the return of our shareholders.

Luk Kin Peter Joseph
Chairman

Hong Kong, 24th April, 2009

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW AND FINANCIAL HIGHLIGHTS

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

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

Toll road operation

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

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

Provision of limousine and airport shuttle transportation services

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

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

Due to the global financial crisis, the business growth and expansion plan of airport shuttle and limousine rental services in both Hong Kong and the People's Public of China (the "PRC") are seriously affected.

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

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

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

BUSINESS REVIEW AND FINANCIAL HIGHLIGHTS *(continued)*

Mining Operation

During the year, the Group has successfully completed the acquisition of Smart Year Investments Limited and its subsidiary ("Smart Year Group") in September, 2008.

The acquisition was accounted for as assets acquisition. Based on the valuation, the mining right acquired as part of the acquisition has a value of HK$987 million as at 31st December, 2008.

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

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

LIQUIDITY AND FINANCIAL RESOURCES

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

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

(a) To facilitate the acquisition of Smart Year Group and to inject new funding for expansion and working capital needs, the Group has raised a net proceed of HK$118.8 million through the placement of 240 million new ordinary shares during the year.

(b) The Group has disposed of Cableport and has received cash consideration of HK$60,000,000.

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

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

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

MANAGEMENT DISCUSSION AND ANALYSIS

CAPITAL STRUCTURE

During the year, the Company has the following movement in the share capital as follows:—

(a) Pursuant to shareholders' approval at the Special General Meeting held on 18th July 2008, the authroised share capital of the Company has been increased from 2,000,000,000 shares at HK$0.10 each to 4,000,000,000 shares of HK$0.10 each.

(b) Pursuant to a placing and subscription agreement executed on 10th September 2008, a total of 240,000,000 ordinary shares were issued at an issue price of HK$0.50 per share, raising net proceed of approximately HK$118.8 million.

(c) Pursuant to a sales and purchase agreement executed on 19th September 2008, a total of 315,666,000 ordinary shares of HK$0.10 per share, and convertible notes with an aggregate principle amount of HK$435.5 million and conversion price of HK$0.30 (subject to adjustments) were issued for the acquisition of Smart Year Group.

(d) During the year, convertible notes with principal amounts of HK$42,000,000 and HK$ 28,350,000 were converted into shares of HK$0.10 each in the Company at the conversion price of HK$0.42 and HK$0.405 per share respectively. Accordingly, a total of 170,000,000 ordinary shares of HK$0.10 per share were issued.

(e) During the year, convertible notes with a total principal amount of HK$1,481,400 were converted into shares of HK$0.10 each in the Company at the conversion price of HK$0.30 per share. Accordingly, a total of 4,938,000 ordinary shares of HK$0.10 per share were issued.

CHARGE OF ASSETS

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

CONTINGENT LIABILITIES

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

STAFF AND REMUNERATION

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

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

BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

EXECUTIVE DIRECTORS

Mr. Luk Kin Peter Joseph

Mr. Luk Kin Peter Joseph, aged 38, is the Chairman of the Company since 16th February, 2009. Mr. Luk holds a Master Degree in Business Administration and the professional qualification of Chartered Financial Analyst. Mr. Luk has worked in several international financial institutions and he is well-experienced in international financial and investment management. Mr. Luk also has extensive experience in the mining industry.

Mr. Chan Kam Kwan, Jason

Mr. Chan Kam Kwan, Jason, aged 35, is also the company secretary of the Company. Mr. Chan graduated from the University of British Columbia in Canada with a Bachelor of Commerce Degree and is a member of the American Institute of Certified Public Accountants. Mr. Chan has more than 11 years of experience in corporate finance.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Lau Kwok Kuen, Eddie

Mr. Lau Kwok Kuen, Eddie, aged 53, graduated from the Hong Kong Polytechnic (now known as The Hong Kong Polytechnic University) and is a fellow member of The Hong Kong Institute of Certified Public Accountants and a fellow member of The Association of Chartered Certified Accountant of the United Kingdom. He has been practicing as a Certified Public Accountant in Hong Kong since 1982.

Mr. Uwe Henke Von Parpart

Mr. Uwe Henke Von Parpart, aged 68, received a Fulbright scholarship and did his graduate work in mathematics and philosophy (Ph.D.) at Princeton University and the University of Pennsylvania.

Mr. Parpart has been the Chief Economist and Strategist for Asia at Cantor Fitzgerald ("Cantor") in Hong Kong. In this capacity, he is responsible for macro-economic, fixed-income and equity-markets research and strategy in Asia. He joined Cantor in August, 2006. His analyses are published on a weekly and daily basis and frequently featured on CNBC Asia and Bloomberg TV. Prior to joining Cantor, Mr. Parpart worked for four years as a senior currency strategist at Bank of America, Hong Kong, covering both currencies and bonds. Mr. Parpart has also contributed to numerous magazines and newspapers and until recently was a columnist for Forbes Global and Shinchosha Foresight Magazine (Tokyo).

Mr. Wilton Timothy Carr Ingram

Mr. Wilton Timothy Carr Ingram, aged 62, has extensive experience in investment and has involved in the venture capital in Australia and Hong Kong for more than 21 years. Mr. Ingram is currently a principal of Momentum Investment Group, a venture capital in Australia and he also operates a small fund that invests mainly in smaller miners, explorers and oil drilling and exploration companies.

SENIOR MANAGEMENT

Mr. Leung Chi Yan, Danny

Mr. Leung Chi Yan, Danny, aged 61, is the president of the Perryville Group which is principally engaged in the provision of limousine and airport shuttle transportation services in Hong Kong. Mr. Leung graduated from Newport University of Southern California with a Master of Business Administration degree. Mr. Leung has over 31 years of experience in limousine and airport shuttle transportation services and is the Chairman of Hong Kong Limousine Hire Association.

SENIOR MANAGEMENT *(continued)*

Mr. Au-Yeung Sai Kit, Alex

Mr. Au-Yeung Sai Kit, Alex, aged 30, joined the Group in December, 2008. He is the Group Financial Controller. Mr. Au-Yeung is a member of the Hong Kong Institute of Certified Public Accountants. Mr. Au-Yeung obtained a bachelor degree of Business Administration (Honours) — Accounting from the Hong Kong Baptist University. Mr. Au-Yeung has over 8 years of experience in auditing, accounting and banking.

Mr. Fu Ming Kit, Chris

Mr. Fu Ming Kit, Chris, aged 42, Mr. Fu joined Parklane Limousine Service Limited and Airport Shuttle Services Limited (the "Perryville Group") in October, 2006 and is the Financial Controller of the Parklane Group. Mr. Fu has over 18 years of accounting experience. Mr. Fu holds a master degree in business administration from the Open University of Hong Kong. He is an associate member of Hong Kong Institute of Certified Public Accountants and a fellow member of Association of Chartered Certified Accountants.

CORPORATE GOVERNANCE REPORT

CODE ON CORPORATE GOVERNANCE PRACTICES

The board of Directors (the "Board") of the Company has adopted its own code on corporate governance practices which incorporates all the 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 of Hong Kong Limited (the "Stock Exchange") (the "Listing Rules").

The Company has applied the principles of the CGP Code and its own code since their adoption, with an exception of code provision A.2.1 as stated in the CGP Code which will be described in detail below.

BOARD OF DIRECTORS

The Board serves the important function of guiding the management. As at 31st December, 2008, the Board comprised two executive Directors, namely Mr. Cheng Yung Pun (Chairman), Mr. Chan Kam Kwan, Jason and three independent non-executive Directors namely Mr. Wilton Timothy Carr Ingram, Mr. Uwe Henken Von Parpart and Mr. Lau Kwok Kuen, Eddie. On 16th February, 2009, Mr. Cheng Yung Pun resigned as Chairman and executive Director of the Company and Mr. Luk Kin Peter Joseph has been appointed as Chairman and executive Director of the Company.

Biographical details of the Directors are stated under the section "Biographical Details of Directors and Senior Management".

The Company considers that the Board has the necessary skills and experience appropriate for discharging their duties as directors of the Company ("Directors") in the best interest of the Company and that the current board size is adequate for its present operations.

Each of the Directors keeps abreast of his responsibilities as a Director of the Company and of the conduct, business activities and development of the Company. All Directors are updated from time to time with development in the laws and regulations applicable to the Company and each of the independent non-executive Directors has made an annual confirmation that he complied with the independence criteria set out in Rule 3.13 of the Listing Rules. The Directors consider that all the three independent non-executive Directors to be independent under these independence criteria and are capable to effectively exercise independent judgment.

The principal functions of the Board are to make decision on the strategic development of the Company; to oversee the management of the business and affairs of the Group; to supervise the management of the business and affairs with the objective of enhancing the Company and shareholders' value with the proper delegation of the power to the management for its day-to-day operation of the Company, implementation of the budgets and strategic plans and development of the organization of the Company for implementing the Board's decision.

The Board conducts meeting on a regular basis and on an ad hoc basis, as required by business needs. The Bye-laws of the Company allows board meetings to be conducted by way of telephone or videoconference. Any resolutions can be passed by way of written resolutions circulated to and signed by all Directors from time to time when necessary except for matters in which a substantial shareholder or a director or their respective associates has a conflict of interest.

BOARD OF DIRECTORS *(continued)*

The Board held 9 meetings during the year.

	Name of Director	Attended/Eligible to attend
Chairman	Cheng Yung Pun	9/9
Executive Directors	Chan Kam Kwan, Jason	9/9
Independent Non-Executive Directors	Uwe Henke Von Parpart	9/9
	Wilton Timothy Carr Ingram	9/9
	Lau Kwok Kuen, Eddie	9/9

The Company provides at least 14 days' notice of every Board meeting to all the Directors to give them an opportunity to attend. Board papers are circulated in advance before the Board meetings to enable the Directors to make informed decisions on matters to be raised at the Board meetings.

APPOINTMENT AND RE-ELECTION OF DIRECTORS

In accordance with the Bye-laws of the Company and to comply with relevant Listing Rules, every director should be subject to retirement by rotation at least once every three year. All Directors appointed to fill a casual vacancy should be subject to re-election by shareholders at the first annual general meeting after their appointment and not less than one-third of the Directors should be subject to retirement and re-election every year. All the independent non-executive Directors are appointed for a term of 2 years and will be subject to retirement by rotation and re-election at the annual general meeting of the Company.

NOMINATION OF DIRECTORS

The Company does not have a Nomination Committee. The power to nominate or appoint additional directors is vested in the Board according to the Bye-laws of the Company, in addition to the power of the shareholders of the Company to nominate any person to become a director of the Company in accordance with Bye-laws of the Company and all applicable laws.

The Board from time to time considers replenishing the composition of the Board whenever the Company requires to meet the business demand, opportunities and challenges and to comply with the applicable laws and regulations. The nomination procedure basically follows the Bye-laws of the Company, which empowers the Board from time to time and at any time to appoint any person as a Director either to fill a casual vacancy or as an addition to the Board. The Directors will select and evaluate the balance of skills, qualification, knowledge and experience of the candidate to the directorship as may be required by the Company from time to time by such means as the Company may deem fit. The Directors shall consider the candidate from a wide range of backgrounds, on his merits and against objective criteria set out by the Board and taking into consideration his time devoted to the position.

CHAIRMAN AND CHIEF EXECUTIVE OFFICER

During the year ended 31st December, 2008, there was no separation of the role of chairman ("Chairman") and chief executive officer ("CEO") as set out in the code provision A.2.1. Mr. Cheng Yung Pun assumed the role of both the Chairman and the CEO of the Company as the structure was more suitable to the Company because it could promote the efficient formulation and implementation of the then Company's strategies.

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

DIRECTORS' SECURITIES TRANSACTIONS

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 the Directors of the Company. Having made specific enquiries to all Directors of the Company, all Directors confirmed that they had complied with the required standard set out in the Model Code throughout the year under review.

DIRECTORS' RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

The financial statements of the Company for the year ended 31st December, 2008 have been reviewed by the Audit Committee and audited by the external auditors, Messrs PricewaterhouseCoopers. The Directors acknowledge their responsibility for preparing the financial statements of the Group and presenting a balanced, clear and comprehensive assessment of the Group's performance and prospects.

The Directors ensure the preparation of the financial statements of the Group are in accordance with statutory requirements and applicable accounting standards. The Directors also ensure the publication of the financial statements of the Group in a timely manner.

The report of the Auditors of the Company about their reporting responsibilities on the financial statements of the Group is set out in the Independent Auditors' Report on pages 20 to 22.

REMUNERATION COMMITTEE

The principal duties of Remuneration Committee include, inter alia, review and making recommendation to the Board the remuneration policy; making recommendation to the Board of the remuneration of non-executive Directors; and determination of the remuneration of the executive Director and members of the Senior Management. The overriding objective of the remuneration policy is to ensure that the Company is able to attract, retain, and motivate a high-calibre team which is essential to the success of the Company.

The specific terms of reference of the Remuneration Committee are adopted and which are available on the website of the Company.

The Remuneration Committee consults the Chairman about the proposal relating to the remuneration of other executive Directors and has access to professional advice where necessary. No Director and chief executive can determine his own remuneration. During the year under review, the Remuneration Committee has held one meeting which was attended by all the then committee members namely, Mr. Wilton Timothy Carr Ingram, Mr. Uwe Henke Von Parpart and Mr. Lau Kwok Kuen, Eddie, for reviewing the rewarding system of the Company. Minutes of Remuneration Committee Meeting are kept by a secretary of the meeting. Draft and final versions of minutes of the meeting are sent to all members of the Committee for their comment and records respectively, in both cases within a reasonable time after the meeting.

AUDIT COMMITTEE

As at 31st December, 2008, the Audit Committee, comprising three Independent non-executive Directors namely Mr. Wilton Timothy Carr Ingram, Mr. Uwe Henke Von Parpart and Mr. Lau Kwok Kuen, Eddie meets at least twice a year and was chaired by Mr. Lau Kwok Kuen, Eddie. Mr. Lau Kwok Kuen, Eddie is a qualified accountant. None of the Audit Committee members are members of the former or existing auditors of the Company. The Audit Committee had held two meetings which were attended by all committee members during the year.

The principal responsibilities of the Audit Committee are, inter alia, to review the appointment of external auditors on an annual basis including a review of the audit scope and approval of the audit fees; to ensure continuing auditor objectivity and to safeguard independence of the Company's auditors; to meet the external auditors to discuss issues and reservations (if any) arising from the interim review and final audit, and any matters the auditors suggest to discuss; to review the Group's internal control system; to review the annual and interim report and quarterly result (if any) prior to approval by the Board in accordance with the accounting policies and practices and relevant accounting standards, the Listing Rules and the legal requirements; to serve as a focal point for communication between other Directors and the external auditors in respect of the duties relating to financial and other reporting, internal controls, external audit, and such other matters as the Board determines from time to time; to consider major findings of internal review and management's response and ensure proper arrangement in place for the fair and independent review of such concerns and appropriate follow up action; to devise a framework for the type and authorization of non-audit services provided by the external auditors.

The external auditors and the senior executives are invited to attend the meeting for annual financial statements. Minutes of the Audit Committee Meeting are kept by a secretary of the meeting. Draft and final versions of minutes of the meeting are sent to all members of the committee for their comment and records respectively, in both cases within a reasonable time after the meetings.

The Audit Committee discharged their duties in accordance with their terms of reference. These specific terms of reference are available on the website of the Company..

AUDITOR'S REMUNERATION

During the year, the auditors of the Company, Messrs PricewaterhouseCoopers received approximately HK$1,280,000 for statutory audit services. In addition, Messrs Deloitte Touche Tohmatsu received approximately HK$4,400,000 for non-audit services.

PricewaterhouseCoopers were appointed as auditors of the Company on 19th December, 2008 following the resignation of Deloitte Touche Tohmatsu who acted as the auditors of the Company until 20th November, 2008.

INTERNAL CONTROL

The Board has overall responsibilities for maintaining sound and effective internal control system of the Group. The Board has conducted a review of the effectiveness of the system of internal control of the Group including the relevant financial, operational and compliance controls and risk management procedures and has delegated to the management the implementation of such systems of internal controls. The management throughout the Group maintains and monitors the internal control system on an ongoing basis.

INVESTOR RELATIONS AND SHAREHOLDERS' RIGHTS

The Board is committed in providing clear and full performance information of the Group to shareholders through the publication of interim and annual reports. In addition to the circulars, notices and financial reports sent to shareholders, additional information of the Group is also available to shareholders on the Group's website.

Shareholders are encouraged to attend the annual general meeting for which at least 20 clear business days' notice is given. The Chairman and Directors are available to answer questions on the Group's business at the meeting. Subject to the bye-laws of the Company, all shareholders shall have statutory rights to call for special general meetings and put forward agenda items for consideration in the general meetings. All resolutions at the general meeting are decided by a poll which is conducted by the Group's branch share registrar in Hong Kong.

The Group values feedback from shareholders on its effort to promote transparency and foster investor relationships. Comments and suggestions are always welcomed.

REPORT OF DIRECTORS

The Directors present their annual report and the audited consolidated financial statements for the year ended 31st December, 2008.

PRINCIPAL ACTIVITIES

The Company is an investment holding company. The principal activities of the Company's subsidiaries is set out in note 46 to the consolidated financial statements.

RESULTS AND APPROPRIATIONS

The results of the Group for the year ended 31st December, 2008 are set out in the consolidated income statement on page 23.

FINAL DIVIDEND

The Board does not recommend the payment of a dividend.

PROPERTY, PLANT AND EQUIPMENT

Details of movements during the year in the property, plant and equipment of the Group are set out in note 21 to the consolidated financial statements.

CONVERTIBLE NOTES AND SHARE CAPITAL

Details of the authorised and issued share capital and the convertible notes of the Company are set out in notes 34 and 35 to the consolidated financial statements respectively.

DISTRIBUTABLE RESERVES

As at 31st December, 2008 and 2007, the Company has no reserve available for distribution to the shareholders.

PRE-EMPTIVE RIGHTS

There are no provisions for pre-emptive rights under the Company's Bye-laws, or the laws in Bermuda, which would oblige the Company to offer new shares on a pro-rata basis to existing shareholders.

CONNECTED TRANSACTION

On 6th June, 2008, the Company entered into the agreement with Leading Highway Limited, the purchaser, pursuant to which the Company agreed to sell and the purchaser agreed to acquire (i) the sale shares, representing the entire issued share capital of Cableport as at the date of the agreement for a cash consideration of HK$37,631,679; and (ii) the shareholder's loan for a cash consideration of HK$22,368,321. The disposal has been completed on 26th September, 2008. Details of the disposal were disclosed in the circular of the Company dated 9th August, 2008 and note 40 to the consolidated financial statements.

FINANCIAL SUMMARY

A summary of the results and of the assets and liabilities of the Group for the last five years is set out on page 88.

REPORT OF DIRECTORS

DIRECTORS

The Directors of the Company during the year and up to the date of this report were:

Executive Directors:

Luk Kin Peter Joseph *(Chairman)*	(appointed on 16th February, 2009)
Cheng Yung Pun *(Chairman)*	(resigned on 16th February, 2009)
Chan Kam Kwan, Jason	(appointed on 2nd January, 2008)
Yu Sui Chuen	(resigned on 2nd January, 2008)

Independent non-executive Directors:

Lau Kwok Kuen, Eddie	
Uwe Henke Von Parpart	(appointed on 2nd January, 2008)
Wilton Timothy Carr Ingram	(appointed on 2nd January, 2008)
Au-Yeung Tsan Pong, Davie	(resigned on 2nd January, 2008)
Fung Ka Choi	(resigned on 2nd January, 2008)

In accordance with Clauses 87(1) and (2) of the Company's Bye-laws, Messrs Lau Kwok Kuen, Eddie and Uwe Henke Von Parpart shall retire and, being eligible, offer themselves for re-election at the forthcoming annual general meeting. In accordance with Clause 86(2) of the Company's Bye-laws, Mr. Luk Kin Peter Joseph shall retire and, being eligible, offer himself for re-election at the forthcoming annual general meeting.

All the independent non-executive Directors are appointed for a specific term and will be subject to retirement by rotation and re-election in accordance with the Listing Rules and the Bye-laws of the Company.

The Company has received from each of the independent non-executive Directors, an annual confirmation of his independence pursuant to Rule 3.13 of the Listing Rules. The Company considered all of the considers that non-executive Directors are independent.

DIRECTOR'S SERVICE CONTRACTS

None of the directors who are proposed for re-election at the forthcoming annual general meeting has a service contract with the Company which is not determinable by the Company within one year without payment of compensation, other than statutory compensation.

DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES OR DEBENTURES OF THE COMPANY AND ITS ASSOCIATED CORPORATION

As at 31st December, 2008, the interests and short positions of the Directors and chief executives and their respective associates in the shares, underlying shares and debentures of the Company and its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance ("SFO")) as recorded in the register maintained by the Company pursuant to Section 352 of the SFO, or which were otherwise required to be notified to the Company and the Stock Exchange, pursuant to the Model Code were as follows:

(i) Long position in the ordinary shares of HK$0.10 each of the Company

Name of Director	Capacity	Number of issued ordinary shares held	Approximate percentage of the issued share capital of the Company
Mr. Cheng Yung Pun	Held by controlled corporation *(Note)*	445,500,000	29.40%

Note: These shares are held by Leading Highway Limited, a company incorporated in the British Virgin Islands with limited liability and the entire issued share capital of which is wholly owned by Mr. Cheng Yung Pun.

Save as disclosed above, none of the Directors and chief executives, nor their associates had any interests or short positions in any shares, underlying shares or debentures of the Company or any of its associated corporations as at 31st December, 2008.

SHARE OPTION SCHEME

The share option scheme (the "Share Option Scheme") of the Company was adopted by the Company pursuant to the written resolution of the sole shareholder passed on 14th August, 2002. Particulars of the Share Option Scheme are set out in note 43 to the consolidated financial statements.

There has been no option granted since the adoption of the Share Option Scheme.

DIRECTORS' RIGHTS TO ACQUIRE SHARES

Other than as disclosed in the section "Directors' and Chief Executives' Interests and Short Positions in Shares, Underlying Shares and Debentures", at no time during the year was the Company, its holding company, or any of its subsidiaries or fellow subsidiaries, a party to any arrangements to enable the Directors of the Company nor their associates to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate.

DIRECTORS' INTERESTS IN COMPETING BUSINESS

None of the Directors has any interests in competing business to the Group.

DIRECTORS'/CONTROLLING SHAREHOLDERS' INTERESTS IN CONTRACTS

Details of the related party transactions for the year are set out in note 40 to the consolidated financial statements. Other than as disclosed therein, no contracts of significance to which the Company, its holding company, subsidiaries or fellow subsidiaries was a party and in which a Director or a controlling shareholder of the Company had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year.

RELATED PARTY TRANSACTIONS

Significant related party transactions entered into by the Group during the year ended 31st December, 2008 are disclosed in note 45 to the consolidated financial statements

SUBSTANTIAL SHAREHOLDERS

As at 31st December, 2008, the register of substantial shareholders maintained by the Company pursuant to Section 336 of the SFO shows that the following shareholders had notified the Company of relevant interests and short positions in the issued share capital of the Company:

Long positions in ordinary shares and underlying shares of HK$0.10 each of the Company

Name of shareholder	Capacity	Number of shares or underlying shares	Approximate percentage of the issued share capital of the Company
Parklane International Holdings Limited *(Note 1)*	Beneficial owner	152,592,592	10.07%
Leung Chi Yan *(Note 1)*	Controlled corporations	152,592,592	10.07%
Prideful Future Investments Limited *(Note 2)*	Beneficial owner	433,332,000	28.60%
Cheung Sze Wai, Catherine *(Note 2)*	Controlled corporations	433,332,000	28.60%
Shimmer Expert Investments Limited *(Note 3)*	Beneficial owner	280,548,000	18.51%
Groom High Investments Limited *(Note 3)*	Controlled corporations	280,548,000	18.51%
Zhang Li *(Note 3)*	Controlled corporations	280,548,000	18.51%
Villas Green Investments Limited *(Note 4)*	Beneficial owner	249,168,000	16.44%
Chong Yee Kwan *(Note 4)*	Controlled corporations	249,168,000	16.44%
Gracious Fortune Investments Limited *(Note 5)*	Beneficial owner	195,000,000	12.87%
Li Hua *(Note 5)*	Controlled corporations	195,000,000	12.87%
Wander Profits Investments Limited *(Note 6)*	Beneficial owner	86,668,000	5.72%
Potential High Investments Limited *(Note 6)*	Controlled corporations	86,668,000	5.72%
Zhang Rui *(Note 6)*	Controlled corporations	86,668,000	5.72%
Ho Pui Fan *(Note 7)*	Beneficial owner	127,676,000	8.43%

Notes:

1. The 152,592,592 shares of the Company included 30,000,000 shares of the Company and 122,592,592 underlying shares to be issued upon the conversion of the convertible note of outstanding principal amount of HK$49,650,000 issued on 22nd October, 2007, both of which were held by Parklane International Holdings Limited, a wholly-owned company of Leung Chi Yan.

2. The 433,332,000 underlying shares of the Company were derived from the convertible notes of principal amount of HK$129,999,600 held by Prideful Future Investments Limited, a company incorporated in the BVI and and wholly owned by Cheung Sze Wai, Catherine.

SUBSTANTIAL SHAREHOLDERS *(continued)*

3. The 280,548,000 underlying shares of the Company were derived from the convertible notes of principal amount of HK$84,164,400 held by Shimmer Expert Investments Limited, a company incorporated in the BVI and wholly owned by Groom High Investments Limited. Groom High Investments Limited is a company incorporated in the BVI and wholly owned by Zhang Li.

4. The 249,168,000 underlying shares of the Company were derived from the convertible notes of principal amount of HK$74,750,400 held by Villas Green Investments Limited, a company incorporated in the BVI and wholly owned by Chong Yee Kwan.

5. The 195,000,000 underlying shares of the Company were derived from the convertible notes of principal amount of HK$58,500,000 held by to Gracious Fortune Investments Limited, a company incorporated in the BVI and wholly owned by Li Hua.

6. The 86,668,000 shares of the Company were held by Wander Profits Investments Limited, a company incorporated in the BVI and wholly owned by Potential High Investments Limited. Potential High Investments Limited is a company incorporated in the BVI and wholly owned by Zhang Rui.

7. The 127,676,000 underlying shares of the Company were derived from the convertible notes of principal amount of HK$38,302,800.

Other than as disclosed above, the Company has not been notified of any other relevant interests or short positions in the issued share capital of the Company as at 31st December, 2008.

PURCHASE, REDEMPTION OR SALE OF LISTED SECURITIES

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

MAJOR CUSTOMERS AND SUPPLIERS

For the year ended 31st December, 2008, the aggregate amount of revenue attributable to the Group's five largest customers represented less than 30% of the Group's total revenue. Aggregate operating and administrative expenses attributable to the Group's five largest suppliers were less than 30% of total operating and administrative expenses for the year.

At no time during the year did any Director, any associate of a Director, or any shareholder of the Company, which to the knowledge of the Directors owned more than 5% of the Company's share capital, have any beneficial interests in these customers or suppliers.

EMOLUMENT POLICY

Details of the Directors' emoluments for the year 2008 are set out in the Remuneration Committee of the Corporate Governance Report on page 11.

The Company has adopted a share option scheme as incentive to the Directors and eligible employees, details of the scheme are set out as "Share Option Scheme" above.

CORPORATE GOVERNANCE

The Company is committed to maintain a high standard of corporate governance practices. Information on the corporate governance practices is adopted by the Company as set out in the Corporate Governance Report on pages 9 to 13 of the annual report.

SUFFICIENCY OF PUBLIC FLOAT

Based on the information that is publicly available to the Company and within the knowledge of the Directors, as at the date of this report, there was sufficient of public float of the Company's securities as required under the Listing Rules.

AUDITORS

The financial statements for the financial year ended 31st December, 2008 have been audited by PricewaterhouseCoopers who retire and, being eligible, offer themselves or re-appointment at the forthcoming annual general meeting of the Company.

PricewaterhouseCoopers were appointed as auditors of the Company on 19th December, 2008 following the resignation of Deloitte Touche Tohmatsu who acted as the auditors of the Company until 20th November, 2008.

By order of the Board

Luk Kin Peter Joseph
Chairman

Hong Kong, 24th April, 2009

INDEPENDENT AUDITOR'S REPORT

PRICEWATERHOUSECOOPERS

羅兵咸永道會計師事務所

羅兵咸永道會計師事務所
香港中環
太子大廈22樓
電話 (852) 2289 8888
傳真 (852) 2810 9888

TO THE SHAREHOLDERS OF WAH NAM INTERNATIONAL HOLDINGS LIMITED
(incorporated in Bermuda with limited liability)

We have audited the consolidated financial statements of Wah Nam International Holdings Limited (the "Company") and its subsidiaries (together, the "Group") set out on pages 23 to 87, which comprise the consolidated and company balance sheets as at 31st December, 2008, and the consolidated income statement, the consolidated statement of changes in equity and the consolidated cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory notes.

DIRECTORS' RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

The directors of the Company are responsible for the preparation and the true and fair presentation of these consolidated financial statements in accordance with Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants and the disclosure requirements of the Hong Kong Companies Ordinance. This responsibility includes designing, implementing and maintaining internal control relevant to the preparation and the true and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

AUDITOR'S RESPONSIBILITY

Our responsibility is to express an opinion on these consolidated financial statements based on our audit and to report our opinion solely to you, as a body, in accordance with Section 90 of the Companies Act 1981 of Bermuda and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

Except as discussed in the basis for qualified opinion paragraphs, we conducted our audit in accordance with Hong Kong Standards on Auditing issued by the Hong Kong Institute of Certified Public Accountants. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance as to whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and true and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

INDEPENDENT AUDITOR'S REPORT

BASIS FOR QUALIFIED OPINION

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

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

2. included in the consolidated balance sheet as at 31st December, 2007 were the deferred tax assets with an aggregate carrying amount of approximately HK$4,094,000 in respect of the repairs and renovation costs and impairment loss on toll road operation rights. The recoverability of these deferred tax assets was dependent on the ability of HHED to generate future taxable profits which in turn, was dependent on the amount of daily compensation to be received from the Government as described above. Because of the matter explained in the preceding paragraph, the previous auditor was unable to assess whether these deferred tax assets should be reversed as at 31st December, 2007; and

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

As disclosed in note 40 to the consolidated financial statements, on 26th September, 2008 the Company had disposed the subsidiaries Cableport Holdings Limited and HHED, which hold the toll road operation rights as mentioned above, (together, the "Cableport Group") with a loss on disposal of HK$8,311,000 recognised in the consolidated income statement.

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

INDEPENDENT AUDITOR'S REPORT

QUALIFIED OPINION

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

PricewaterhouseCoopers
Certified Public Accountants

Hong Kong, 24th April, 2009

CONSOLIDATED INCOME STATEMENT

For the year ended 31st December, 2008

	Note	2008 HK$'000	2007 HK$'000
Continuing operations			
Revenue	7	**88,837**	18,948
Direct costs	15	**(80,384)**	(14,867)
Gross profit		**8,453**	4,081
Selling and administrative expenses	15	**(30,058)**	(5,853)
Other income	9	**1,561**	319
Other losses, net	10	**(14,501)**	—
Excess payment on asset acquisition	39	**(167,481)**	—
Impairment losses	11	**(118,414)**	—
Finance costs	12	**(15,692)**	(1,718)
Loss before income tax		**(336,132)**	(3,171)
Income tax credit/(expense)	13	**15,886**	(459)
Loss for the year from continuing operations		**(320,246)**	(3,630)
Discontinued operation			
Profit/(loss) for the year from discontinued operation	14	**37,784**	(2,399)
Loss for the year		**(282,462)**	(6,029)
Attributable to:			
Equity holders of the Company		**(296,660)**	(5,243)
Minority interests		**14,198**	(786)
		(282,462)	(6,029)
(Loss)/earnings per share from continuing and discontinued operations attributable to the equity holders of the Company during the year *(expressed in HK cents per share)*			
Basic and diluted			
— from continuing operations	18	**(30.23)**	(0.53)
— from discontinued operation	18	**2.17**	(0.24)
Loss per share attributable to the equity holders of the Company during the year *(expressed in HK cents per share)*			
Basic and diluted	18	**(28.06)**	(0.77)

The notes on pages 29 to 87 are an integral part of these financial statements.

CONSOLIDATED BALANCE SHEET

As at 31st December, 2008

	Note	2008 HK$'000	2007 HK$'000
Non-current assets			
Toll road operation rights	19	—	82,203
Mining right	20	987,005	—
Property, plant and equipment	21	86,024	51,148
Goodwill	22	49,719	91,872
Intangible asset	23	14,421	100,977
Interests in infrastructure joint ventures	24	—	—
Amounts due from minority shareholders of a subsidiary	46(b)	—	52,674
Deferred tax assets	36	966	5,754
Other non-current assets		8,419	—
		1,146,554	384,628
Current assets			
Inventories	26	7,379	—
Trade receivables	27	12,246	13,455
Other receivables, deposits and prepayments		7,232	4,265
Amount due from a related party	25	1,500	—
Financial assets at fair value through profit or loss	28	2,894	—
Cash and cash equivalents	29	59,757	40,027
		91,008	57,747
Current liabilities			
Trade payables	30	10,667	6,159
Other payables and accrued charges	30	40,008	8,650
Amounts due to directors	31	305	—
Bank borrowings due within one year	32	30,131	26,183
Obligations under finance leases	33	1,739	1,507
		82,850	42,499
Net current assets		8,158	15,248
Total assets less current liabilities		1,154,712	399,876
Capital and reserves			
Share capital	34	151,534	78,474
Reserves		610,018	129,835
Equity attributable to equity holders of the Company		761,552	208,309
Minority interests		96,503	77,878
Total equity		858,055	286,187
Non-current liabilities			
Bank borrowings due after one year	32	—	1,647
Obligations under finance leases	33	2,230	3,719
Amount due to a related party	37	23,829	—
Convertible notes	35	262,828	84,058
Deferred tax liabilities	36	7,298	24,265
Provision for restoration costs	38	472	—
		296,657	113,689
		1,154,712	399,876

The consolidated financial statements on pages 23 to 87 were approved and authorised for issue by the Board of Directors on 24th April, 2009 and are signed on its behalf by:

Luk Kin Peter Joseph	**Chan Kam Kwan, Jason**
Chairman	*Director*

The notes on pages 29 to 87 are an integral part of these financial statements.

BALANCE SHEET

As at 31st December, 2008

	Note	2008 HK$'000	2007 HK$'000
Non-current assets			
Investments in subsidiaries	46	91,045	237,572
Amounts due from subsidiaries	46	880,854	3,033
		971,899	240,605
Current assets			
Prepayments		292	227
Amounts due from subsidiaries	46	18,888	3,149
Cash and cash equivalents	29	36,137	21,487
		55,317	24,863
Current liabilities			
Other payables and accrued charges	30	2,729	899
Amounts due to directors	31	305	110
		3,034	1,009
Net current assets		52,283	23,854
Total assets less current liabilities		1,024,182	264,459
Capital and reserves			
Share capital	34	151,534	78,474
Reserves	47	609,820	101,927
Total equity		761,354	180,401
Non-current liabilities			
Convertible notes	35	262,828	84,058
		1,024,182	264,459

Luk Kin Peter Joseph
Chairman

Chan Kam Kwan, Jason
Director

The notes on pages 29 to 87 are an integral part of these financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31st December, 2008

	Attributable to equity holders of the Company									
	Share capital	Share premium	Statutory surplus reserve	Convertible notes reserve	Share-holders' contribution reserve	Translation reserve	Accumulated losses	Total	Minority interests	Total
	HK$'000 *(Note 34)*	*HK$'000*	*HK$'000*	*HK$'000* *(Note 35)*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
At 1st January, 2007	59,484	—	2,450	—	163	8,669	(10,591)	60,175	81,236	141,411
Exchange differences arising on translation of foreign operation recognised directly in equity	—	—	—	—	—	10,454	—	10,454	—	10,454
Loss for the year	—	—	—	—	—	—	(5,243)	(5,243)	(786)	(6,029)
Total recognised income/(loss) for the year	—	—	—	—	—	10,454	(5,243)	5,211	(786)	4,425
Issue of shares	18,990	60,965	—	—	—	—	—	79,955	—	79,955
Transaction costs attributable to issue of shares	—	(2,199)	—	—	—	—	—	(2,199)	—	(2,199)
Issue of convertible notes	—	—	—	65,167	—	—	—	65,167	—	65,167
Dividend paid to minority interests	—	—	—	—	—	—	—	—	(2,572)	(2,572)
Deemed (contribution from)/ distribution to shareholders	—	—	—	—	(163)	—	163	—	—	—
At 31st December, 2007	78,474	58,766	2,450	65,167	—	19,123	(15,671)	208,309	77,878	286,187

	Attributable to equity holders of the Company								
	Share capital	Share premium	Statutory surplus reserve	Convertible notes reserve	Translation reserve	Accumulated losses	Total	Minority interests	Total
	HK$'000 *(Note 34)*	*HK$'000*	*HK$'000*	*HK$'000* *(Note 35)*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
At 1st January, 2008	78,474	58,766	2,450	65,167	19,123	(15,671)	208,309	77,878	286,187
Exchange differences arising on translation of foreign operation recognised directly in equity	—	—	—	—	5,067	—	5,067	(902)	4,165
Reserves released upon disposal of subsidiaries *(note 40)*	—	—	—	—	(32,214)	—	(32,214)	—	(32,214)
Loss for the year	—	—	—	—	—	(296,660)	(296,660)	14,198	(282,462)
Total recognised loss for the year	—	—	—	—	(27,147)	(296,660)	(323,807)	13,296	(310,511)
Issue of shares	55,566	228,580	—	—	—	—	284,146	—	284,146
Transaction costs attributable to issue of shares	—	(1,211)	—	—	—	—	(1,211)	—	(1,211)
Issue of convertible notes	—	—	—	542,770	—	—	542,770	—	542,770
Issue of shares upon conversion of convertible notes	17,494	54,338	—	(20,487)	—	—	51,345	—	51,345
Disposal of subsidiaries *(note 40)*	—	—	(2,450)	—	—	2,450	—	(92,443)	(92,443)
Acquisition of assets *(note 39)*	—	—	—	—	—	—	—	97,772	97,772
Appropriations to statutory surplus reserve *(note a)*	—	—	225	—	—	(225)	—	—	—
At 31st December, 2008	151,534	340,473	225	587,450	(8,024)	(310,106)	761,552	96,503	858,055

(a) The statutory surplus reserve represents general reserve funds appropriated from the profit after tax of a subsidiary established in the People's Republic of China (the "PRC") in accordance with the PRC laws and regulations.

The notes on pages 29 to 87 are an integral part of these financial statements.

CONSOLIDATED CASH FLOW STATEMENT

For the year ended 31st December, 2008

	Note	2008 HK$'000	2007 HK$'000
OPERATING ACTIVITIES			
Loss before income tax, including continuing and discontinued operations		(291,180)	(5,329)
Adjustments for:			
Impairment of goodwill	11	42,153	—
Impairment of intangible asset	11	76,261	—
Excess payment on asset acquisition	39	167,481	—
Finance costs	12	15,692	1,718
Depreciation of property, plant and equipment	21	11,303	1,949
Amortisation of toll road operation rights	19	4,047	5,057
Amortisation of intangible asset	23	10,295	1,975
Amortisation of mining right	20	3,430	—
Loss on disposal of subsidiaries	40	8,311	—
Loss on disposal of financial assets at fair value through profit or loss	10	6,569	—
Reversal of inventory provision		(1,039)	—
Dividend income from listed investment		(825)	—
Interest income		(734)	(620)
Unrealised gain on financial assets at fair value through profit or loss		(379)	—
Gain on disposal of property, plant and equipment		(144)	(36)
Allowance for doubtful debts		—	104
Operating cash flows before movements in working capital		51,241	4,818
Increase in inventories		(3,155)	—
Increase in trade receivables		(575)	(3,220)
Increase in other receivables, deposits and prepayments		(108)	(635)
(Decrease)/increase in trade payables		(26)	1,941
Increase in other payables and accrued charges		1,740	2,880
Increase in amounts due to directors		305	—
Increase in amount due from/to related parties		(79)	—
Cash generated from operating activities		49,343	5,784
Income tax paid		(419)	(215)
NET CASH GENERATED FROM OPERATING ACTIVITIES		48,924	5,569
INVESTING ACTIVITIES			
Acquisition of assets	39	(129,286)	(49,808)
Purchases of property, plant and equipment		(16,075)	(346)
Purchases of financial assets at fair value through profit or loss		(11,865)	—
Proceeds from disposal of subsidiaries	40	5,117	—
Proceeds from disposal of financial assets at fair value through profit or loss		2,781	—
Dividends received from financial assets at fair value through profit or loss		825	—
Interest received		505	327
Proceeds from disposal of property, plant and equipment		326	36
NET CASH USED IN INVESTING ACTIVITIES		(147,672)	(49,791)

CONSOLIDATED CASH FLOW STATEMENT

For the year ended 31st December, 2008

	Note	2008 *HK$'000*	2007 *HK$'000*
FINANCING ACTIVITIES			
Proceeds from issuance of ordinary shares		**120,000**	79,955
Borrowings raised		**13,560**	3,152
Repayment to a director		**—**	(1,443)
Repayment of borrowings		**(11,259)**	(1,895)
Interest paid		**(2,755)**	(363)
Repayment of obligations under finance leases		**(1,664)**	(655)
Expenses on issuance of ordinary shares		**(1,211)**	(2,199)
Finance lease charges		**(287)**	(78)
Additional finance lease		**407**	—
Dividend paid to minority interests		**—**	(2,572)
NET CASH GENERATED FROM FINANCING ACTIVITIES		**116,791**	73,902
NET INCREASE IN CASH AND CASH EQUIVALENTS		**18,043**	29,680
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR		**40,027**	9,678
EFFECT OF FOREIGN EXCHANGE RATE CHANGES		**1,687**	669
CASH AND CASH EQUIVALENTS AT END OF YEAR, REPRESENTED BY			
Bank balances and cash		**59,757**	40,027

The notes on pages 29 to 87 are an integral part of these financial statements.

1. GENERAL

The Company is incorporated in Bermuda as an exempted company with limited liability and its shares are listed on The Stock Exchange of Hong Kong Limited (the "Stock Exchange"). Its ultimate holding company is Leading Highway Limited ("Leading Highway"), a company incorporated in the British Virgin Islands. The addresses of the registered office and principal place of business of the Company are disclosed in the corporate information section of this annual report.

The Company is an investment holding company. The principal activities and other details of its subsidiaries are set out in note 46.

2. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs")

(a) In the current year, the Group has applied, for the first time, the following amendments and interpretations ("new HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"), which are effective for the Group's accounting period beginning on or after 1st January, 2008.

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

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

(b) **Standards, amendments and interpretations to existing standards that are not yet effective and have not been early adopted by the Group**

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

- HKAS 1 (Revised), Presentation of financial statements[1]. The revised standard will prohibit the presentation of items of income and expenses (that is, 'non-owner changes in equity') in the statement of changes in equity, requiring 'non-owner changes in equity' to be presented separately from owner changes in equity. All non-owner changes in equity will be required to be shown in a performance statement, but entities can choose whether to present one performance statement (the statement of comprehensive income) or two statements (the consolidated income statement and statement of comprehensive income). Where entities restate or reclassify comparative information, they will be required to present a restated balance sheet as at the beginning comparative period in addition to the current requirement to present balance sheets at the end of the current period and comparative period. The Group will apply HKAS 1 (Revised) from 1st January, 2009. It is likely that both the consolidated income statement and statement of comprehensive income will be presented as performance statements.

2. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") *(continued)*

(b) Standards, amendments and interpretations to existing standards that are not yet effective and have not been early adopted by the Group *(continued)*

- HKAS 23 (Revised), Borrowing costs[1]. The amendment requires an entity to capitalise borrowing costs directly attributable to the acquisition, construction or production of a qualifying asset (one that takes a substantial period of time to get ready for use or sale) as part of the cost of that asset. The option of immediately expensing those borrowing costs will be removed. The Group will apply HKAS 23 (Revised) prospectively from 1st January, 2009 but is currently not applicable to the Group as there are no qualifying assets.

- HKAS 27 (Revised), Consolidated and separate financial statements[2]. 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 is lost. Any remaining interest in the entity is re-measured to fair value and a gain or loss is recognised in profit or loss. The Group will apply HKAS 27 (Revised) prospectively to transactions with non-controlling interests from 1st January, 2010.

- HKFRS 1 (Amendment), First time adoption of HKFRS and HKAS 27 'Consolidated and separate financial statements[2]. The amended standard allows first-time adopters to use a deemed cost of either fair value or the carrying amount under previous accounting practice to measure the initial cost of investments in subsidiaries, jointly controlled entities and associates in the separate financial statements. The amendment also removes the definition of the cost method from HKAS 27 and replaces it with a requirement to present dividends as income in the separate financial statements of the investor. The Group will apply HKAS 27 (Amendment) prospectively from 1st January, 2010 in its separate financial statements but is currently not applicable to the Group.

- HKFRS 3 (Revised), Business combinations[2] .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 consolidated 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. All acquisition-related costs should be expensed. The Group will apply HKFRS 3 (Revised) prospectively to all business combinations from 1st January, 2010.

- HKFRS 8, Operating segments[1]. HKFRS 8 replaces HKAS 14, 'Segment reporting', and aligns segment reporting with the requirements of the US standard SFAS 131, 'Disclosures about segments of an enterprise and related information'. The new standard requires a 'management approach', under which segment information is presented on the same basis as that used for internal reporting purposes. This has resulted in an increase in the number of reportable segments presented. In addition, the segments are reported in a manner that is more consistent with the internal reporting provided to the chief operating decision-maker. It is not expected to have significant impact to the Group's consolidated financial statements except that there will be additional disclosures required by HKFRS 8.

2. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") (continued)

(c) Improvements to HKFRS — Amendments to existing standards that are not yet effective and have not been early adopted by the Group

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

Improvements to HKFRS — Amendments to:

HKAS 1	Presentation of Financial Statements[1]
HKAS 16	Property, Plant and Equipment[1]
HKAS 19	Employee Benefits[1]
HKAS 28	Investments in Associates[1]
HKAS 31	Interests in Joint Ventures[1]
HKAS 36	Impairment of Assets[1]
HKAS 38	Intangible Assets[1]
HKAS 39	Financial Instruments Recognition and Measurement[1]

Minor amendments to:

HKFRS 7	Financial instruments: Disclosures[1]
HKAS 8	Accounting policies, changes in accounting estimates and errors[1]
HKAS 10	Events after the balance sheet date[1]
HKAS 18	Revenue[1]
HKAS 34	Interim financial reporting[1]

The above amendments will not result in significant changes to the Group's accounting policies other than that there will be additional disclosures.

[1] Effective for annual periods beginning on or after 1st January, 2009
[2] Effective for annual periods beginning on or after 1st July, 2009

3. SIGNIFICANT ACCOUNTING POLICIES

The consolidated financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards (HKFRS) issued by the HKICPA. They have been prepared under the historical cost convention, as modified by the revaluation of financial assets and financial liabilities at fair value through profit or loss.

The preparation of financial statements in conformity with HKFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed in Note 4.

(a) Basis of consolidation

The consolidated financial statements include the financial statements of the Company and all entities controlled by the Company (its subsidiaries). Control exists when the Group has the power to govern the financial and operating policies generally accompanying a shareholding of more than one half of the voting rights. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Group controls another entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are de-consolidated from the date that control ceases.

The Group operates its limousine rental business in the PRC through PRC domestic companies whose equity interests are held by certain citizens of China (the "Registered Shareholders"). The paid-in capital of these companies was funded by the Group through loans extended to the Registered Shareholders. The Group has entered into certain business cooperation agreements with the Registered Shareholders, which make it obligatory for the Group to absorb a substantial majority of the risk of losses from their activities and entitle the Group to receive a substantial majority of their residual returns. In addition, the Group has entered into loan agreements with the Registered Shareholders for them to contribute paid-in capital to the domestic companies for the Group to acquire the equity in the PRC domestic companies subject to compliance with PRC laws. Based on these contractual agreements, the Group believes that, notwithstanding the lack of equity ownership, the contractual arrangements described above give the Group control over the PRC domestic companies in substance. Accordingly, the financial position and operating results of these entities are included in the Group's consolidated financial statements.

Inter-company transactions, balances and unrealised gains on transactions between group companies are eliminated. Unrealised losses are also eliminated. Accounting policies of subsidiaries have been changed where necessary in the consolidated financial statements to ensure consistency with the policies adopted by the Group.

Minority interests in the net assets of consolidated subsidiaries are presented separately from the Group's equity therein. Minority interests in the net assets consist of the amount of those interests at the date of the original business combination and the minority's share of changes in equity since the date of the combination. Losses applicable to the minority in excess of the minority's interest in the subsidiary's equity are allocated against the interests of the Group except to the extent that the minority has a binding obligation and is able to make an additional investment to cover the losses.

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(a) Basis of consolidation *(continued)*

The Group applies a policy of treating transactions with minority interests as transactions with parties external to the Group. Disposals to minority interests result in gains and losses for the Group and are recorded in the consolidated income statement. Purchases from minority interests result in goodwill, being the difference between any consideration paid and the relevant share acquired of the carrying value of net assets of the subsidiary.

In the Company's balance sheet the investments in subsidiaries are stated at cost less provision for impairment losses (Note 3(j)). The results of subsidiaries are accounted for by the Company on the basis of dividend received and receivable.

(b) Business combinations

The acquisition of businesses (other than the business combination under common control) 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 HKFRS 3 Business Combinations are recognised at their fair values at the acquisition date.

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 assets, liabilities and contingent liabilities recognised.

(c) Goodwill

Goodwill arising on an acquisition of a business 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 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 is presented separately in the consolidated balance sheet.

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(c) Goodwill *(continued)*

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. 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, the attributable amount of goodwill capitalised is included in the determination of the amount of profit or loss on disposal.

(d) Infrastructure joint ventures

Joint venture arrangements which involved the establishment of a separate entity for investment in and development, operation and management of toll roads and bridges and in which venturers had joint control over the economic activity of the entity were referred to as infrastructure joint ventures.

The Group's infrastructure joint ventures were Sino-foreign co-operative joint ventures registered in the PRC in respect of which the venturers' cash/profit sharing ratios and the share of net assets upon the expiration of the joint venture periods were predetermined in accordance with the joint venture agreements and were in proportion to their capital contribution ratios.

The results and assets and liabilities of infrastructure joint ventures were incorporated in the consolidated financial statements using the equity method of accounting. Under the equity method, investments in infrastructure joint ventures were carried in the consolidated balance sheet at cost as adjusted for post-acquisition changes in the Group's share of the profit or loss and of changes in equity of the infrastructure joint ventures, less any identified impairment loss. When the Group's share of losses of an infrastructure joint venture equaled or exceeded its interest in that infrastructure joint ventures (which included any long-term interests that, in substance, form part of the Group's net investment in the jointly controlled entity), the Group discontinued recognising its share of further losses. An additional share of losses was provided for and a liability was recognised only to the extent that the Group had incurred legal or constructive obligations or made payments on behalf of that infrastructure joint venture.

Where a group entity had transactions with a infrastructure joint venture of the Group, unrealised profits or losses were eliminated to the extent of the Group's interest in the infrastructure joint venture, except to the extent that unrealised losses provided evidence of an impairment of the asset transferred, in which case, the full amount of losses was recognised. Interest in infrastructure joint ventures has been disposed during the year.

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(e) Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable and represents amounts receivable for services provided in the normal course of business, net of discounts.

Limousine rental services income and airport shuttle rental services income are recognised when the related services are provided.

Revenue from the toll road operations is recognised on a receipt basis.

Revenue from sales of goods are recognised when goods are delivered and title has passed.

Interest income from a financial asset is accrued on a time basis at the effective interest rate applicable, which is the rate that exactly discounts the estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount.

Dividend income is recognised when the right to receive payment is established.

Income from dealing in securities and sale of investments is recognised, on the transaction dates when the relevant contract notes are exchanged or the settlement dates when the securities are delivered.

(f) Toll road operation rights

The toll road operation rights were recognised as an intangible asset and stated in the balance sheet at cost less subsequent accumulated amortisation and accumulated impairment losses, if any.

Amortisation of the toll road operation rights was charged so as to write off the cost of the asset over the unexpired term of the operation rights using the straight-line method.

(g) Mining right

Mining right is recognised as an intangible asset and stated in the balance sheet at cost less subsequent accumulated amortisation and accumulated impairment losses, if any.

Mining right is amortised using the units of production method based on the proven and probable mineral reserves.

(h) Intangible assets acquired in a business combination

Intangible assets acquired in a business combination are identified and recognised separately from goodwill where they satisfy the definition of an intangible asset and their fair values can be measured reliably. The cost of such intangible assets is their fair value at the acquisition date.

Subsequent to initial recognition, intangible assets with finite useful lives are carried at costs less accumulated amortisation and any accumulated impairment losses. Amortisation for intangible assets with finite useful lives is provided on a straight-line basis over their estimated useful lives.

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(i) Property, plant and equipment

Property, plant and equipment including buildings held for use in the production or supply of goods or services, or for administrative purposes, other than construction in progress, are stated at cost less subsequent accumulated depreciation and accumulated impairment losses, if any.

Depreciation is provided to write off the cost of items of property, plant and equipment over their estimated useful lives and after taking into account of their estimated residual value, using the straight-line method, at the following rates per annum after taking into account of residual value:

Buildings	5%
Leasehold improvements	25%
Furniture, fixtures and equipment	20%-25%
Motor vehicles	10%-20%

The assets' residual value and useful lives are reviewed, and adjusted if appropriate, at each balance sheet date.

Construction in progress includes property, plant and equipment in the course of construction for production or for its own use purposes. Construction in progress is carried at cost less any recognised impairment loss. Construction in progress is classified to the appropriate category of property, plant and equipment when completed and ready for intended use. Depreciation of these assets, on the same basis as other property assets, commences when the assets are ready for their intended use.

Assets held under finance leases are depreciated over their expected useful lives on the same basis as owned assets or, where shorter, the term of the relevant lease.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the item) is included in the consolidated income statement in the year in which the item is derecognised.

(j) Impairment of investments in subsidiaries and non-financial assets

Assets that have an indefinite useful life, for example goodwill, are not subject to amortisation and are tested annually for impairment. Assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units). Non-financial assets other than goodwill that suffered an impairment are reviewed for possible reversal of the impairment at each reporting date.

(k) Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is calculated using the weighted average method. The cost of finished goods and work in progress comprises raw materials, direct labour, other direct costs and related production overheads (based on normal operating capacity). Net realisable value is the estimated selling price in the ordinary course of business, less applicable variable selling expenses.

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(l) Foreign currency translation

(i) Functional and presentation currency

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates (the "functional currency"). The consolidated financial statements are presented in HK dollars, which is the Company's functional and the Group's presentation currency.

(ii) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the consolidated income statement.

(iii) Group companies

The results and financial position of all the Group entities (none of which has the currency of a hyperinflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

— assets and liabilities for each balance sheet presented are translated at the closing rate at the date of that balance sheet;

— income and expenses for each consolidated income statement are translated at average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the dates of the transactions); and

— all resulting exchange differences are recognised as a separate component of equity.

On consolidation, exchange differences arising from the translation of the net investment in foreign operations, and of borrowings are taken to shareholders' equity. When a foreign operation is partially disposed of or sold, exchange differences that were recorded in equity are recognised in the consolidated income statement as part of the gain or loss on sale.

Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated at the closing rate.

(m) Borrowing costs

All borrowing costs are recognised as and included in finance costs in the consolidated income statement in the period in which they are incurred.

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(n) Current and deferred tax

The tax expense for the period comprises current and deferred tax. Tax is recognised in the consolidated income statement, except to the extent that it relates to items recognised directly in equity. In this case, the tax is also recognised in equity.

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the balance sheet date in the countries where the Company and its subsidiaries operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

Deferred tax is recognised, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. However, the deferred tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred tax is determined using tax rates (and laws) that have been enacted or substantively enacted by the balance sheet date and are expected to apply when the related deferred tax asset is realised or the deferred tax liability is settled.

Deferred tax assets are recognised only to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

Deferred tax is provided on temporary differences arising on investments in subsidiaries, except where the timing of the reversal of the temporary difference is controlled by the Group and it is probable that the temporary difference will not reverse in the foreseeable future.

(o) Financial assets

The Group classifies its financial assets in the following categories: at fair value through profit or loss and loans and receivables. The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of its financial assets at initial recognition.

(i) Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss are financial assets held for trading. A financial asset is classified in this category if acquired principally for the purpose of selling in the short term. Assets in this category are classified as current assets.

(ii) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for maturities greater than 12 months after the balance sheet date. These are classified as non-current assets. The Group's loans and receivables comprise 'trade and other receivables', 'amount due from a related party', 'amounts due from minority shareholders of a subsidiary' and 'cash and cash equivalents' in the balance sheet (Notes 3(p) and 3(q)).

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(o) Financial assets *(continued)*

Regular way purchases and sales of financial assets are recognised on the trade-date — the date on which the Group commits to purchase or sell the asset. Investments are initially recognised at fair value plus transaction costs for all financial assets not carried at fair value through profit or loss. Financial assets carried at fair value through profit or loss are initially recognised at fair value and transaction costs are expensed in the consolidated income statement. Financial assets are derecognised when the rights to receive cash flows from the investments have expired or have been transferred and the Group has transferred substantially all risks and rewards of ownership. Financial assets at fair value through profit or loss are subsequently carried at fair value. Loans and receivables are carried at amortised cost using the effective interest method.

Gains or losses arising from changes in the fair value of the 'financial assets at fair value through profit or loss' category are presented in the consolidated income statement within 'other losses, net', in the period in which they arise. Dividend income from financial assets at fair value through profit or loss is recognised in the consolidated income statement as part of other income when the Group's right to receive payments is established.

The fair values of quoted investments are based on current bid prices. If the market for a financial asset is not active (and for unlisted securities), the Group established fair value by using valuation techniques. These include the use of recent arm's length transactions, reference to other instruments that are substantially the same, discounted cash flow analysis, and option pricing models, making maximum use of market inputs and relying as little as possible on entity-specific inputs.

The Group assesses at each balance sheet date whether there is objective evidence that a financial asset or a group of financial assets is impaired. Impairment testing of trade receivables is described in Note 3(p).

(p) Trade and other receivables

Trade and other receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment. A provision for impairment of trade and other receivables is established when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of the receivables. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation, and default or delinquency in payments are considered indicators that the receivable is impaired. The amount of the provision is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate. The carrying amount of the assets is reduced through the use of an allowance account, and the amount of the loss is recognised in the consolidated income statement within 'selling and administrative expenses'. When a receivable is uncollectible, it is written off against the allowance account for receivables. Subsequent recoveries of amounts previously written off are credited against 'selling and administrative expenses' in the consolidated income statement.

(q) Cash and cash equivalents

Cash and cash equivalents includes cash in hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of three months or less, and bank overdrafts.

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(r) Trade and other payables

Trade and other payables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

(s) Borrowings

Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently stated at amortised cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognised in the consolidated income statement over the period of the borrowings using the effective interest method.

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the balance sheet date.

(t) Convertible notes

Convertible notes issued by the Group that contain both the liability and conversion option components are classified separately into respective items on initial recognition. Conversion option that will be settled by the exchange of a fixed amount of cash or another financial asset for a fixed number of the Company's own equity instruments is classified as an equity instrument.

On initial recognition, the fair value of the liability component is determined using the prevailing market interest of similar non-convertible debts. The difference between the gross proceeds of the issue of the convertible notes and the fair value assigned to the liability component, representing the conversion option for the holder to convert the loan notes into equity, is included in equity (convertible notes reserve).

In subsequent periods, the liability component of the convertible notes is carried at amortised cost using the effective interest method. The equity component, representing the option to convert the liability component into ordinary shares of the Company, will remain in convertible notes reserve until the embedded option is exercised, in which case the balance stated in convertible notes reserve will be transferred to share premium. Where the option remains unexercised at the expiry date, the balance stated in convertible notes reserve will be released to the retained profits. No gain or loss is recognised in profit or loss upon conversion or expiration of the option.

Transaction costs that relate to the issue of the convertible notes are allocated to the liability and equity components in proportion to the allocation of the gross proceeds. Transaction costs relating to the equity component are charged directly to equity. Transaction costs relating to the liability component are included in the carrying amount of the liability portion and amortised over the period of the convertible notes using the effective interest method.

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(u) Financial guarantee

Financial guarantee contracts within the scope of HKAS 39 are accounted for as financial liabilities. A financial guarantee contract is recognised initially at its fair value. Subsequent to initial recognition, the Group measures the financial guarantee contract at the higher of: (i) the best estimate of the expenditure required to settle any financial obligation arising at the balance sheet date; and (ii) the amount initially recognised less, when appropriate, cumulative amortisation recognised in the income statement the fee income earned on a straight line basis over the life of the guarantee.

(v) Derecognition

Financial assets are derecognised when the rights to receive cash flows from the assets expire or, the financial assets are transferred and the Group has transferred substantially all the risks and rewards of ownership of the financial assets. On derecognition of a financial asset, the difference between the asset's carrying amount and the sum of the consideration received and receivable and the cumulative gain or loss that had been recognised directly in equity is recognised in profit or loss.

Financial liabilities are derecognised when the obligation specified in the relevant contract is discharged, cancelled or expires. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in profit or loss.

(w) Leases

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

(i) The Group as lessee

Assets held under finance leases are recognised as assets of the Group at their fair value at the inception of the lease or, if lower, at the present value of the minimum lease payments. The corresponding liability to the lessor is included in the consolidated balance sheet as a finance lease obligation. Lease payments are apportioned between finance charges and reduction of the lease obligation so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are charged directly to profit or loss.

Rentals payable under operating leases are charged to the consolidated income statement on a straight-line basis over the terms of the relevant leases. Benefits received and receivable as an incentive to enter into an operating lease are recognised as a reduction of rental expenses over the lease term on a straight-line basis.

(x) Provisions

Provisions for environmental restoration, restructuring costs and legal claims are recognised when: the Group has a present legal or constructive obligation as a result of past events; it is probable that an outflow of resources will be required to settle the obligation; and the amount has been reliably estimated. Restructuring provisions comprise lease termination penalties and employee termination payments. Provisions are not recognised for future operating losses.

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to passage of time is recognised as interest expense.

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(y) Government grants

Government grants for loss in toll receipts are recognised as income over the year necessary to match them with the related costs. Grants related to expense items are recognised as turnover in the same year as those expenses are charged in the consolidated income statement.

(z) Employee benefits

(i) Salaries, annual bonuses, annual leave entitlement and the cost of non-monetary benefits are accrued in the year in which the associated services are rendered by employees. Where payment or settlement is deferred and the effect would be material, these amounts are stated at their present value.

(ii) The Group participates in various defined contribution schemes. The schemes are generally funded through payments to insurance companies, trustee-administrated funds or the relevant government authorities. A defined contribution plan is a pension plan under which the Group pays fixed contributions into a separate entity. The Group has no legal or constructive obligations to pay further contributions if the fund does not hold sufficient assets to pay all employees the benefits relating to employee service in the current and prior periods.

Payments to state-managed retirement benefit and Mandatory Provident Fund retirement benefits scheme are charged as expenses as when employees have rendered services entitling them to the contributions.

For defined contribution plans, the Group pays contributions to publicly or privately administered pension insurance plans on a mandatory, contractual or voluntary basis. The Group has no further payment obligations once the contributions have been paid. The contributions are recognised as employee benefit expense when they are due. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in the future payments is available.

(aa) Dividend distribution

Dividend distribution to the Company's shareholders is recognised as a liability in the Group's financial statements in the period in which the dividends are approved by the Company's shareholders.

(ab) Share capital

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

4. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

In the application of the Group's accounting policies, which are described in note 3, the directors of the Company are required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

4. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS *(continued)*

(a) Impairment of goodwill

Determining whether goodwill is impaired requires an estimation of the value in use of the cash-generating units to which goodwill has been allocated. The value in use calculation requires the Group to estimate the future cash flows expected to arise from the cash-generating unit and a suitable discount rate in order to calculate the present value. Where the actual future cash flows are less than expected, a material impairment loss may arise. As at 31st December, 2008, the carrying amount of goodwill is HK$49,719,000 (2007: HK$91,872,000). Details of the recoverable amount calculation and the key assumptions used are disclosed in note 22.

(b) Impairment of intangible asset

Determining whether intangible asset is impaired requires an estimation of the value in use of the cash-generating units to which intangible asset has been allocated. The value in use calculation requires the Group to estimate the future cash flows expected to arise from the cash-generating unit and a suitable discount rate in order to calculate the present value. Where the actual future cash flows are less than expected, a material impairment loss may arise. As at 31st December, 2008, the carrying amount of intangible asset is HK$14,421,000 (2007: HK$100,977,000). Details of the recoverable amount calculation and the key assumptions used are disclosed in note 23.

(c) Expected useful life of intangible asset

The Group amortises its intangible asset on a straight line basis over its estimated useful life of 10 years commencing from the date of acquisition of subsidiaries. The estimated useful life reflects the directors' estimate of the periods that the Group intends to derive future economic benefits from the use of the intangible asset. The Group re-assesses the useful life of the intangible asset on a regular basis and if the expectation differs from the original estimate, such difference will impact the amortisation in the year in which such estimate has been changed. During the year ended 31st December, 2008, the Group recognised amortisation of intangible asset amounting to approximately HK$10,295,000 (2007: HK$1,975,000). Details of the Group's intangible asset are set out in note 23.

(d) Expected useful life of mining right and mineral reserves

The Group's management has determined the estimated useful life of 15 years for its mining right based on the proven and probable reserves of 7,798,000 tonnes. The mining right was granted for a term of 5 years expiring in 2012. The directors of the Company are of the opinion that the Group will be able to continuously renew the mining right and the business licenses of respective mining subsidiaries at minimal charges. In the opinion of the independent legal advisor of the Company, there is no significant obstacle for the Group to renew its mining right and business licenses when they expire. Accordingly, the Group has used the proven and probable reserves as basis of estimation for the useful life of its mining right.

Amortisation rate is determined based on estimated proven and probable mine reserve quantities with reference to the independent technical assessment report. The capitalised cost of mining right is amortised using the units of production method. Any change to the estimated proven and probable mine reserves will affect the amortisation charge of the mining right. Management will reassess the useful live whenever the ability to renew the mining right and business licenses occurs.

Proven and probable mineral reserve estimates are updated at regular basis and have taken into account recent production and technical information about the mine. In addition, as prices and cost levels change from year to year, the estimate of proven and probable mineral reserves also changes. This change is considered a change in estimate for accounting purposes and is reflected on a prospective basis in related amortisation rate.

5. CAPITAL RISK MANAGEMENT

The Group manages its capital to ensure that entities in the Group will be able to continue as a going concern while maximising the return to shareholders through the optimisation of the debts and equity balances. The directors of the Company consider that the capital structure of the Group consists of net debts, which includes the borrowings net of cash and cash equivalents and equity attributable to equity holders of the Company comprising issued capital and reserves.

The directors of the Company review the capital structure by considering the cost of capital and the risks associated with each class of capital. Based on recommendations of the directors, the Group will balance its overall capital structure through payment of dividends, new share issues as well as the issue of the new debt or the repayment of existing debts. Neither the Company nor any of its subsidiaries are subject to externally imposed capital requirements.

The gearing ratios at 31st December 2008 and 2007 were as follows:

	2008	2007
	HK$'000	*HK$'000*
Long-term debts *(Note 32, 33, 35 and 37)*	**288,887**	89,424
Total equity	**858,055**	286,187
Total capital	**1,146,942**	375,611
Gearing ratio	**25.2%**	23.8%

Slightly increase in the gearing ratio during 2008 resulted primarily from the issue of share capital and convertible notes as part of the compensation for the acquisition of assets (Note 39).

6. FINANCIAL INSTRUMENTS

(a) Categories of financial instruments

	The Group	
	2008	2007
	HK$'000	*HK$'000*
Financial assets		
Financial assets at fair value through profit or loss	**2,894**	—
Loan and receivables:		
— Amounts due from minority shareholders of a subsidiary	**—**	52,674
— Other non-current assets	**1,080**	—
— Trade receivables	**12,246**	13,455
— Other receivables and deposits	**1,737**	23
— Amount due from a related party	**1,500**	—
— Cash and cash equivalents	**59,757**	40,027
	79,214	106,179

6. FINANCIAL INSTRUMENTS *(continued)*

(a) Categories of financial instruments *(continued)*

	The Group	
	2008	2007
	HK$'000	*HK$'000*
Financial liabilities		
At amortised cost:		
— Trade payables	**10,667**	6,159
— Other payables	**11,501**	3,803
— Amounts due to directors	**305**	—
— Bank borrowings	**30,131**	27,830
— Amount due to a related party	**23,829**	—
— Convertible notes	**262,828**	84,058
Obligations under finance leases	**3,969**	5,226
	343,230	127,076

	The Company	
	2008	2007
	HK$'000	*HK$'000*
Financial assets		
Loans and receivables:		
— Amounts due from subsidiaries	**18,888**	6,182
— Cash and cash equivalents	**36,137**	21,487
	55,025	27,669
Financial liabilities		
At amortised cost:		
— Other payables	**1,516**	—
— Amounts due to directors	**305**	—
— Convertible notes	**262,828**	84,058
	264,649	84,058

(b) Financial risk management

The Group's major financial instruments are set out in note(a) above and the details of these financial instruments are disclosed in respective notes. The risks associated with these financial instruments and the policies on how to mitigate these risks are set out below. The management manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.

6. FINANCIAL INSTRUMENTS *(continued)*

(b) Financial risk management *(continued)*

(i) Market risk

(1) Foreign exchange risk

Foreign exchange risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. Foreign exchange risk arises from monetary assets and liabilities denominated in foreign currencies. The Group had only insignificant foreign exchange risk exposure to Renminbi ("RMB") as at 31st December, 2008 and 31st December, 2007 and as such, no sensitivity analysis has been presented.

The Group had certain RMB denominated investments in foreign operations, the net assets of which are exposed to foreign currency translation risk. Fluctuations in such currencies are reflected in the movement of the translation reserve.

The Company has no foreign currency denominated monetary assets and liabilities. As such, it is not exposed to foreign exchange risk and no sensitivity analysis has been presented.

(2) Price risk

The Group is exposed to equity securities price risk because investments held by the Group are classified on the consolidated balance sheet at fair value through profit or loss. To manage its price risk arising from the investments in equity securities, the management will minimise the price risk by considering hedging the risk exposure should the need arise.

The Group's investments in equity of other entities are publicly traded in Stock Exchange of Hong Kong. Taking reference to the movement of Heng Seng Index, if the prices of the respective equity instruments had been 10% higher/lower with all other variables held constant and all the Group's equity securities moved according to the historical correlation with the index, loss for the year would decrease/increase by HK$289,000 as a result of increase/decrease in fair value of equity securities classified as at fair value through profit or loss.

The Company is not exposed to price risk.

(3) Interest rate risk

The Group is exposed to fair value interest rate risk in relation to fixed rate convertible notes, fixed rate obligation under finance leases and amounts due from minority shareholders of a subsidiary. If the interest rate had been 50 basis points higher/lower, the Group's loss for the year ended 31st December, 2008 would be a maximum increase/decrease of HK$570,000 (2007: HK$115,000).

The Company is exposed to fair value interest rate risk in relation to its fixed rate convertible notes. If the interest rate had been 50 basis points higher/lower, the Company's loss for the year ended 31st December, 2008, would be a maximum increase/decrease of HK$548,000 (2007: HK$73,000).

6. FINANCIAL INSTRUMENTS *(continued)*

(b) Financial risk management *(continued)*

(i) Market risk (continued)

(3) Interest rate risk (continued)

The Group is also exposed to cash flow interest rate risk in relation to variable-rate bank borrowings. The Group's interest rate risk on bank balances is insignificant. It is the Group's policy to keep its borrowings at floating rate of interests so as to minimise the fair value interest rate risk.

The Group does not have interest rate hedging policy. However, the management monitor interest rate exposure and will consider hedging significant interest rate exposure should the need arises.

The Group's exposures to interest rate risk on financial liabilities are detailed in the liquidity risk management section of this note. The Group's cash flow interest rate risk is mainly concentrated on the fluctuation of the interest rate arising from the Group's variable rate bank balances and variable rate bank borrowings.

The sensitivity analyses below have been determined based on the exposure to interest rates for non-derivative instruments at the balance sheet date. For variable-rate bank borrowings, the analysis is prepared assuming the amount of liability outstanding at the balance sheet date was outstanding for the whole year. A 50 basis point increase or decrease is used when reporting interest rate risk internally to key management personnel and represents management's assessment of the reasonably possible change in interest rates.

If interest rates had been 50 basis points higher/lower and all other variables were held constant, the Group's loss for the year ended 31st December, 2008 would increase/decrease by HK$151,000 (2007: HK$139,000). This is mainly attributable to the Group's exposure to interest rates on its variable-rate bank borrowings.

The Group's sensitivity to interest rates has increased during the current year mainly due to the increase in variable rate debt instruments.

(ii) Credit risk

The Group's maximum exposure to credit risk which will cause a financial loss to the Group due to failure to discharge an obligation by the counterparties is arising from the carrying amount of the trade receivables, other receivables, amount due from a related party and cash and cash equivalents as stated in the consolidated balance sheet.

The Company's maximum exposure to credit risks is in relation to the carrying amount of cash and cash equivalents and amounts due from subsidiaries as stated in the Company's balance sheet.

In order to minimise the credit risk, the management of the Group has delegated a team to compile the credit and risk management policies, to approve the credit limit and to determine any debt recovery action on those delinquent receivables. In addition, the management reviews the recoverable amount of each individual trade debt at each balance sheet date to ensure that adequate impairment losses are made for irrecoverable amounts. In this regard, the directors of the Company consider that the credit risk of the Group's limousine and shuttle bus services is significantly reduced.

6. FINANCIAL INSTRUMENTS *(continued)*

(b) Financial risk management *(continued)*

(ii) Credit risk (continued)

The credit risk on cash and cash equivalents is limited for both the Group and the Company because counterparties are mainly the banks with high credit-rating, i.e. above Aa1 assigned by international credit-rating agencies.

The Group and the Company has no concentration of credit risk, with exposure spread over a number of counterparties.

(iii) Liquidity risk

In the management of the liquidity risk, the Group monitors and maintains a level of cash and cash equivalents deemed adequate by the management to finance the Group's operations and mitigate the effects of fluctuations in cash flows. The management monitors the utilisation of bank borrowings.

The Group relies on bank borrowings from bank as a significant source of liquidity. As at 31st December, 2008, the Group has available unutilised bank loan facilities of approximately HK$31,507,000 (2007: HK$10,420,000). The Company has no bank loan facilities as at 31st December, 2008 and 2007.

The following table details the Group's remaining contractual maturity for its financial liabilities. The table has been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Group can be required to pay. The table includes both interest and principal cash flows.

Liquidity and interest risk tables

	The Group					
	Weighted average effective interest rate	Within 1 year of demand	1-2 years	2-5 years	Total undiscounted cash flows	Carrying amount at year end date
2008	%	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Non-derivative financial liabilities						
Trade payables		10,667	—	—	10,667	10,667
Other payables		11,501	—	—	11,501	11,501
Amount due to a related party	—	—	23,829	—	23,829	23,829
Amounts due to directors	—	305	—	—	305	305
Bank borrowings — variable rate	4.29	30,164	—	—	30,164	30,131
Obligations under finance leases	2.38	1,927	1,763	555	4,245	3,969
Convertible notes	14.23	993	993	485,467	487,453	262,828
		55,557	26,585	486,022	568,164	343,230

6. FINANCIAL INSTRUMENTS *(continued)*

(b) Financial risk management *(continued)*

(iii) Liquidity risk (continued)

The Group

	Weighted average effective interest rate	Within 1 year of demand	1-2 years	2-5 years	Total un-discounted cash flows	Carrying amount at year end date
	%	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
2007						
Non-derivative financial liabilities						
Trade payables	—	6,159	—	—	6,159	6,159
Other payables	—	3,803	—	—	3,803	3,803
Bank borrowings — variable rate	5.43	28,659	1,684	—	30,343	27,830
Obligations under finance leases	2.38	1,782	1,782	2,197	5,761	5,226
Convertible notes	10.20	2,400	4,800	124,352	131,552	84,058
		42,803	8,266	126,549	177,618	127,076

The Company

	Weighted average effective interest rate	**Within 1 year of demand**	**1-2 years**	**2-5 years**	**Total un-discounted cash flows**	**Carrying amount at year end date**
	%	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
2008						
Non-derivative financial liabilities						
Other payables	**—**	**1,516**	**—**	**—**	**1,516**	**1,516**
Amounts due to directors	**—**	**305**	**—**	**—**	**305**	**305**
Convertible notes	**14.23**	**993**	**993**	**485,467**	**487,453**	**262,828**
		2,814	**993**	**485,467**	**489,274**	**264,649**
2007						
Non-derivative financial liabilities						
Convertible notes	10.20	2,400	4,800	124,352	131,552	84,058

6. FINANCIAL INSTRUMENTS *(continued)*

(c) Fair value

The fair value of financial assets and financial liabilities are determined as follows:

- the fair value of financial assets with standard terms and conditions and trade on active liquid markets are determined with reference to quoted market bid prices;
- the fair value of financial liabilities for disclosure purposes is estimated by discounting the future contractual cash flows at the current market interest rate that is available to the Group for similar financial instruments; and
- the carrying values less impairment provision of trade receivables and payables are assumed to approximate their fair values.

7. REVENUE

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

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

Note:

Pursuant to Instruction No. 197 and No. (2003) 31 issued by the Hangzhou City government on 26th October, 2003, with effective from 1st January, 2004 that all the automobiles registered in Hangzhou City are exempted from toll payments for the purpose of enhancing capacity of its road networks and providing efficient services. In order to compensate Hangzhou Huanan Engineering Development Co., Ltd ("HHED") for the loss of toll receipts collected from automobiles registered in the Hangzhou City, a daily compensation of RMB50,000 was granted to HHED in the year ended 31st December, 2005. The compensation is subject to annual review by Hangzhou City government and the compensation agreement will be evaluated year by year. On 30th July, 2008, HHED has entered into an agreement with the Hangzhou City government and agreed the daily compensation of RMB50,000 for the year of 2006, and RMB51,250 for the year 2007 to 2009. The total amount of compensation received during the year ended 31st December, 2008 was approximately of HK$48,019,000 with HK$11,447,000, HK$20,890,000 and HK$15,682,000 in respect of daily compensation for the years ended 31st December, 2006, 2007 and 2008 respectively (2007: nil).

8. SEGMENT INFORMATION

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

(a) Primary reporting format — business segments

The Group comprises the following business segments:

Limousine rental services — provision of limousine rental services in both Hong Kong and the People's Republic of China ("PRC")

Airport shuttle rental services — provision of airport shuttle rental services in Hong Kong

Mining operation — exploitation, processing and sales of copper, zinc and lead ore concentrates in the PRC

Others — investment in equity securities

The Group was also involved in the management and operation of a toll road in the PRC. That operation was discontinued on 26th September, 2008 as mentioned in note 14.

(1) ***Consolidated income statement***
For the year ended 31st December, 2008

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

8. SEGMENT INFORMATION *(continued)*

(a) Primary reporting format — business segments *(continued)*

(2) Consolidated balance sheet

As at 31st December, 2008

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

8. SEGMENT INFORMATION *(continued)*

(a) Primary reporting format — business segments *(continued)*

(3) Other information

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

8. SEGMENT INFORMATION *(continued)*

(b) Secondary reporting format — geographical segments

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

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

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

	2008			2007		
	The PRC	**Hong Kong**	**Total**	The PRC	Hong Kong	Total
	HK$'000	***HK$'000***	***HK$'000***	*HK$'000*	*HK$'000*	*HK$'000*
Segment revenue	**9,904**	**78,933**	**88,837**	515	18,433	18,948

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

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

9. OTHER INCOME

	2008	2007
	HK$'000	*HK$'000*
Interest on bank deposits	326	232
Gain on disposal of property, plant and equipment	144	36
Dividend income from listed investment	825	—
Others	266	51
	1,561	319

10. OTHER LOSSES, NET

	2008	2007
	HK$'000	*HK$'000*
Unrealised gain on financial assets at fair value through profit or loss	(379)	—
Loss on disposal of subsidiaries *(note 40)*	8,311	—
Loss on disposal of financial assets at fair value through profit or loss	6,569	—
	14,501	—

11. IMPAIRMENT LOSSES

	2008	2007
	HK$'000	*HK$'000*
Impairment of goodwill *(note 22)*	42,153	—
Impairment of intangible asset *(note 23)*	76,261	—
	118,414	—

12. FINANCE COSTS

	2008 HK$'000	2007 HK$'000
Effective interest expenses on convertible notes *(note 35)*	**14,166**	1,170
Imputed interest on amount due to a director	**—**	107
Interest on bank borrowings wholly repayable within five years	**1,239**	363
Finance leases	**287**	78
	15,692	1,718

13. INCOME TAX (CREDIT)/EXPENSE

	2008 HK$'000	2007 HK$'000
Continuing operations		
Hong Kong profits tax:	**430**	—
PRC Enterprise Income Tax:		
Current year	**34**	74
Overprovision in prior years	**(77)**	—
	387	74
Deferred tax:		
Original and reversal of temporary differences *(note 36)*	**(15,227)**	385
Impact of change in Hong Kong profits tax rate *(note 36)*	**(1,046)**	—
	(15,886)	459
Discontinued operation		
PRC Enterprise Income Tax:		
Current year	**6,980**	—
Deferred tax:		
Original and reversal of temporary differences *(note 36)*	**188**	241
	7,168	241

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

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

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

13. INCOME TAX (CREDIT)/EXPENSE *(continued)*

The expense for the year can be reconciled to the loss per the consolidated income statement as follows:

	2008 *HK$'000*	2007 *HK$'000*
Loss before income tax — continuing operations:	**(336,132)**	(3,171)
Notional tax at the applicable tax rate of 16.5% (2007: 17.5%)	**(55,462)**	(555)
Income not subject to tax	**(585)**	(47)
Expenses not deductible for tax purposes	**37,967**	1,027
Overprovision in respect of prior years	**(77)**	—
Tax loss for which no deferred tax asset was recognised	**3,317**	—
Effect of different tax rates of subsidiaries operating in other jurisdictions	**—**	34
Effect of change in Hong Kong profits tax rate	**(1,046)**	—
Income tax (credit)/charge for the year	**(15,886)**	459

14. DISCONTINUED OPERATION

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

On 6th June, 2008, the Company entered into a sale and purchase agreement to dispose the entire equity interest of a subsidiary of the Company, Cableport Holdings Limited and its subsidiaries ("Cableport Group"), which held the Group's interests in the toll road operation. The disposal was effected in order to generate cash flows for the expansion of the Group's other businesses. The disposal was completed on 26th September, 2008, on which date control of Cableport Group passed to the acquirer.

14. DISCONTINUED OPERATION *(continued)*

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

	2008	2007
	HK$'000	*HK$'000*
Profit/(loss) of toll road operation for the year	**37,784**	(2,399)
Loss on disposal of toll road operation *(note 40)*	**(8,311)**	—
	29,473	(2,399)

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

	Period ended 26th September, 2008	Year ended 31st December 2007
	HK$'000	*HK$'000*
Revenue *(note 7)*	**53,385**	6,432
Direct costs	**(6,326)**	(7,775)
Business Tax	**(2,671)**	(322)
Other Income	**1,604**	399
Administrative expenses	**(1,040)**	(892)
Profit/(loss) before income tax	**44,952**	(2,158)
Income tax expense *(note 13)*	**(7,168)**	(241)
Profit/(loss) for the period/year	**37,784**	(2,399)

During the year, Cableport Group contributed HK$47 million (2007: HK$2.2 million) to the Group's net operating cash flows, paid HK$12.5 million (2007: HK$0.1 million) in respect of investing activities and paid nil amount (2007: HK$6.2 million) in respect of financing activities.

The exchange differences arising on translation of toll rood operation recognised directly in equity was HK$32,124,000 (2007: HK$19,123,000).

The carrying amounts of the assets and liabilities of Cableport Holdings Limited and its subsidiary at the date of disposal are disclosed in note 40.

15. EXPENSES BY NATURE

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

(a) Staff costs

	2008 HK$'000	2007 HK$'000
Directors' emoluments *(note 16)*	639	376
Retirement benefit scheme contributions	955	167
Other staff costs	28,132	4,350
	29,726	4,893

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

16. DIRECTORS AND EMPLOYEES' EMOLUMENTS

(a) Directors' emoluments

The emoluments paid or payable to each of the eight (2007: eight) directors were as follows:

	Chan Kam Kwan, Jason	Cheng Yung Pun	Yu Sui Chuen	Cheng Wing See, Nathalie	Luo ZhiJian	Au-Yeung Tsan Pong, Davie	Fung Ka Choi	Wong Chu Fung	Lau Kwok Kuen, Eddie	Uwe Henke Von Parpart	Wilton Timothy Carr Ingram	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
2008												
Salaries and other benefits	**200**	**—**	**—**	**N/A**	**N/A**	**—**	**—**	**N/A**	**—**	**—**	**—**	**200**
Fees	**—**	**—**	**—**	**N/A**	**N/A**	**—**	**—**	**N/A**	**151**	**144**	**144**	**439**
	200	**—**	**—**	**N/A**	**N/A**	**—**	**—**	**N/A**	**151**	**144**	**144**	**639**
2007												
Fees	N/A	55	55	52	52	55	55	52	—	N/A	N/A	376

No director waived any emoluments during the two years ended 31st December, 2008.

(b) Five highest paid individuals

During the year ended 31st December, 2008 and 31st December, 2007, the five highest paid individuals did not include any director of the Company. The emoluments for the five (2007: five) highest paid individuals of the Group were as follows:

	2008	2007
	HK$'000	*HK$'000*
Salaries and other benefits	**3,053**	767
Contribution to retirement benefit scheme	**47**	2
Performance related incentive payments	**539**	295
	3,639	1,064

The emoluments fell within the following bands:

	Number of individuals	
	2008	2007
HK$100,001 — HK$500,000	**3**	5
HK$500,001 — HK$1,000,000	**1**	—
HK$2,000,001 — HK$2,500,000	**1**	—
	5	5

17. DIVIDEND

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

18. LOSS PER SHARE

(a) Basic

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

	2008	2007
Weighted average number of shares in issue *(thousands)*	**1,057,465**	679,478
Loss from continuing operations attributable to equity holders of the Company *(HK$ thousands)*	**(319,639)**	(3,630)
Basic loss per share from continuing operations attributable to equity holders of the Company *(HK cents per share)*	**(30.23)**	(0.53)
Profit/(loss) from discontinued operation attributable to equity holders of the Company *(HK$ thousands)*	**22,979**	(1,613)
Basic earnings/(loss) per share from discontinued operation attributable to equity holders of the Company *(HK cents per share)*	**2.17**	(0.24)
Loss attributable to equity holders of the Company *(HK$ thousands)*	**(296,660)**	(5,243)
Basic loss per share attributable to equity holders of the Company *(HK cents per share)*	**(28.06)**	(0.77)

(b) Diluted

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

19. TOLL ROAD OPERATION RIGHTS — GROUP

	HK$'000
COST	
At 1st January, 2007	123,375
Exchange differences	8,859
At 31st December, 2007	132,234
Exchange differences	8,876
Disposal of subsidiaries	(141,110)
At 31st December, 2008	—
ACCUMULATED AMORTISATION AND IMPAIRMENT	
At 1st January, 2007	41,961
Exchange differences	3,013
Charge for the year	5,057
At 31st December, 2007	50,031
Exchange differences	3,358
Charge for the year	4,047
Disposal of subsidiaries	(57,436)
At 31st December, 2008	—
CARRYING VALUES	
At 31st December, 2008	—
At 31st December, 2007	82,203

The toll road operation rights represented the concession rights over a toll road in Hangzhou (the "Hangzhou Toll Road") for 30 years, starting from 4th April, 1994 up to 3rd April, 2024, and carried the entitlement to the tolls from traffic running from Fuyang City to Hangzhou City, Zhejiang Province, the PRC. The toll road operation rights were owned by HHED. The land use rights of the toll road remained the property of the PRC government of Zhejiang Province. The Hangzhou Toll Road was a dual-2-lane national highway between Hangzhou City and Fuyang City with designated speed of 100km/h. Tolls were collected for all travel from Fuyang City to Hangzhou City. The toll road operation rights were amortised on a straight-line basis over the period from the date of acquisition to the date of cessation of the rights of approximately 22 years.

In January, 2005, HHED entered into an agreement with the Hangzhou City government that a daily compensation of RMB50,000 for the loss of toll receipts for the year ended 31st December, 2005. The compensation was subject to annual review by Hangzhou City government and the agreement would be evaluated year by year. In July, 2008, HHED entered into a supplementary agreement with the Hangzhou City government and agreed that daily compensation of RMB50,000 for the year of 2006, and RMB51,250 for the years 2007 to 2009 would be paid to HHED. Details of the compensation received by the Group during the years ended 31st December, 2008 and 2007 are set out in note 7.

20. MINING RIGHT — GROUP

	HK$'000
COST	
Addition *(note 39)*	997,341
Exchange differences	(6,810)
At 31st December, 2008	990,531
AMORTISATION	
Charge for the year	3,430
Exchange differences	96
At 31st December, 2008	3,526
CARRYING VALUE	
At 31st December, 2008	987,005

This represents the right to conduct mining activities in 雲南省紅河洲綠春縣大馬尖山 Damajianshan, Honghe Zhou, Luchun Country, Yunnan.

The mine is located on land in the PRC (the "Land") to which the Group has no formal title. The Group is in the process of obtaining the land use right certificate.

Yunnan State Land Resources Bureau issued the mining right certificate to Luchun Xingtai Minning Co., Ltd. ("Luchun Xingtai") in January, 2005. The mining right certificate was renewed in 2007 for a period of five years to September, 2012.

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 years using the units of production method based on the proven and probable mineral reserves of 7,798,000 tonnes under the assumption that the Group can renew the mining right indefinitely till all proven and probable reserves have been mined.

21. PROPERTY, PLANT AND EQUIPMENT — GROUP

	Leasehold improvements HK$'000	Buildings HK$'000	Plants, furniture, fixtures and equipment HK$'000	Motor vehicles HK$'000	Sub-total HK$'000	Construction in progress HK$'000	Total HK$'000
COST							
At 1st January, 2007	—	—	463	864	1,327	—	1,327
Exchange differences	—	—	35	176	211	—	211
Acquisition of subsidiaries	240	—	245	51,265	51,750	—	51,750
Additions for continuing operations	51	—	295	399	745	—	745
Disposals	—	—	(3)	—	(3)	—	(3)
At 31st December, 2007	291	—	1,035	52,704	54,030	—	54,030
Exchange differences	4	—	(38)	374	340	(125)	215
Acquisition of assets *(note 39)*	—	—	12,164	417	12,581	18,336	30,917
Additions — continuing operations	892	—	570	14,279	15,741	53	15,794
Additions — discontinued operation	—	—	11	270	281	—	281
Transfer from CIP	—	12,505	5,759	—	18,264	(18,264)	—
Disposals	—	—	(8)	(6,014)	(6,022)	—	(6,022)
Written off	—	—	(17)	—	(17)	—	(17)
Disposal of subsidiaries	—	—	(791)	(1,018)	(1,809)	—	(1,809)
At 31st December, 2008	1,187	12,505	18,685	61,012	93,389	—	93,389

21. PROPERTY, PLANT AND EQUIPMENT — GROUP *(continued)*

	Leasehold improvements HK$'000	Buildings HK$'000	Plants, furniture, fixtures and equipment HK$'000	Motor Vehicles HK$'000	Sub-total HK$'000	Construction in progress HK$'000	Total HK$'000
ACCUMULATED DEPRECIATION AND IMPAIRMENT							
At 1st January, 2007	—	—	229	639	868	—	868
Exchange differences	—	—	18	50	68	—	68
Provided for the year	15	—	79	1,855	1,949	—	1,949
Disposals	—	—	(3)	—	(3)	—	(3)
At 31st December, 2007	15	—	323	2,544	2,882	—	2,882
Exchange differences	—	—	7	68	75	—	75
Provided for the year	109	148	785	10,261	11,303	—	11,303
Disposals	—	—	(7)	(5,847)	(5,854)	—	(5,854)
Written off	—	—	(2)	—	(2)	—	(2)
Disposal of subsidiaries	—	—	(389)	(650)	(1,039)	—	(1,039)
At 31st December, 2008	124	148	717	6,376	7,365	—	7,365
CARRYING VALUES							
At 31st December, 2008	1,063	12,357	17,968	54,636	86,024	—	86,024
At 31st December, 2007	276	—	712	50,160	51,148	—	51,148

At 31st December, 2008, the Group pledged the motor vehicles with a carrying value of approximately HK$30,612,000. (2007: HK$33,476,000) to secure general banking facilities granted to a subsidiary of the Group.

The net book value of motor vehicles includes an amount of approximately HK$5,655,000 (2007: HK$5,962,000) in respect of assets held under finance leases.

22. GOODWILL AND IMPAIRMENT TESTING ON GOODWILL — GROUP

	2008	2007
	HK$'000	HK$'000
Carrying amounts at 1st January,	91,872	—
Arising on acquisition of subsidiaries	—	91,872
Impairment *(note 11)*	(42,153)	—
Carrying amounts at 31st December,	49,719	91,872

As explained in note 8, the Group uses business segments as its primary segment for reporting segment information. The goodwill arising on acquisition is attributable to the anticipated profitability of the Group in the business of limousine and airport shuttle rental services. For the purposes of impairment testing, goodwill has been allocated to the following cash generating units ("CGUs").

	2008	2007
	HK$'000	HK$'000
Airport shuttle rental services in Hong Kong ("Unit A")	10,621	10,621
Limousine rental services in Hong Kong ("Unit B")	784	6,085
Limousine rental services in the PRC ("Unit C')	38,314	75,166
	49,719	91,872

The basis of the recoverable amounts of the above CGUs and their major underlying assumptions are summarized below:

Unit A

The recoverable amount of this unit was determined based on a value-in-use calculation. That calculation uses cash flow projections based on financial budgets approved by management covering a five-year period up to 2013 and extrapolates cash flow using zero growth rate. The management estimates the gross margin of approximately 35% and a discount rate of 10%. The key assumptions for the value-in-use calculation relating to the estimation of cash inflows/outflows are based on the unit's past performance and management estimation. If the budgeted gross margin used in value-in-use calculation had been 0.5% lower than management's estimates at 31st December, 2008, the Group would have recognised a further impairment of goodwill by approximately HK$296,000.

Unit B

The recoverable amount of this unit was determined based on a value-in-use calculation. That calculation uses cash flow projections based on financial budgets approved by management covering a five-year period up to 2013 and extrapolates cash flow using zero growth rate. The management estimates the gross margin ranging from 22% to 30% and a discount rate of 10%. Other key assumptions for the value-in-use calculation relating to the estimation of cash inflows/outflows are based on the unit's past performance and management estimation. If the budgeted gross margin used in value-in-use calculation had been 0.5% lower than management's estimates at 31st December, 2008, the Group would have recognised a further impairment of goodwill by approximately HK$784,000 and would need to reduce the carrying value of other assets by approximately HK$649,000.

22. GOODWILL AND IMPAIRMENT TESTING ON GOODWILL *(continued)*

Unit C

The recoverable amount of this unit was determined based on a value-in-use calculation. That calculation uses cash flow projections based on financial budgets approved by management covering a five-year period up to 2013 and extrapolates cash flow using zero growth rate. The management estimates the gross margin of 32% to 48% and a discount rate of 13%. Other key assumptions for the value-in-use calculation relating to the estimation of cash inflows/outflows are based on the management best estimation. If the budgeted gross margin used in value-in-use calculation had been 0.5% lower than management's estimates at 31st December, 2008, the Group would have recognised a further impairment of goodwill by approximately HK$2,250,000.

23. INTANGIBLE ASSET — GROUP

	Customer Base *HK$'000*
COST	
At 31st December, 2007 and 2008	102,952
ACCUMULATED AMORTISATION AND IMPAIRMENT	
Charge for the year	1,975
At 31st December, 2007	1,975
Charge for the year	10,295
Impairment *(note 11)*	76,261
At 31st December, 2008	88,531
CARRYING VALUES	
At 31st December, 2008	14,421
At 31st December, 2007	100,977

The intangible asset represents the customer base of Perryville Group arising from the acquisition of Perryville Group in October, 2007. According to HKFRS 3 "Business Combinations", the acquirer shall recognise the acquiree's assets, liabilities and contingent liabilities which include intangible assets at the acquisition date. The fair value of the intangible asset of the customer base on date of the completion of the acquisition was determined based on a valuation performed by an independent valuer, Vigers. Vigers is not connected with the Group. The valuation was determined based on a cash flow projection arising from the business to be generated from those customers of the Perryville Group existing on the acquisition date.

The intangible asset has a definite useful life and is amortised on a straight-line basis over its expected useful life of 10 years.

The recoverable amount of the intangible asset as at 31st December 2008 was determined based on value-in-use calculations. These calculations use cash flow projections based on financial budgets approved by management covering the remaining useful life of the underlying intangible asset and the management estimates a gross margin of 35% and a range of 25% to 29% for Airport shuttle rental services and limousine rental services in Hong Kong respectively. If the budgeted gross margin used in value-in-use calculation had been 0.5% higher or lower than management's estimates at 31st December, 2008, the impairment of intangible asset would be decreased or increased by HK$1,624,000.

24. INTERESTS IN INFRASTRUCTURE JOINT VENTURES — GROUP

	2008 *HK$'000*	2007 *HK$'000*
Cost of investment	—	—
Share of post-acquisition profits	—	—
	—	—

According to the Restructuring Agreement completed on 17th September, 2002, the Group acquired the infrastructure joint ventures at nil consideration. The Group has recognised post-acquisition loss to the extent of its cost of investment.

As at 31st December, 2007, the Group had interests in the following infrastructure joint ventures:

Name of infrastructure joint venture	Place of incorporation or establishment/ operations	Issued and fully paid registered capital	Proportion ownership interest held by the Group Indirectly	Proportion of voting power held by the Company	Principal activities
山西襄翼道橋基建有限公司[1] Shanxi Xiangyi Road & Bridge Construction Ltd.	PRC	RMB65,556,000	45%	45%	Operation of toll road and bridge
山西臨洪道橋基建有限公司[1] Shanxi Linhong Road & Bridge Construction Ltd.	PRC	RMB51,204,000	45%	45%	Operation of toll road and bridge

1 The infrastructure joint ventures are Sino-foreign co-operative joint ventures and are formed with an independent Hong Kong partner ("HK Partner") and an independent PRC partner ("PRC Partner") for a period of 20 years commencing from 13th November, 1997. The Group, HK Partner and PRC Partner each has a 45%, 10% and 45% interests respectively in each joint venture's registered capital.

In accordance with the articles of each of the joint venture agreements of the respective infrastructure joint ventures, no distribution to the joint venture partners was made until the loans obtained and related interest payable by the infrastructure joint ventures have been fully repaid. The distribution was applied in the following orders and on the basis described below:

(a) The distribution would firstly be made in the proportion of 57.27%, 12.73% and 30% respectively to the Group, HK Partner and PRC Partner respectively until the Group and HK Partner had recovered in full amount of the respective capital contributed by them to the respective joint ventures;

(b) Subsequently, the distribution would be made in the proportion of 24.55%, 5.45% and 70% to the Group, HK Partner and PRC Partner respectively until the PRC Partner had also recovered the total capital contribution by itself to the respective joint ventures; and

(c) Thereafterwards, the distribution would be based on the percentage of capital contributed by the respective joint venture partners in the joint ventures.

24. INTERESTS IN INFRASTRUCTURE JOINT VENTURES — GROUP *(continued)*

On 30th September, 2008, the Company entered into a sale and purchase agreement to dispose the entire equity interest of a wholly owned subsidiary, Instrum Sino Limited and its joint ventures ("Instrum Sino Group"), which carried out the Group's toll road operations. The disposal was effected in order to generate cash flows for the expansion of the Group's other businesses. The disposal was completed on 30th September, 2008, on which date control of Instrum Sino Group passed to the acquirer.

25. AMOUNT DUE FROM A RELATED PARTY — GROUP

The amount represents a loan to a director of a subsidiary of the Group. It is unsecured, interest-free and repayable on demand.

26. INVENTORIES — GROUP

	2008
	HK$'000
Raw materials	**2,516**
Work in progress	**290**
Finished goods	**4,573**
	7,379

The cost of inventories recognised as expenses and included in direct costs amounted to approximately HK$3,079,000 (2007: Nil).

27. TRADE RECEIVABLES — GROUP

	2008	2007
	HK$'000	*HK$'000*
Trade receivables	**12,356**	13,559
Less: allowance for doubtful debts	**(110)**	(104)
Trade receivables-net	**12,246**	13,455

27. TRADE RECEIVABLES — GROUP *(continued)*

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

	2008	2007
	HK$'000	*HK$'000*
0-30 days	**6,581**	7,856
31-60 days	**4,075**	3,605
61-90 days	**898**	1,371
Over 90 days	**802**	727
	12,356	13,559

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.

At 31st December, 2008, the directors considered that trade receivables which are neither past due nor impaired are of good credit quality and there is no history of default relating to these customers.

Included in the Group's trade receivable balance are debtors with aggregate carrying amount of HK$1,590,000 (2007: HK$1,994,000) which are past due at the reporting date for which the Group has not provided for impairment loss. The Group does not hold any collateral over these balances.

Aging of trade receivables which are past due but not impaired

	2008	2007
	HK$'000	*HK$'000*
61-90 days	**898**	1,371
Over 90 days	**692**	623
Total	**1,590**	1,994

Movements on the Group's allowance for doubtful debts are as follows:

	2008	2007
	HK$'000	*HK$'000*
At 1st January,	**104**	—
Exchange difference	**6**	—
Provision for doubtful debts	**—**	104
At 31st December,	**110**	104

28. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS — GROUP

	2008	2007
	HK$'000	*HK$'000*
Listed securities:		
— Equity securities listed in Hong Kong	**2,894**	—
	2,894	—

29. CASH AND CASH EQUIVALENTS — GROUP AND COMPANY

The bank balances receive interest at an average rate of 0.01% (2007: 2.01%) per annum. Included in the bank balances and cash of the consolidated balance sheet were amounts in RMB of approximately HK$5,534,000 (2007: HK$8,145,000), which are not freely convertible into other currencies. All bank balances held by the Company were denominated in HKD for the years of 2008 and 2007.

30. OTHER CURRENT LIABILITIES — GROUP AND COMPANY

Trade payables, other payables and accrued charges for the Group and the Company comprise amounts outstanding for trade purposes and on-going costs.

Trade payables of the Group principally comprise amounts outstanding for direct costs. The normal credit period taken for direct costs is between 30 days and 90 days. In certain circumstances, the credit period has been extended to over 90 days. The following is an aged analysis of trade payables at the balance sheet date:

	2008	2007
	HK$'000	*HK$'000*
0-30 days	**2,696**	4,975
31-60 days	**1,629**	1,180
61-90 days	**1,810**	1
Over 90 days	**4,532**	3
	10,667	6,159

Other payables and accrued expenses of the Company of HK$2,729,000 (2007: HK$899,000) are payable within one year.

31. AMOUNTS DUE TO DIRECTORS — GROUP AND COMPANY

Amounts are unsecured, interest-free and repayable on demand.

32. BANK BORROWINGS — GROUP

	2008 HK$'000	2007 HK$'000
Bank loans-secured	30,131	27,830
Carrying amount repayable:		
On demand or within one year	30,131	26,183
More than one year, but not exceeding two years	—	1,647
	30,131	27,830
Less: Amounts due within one year shown under current liabilities	(30,131)	(26,183)
Amounts due after one year	—	1,647

As at 31st December, 2008, the bank loans were secured by the motor vehicles as disclosed in note 21.

The bank loans carry interest at prevailing market interest rates in Hong Kong. The range of effective interest rate (which are equal to contractual interest rates) on the Group's bank loans is as follows:

Effective interest rate	2008	2007
Variable rate bank borrowings	3.40% to 6.00%	5.13% to 6.65%

As at 31st December, 2008, guarantees have been given to a bank by the Company and a related party of Perryville Group's former shareholder with no charge in respect of banking facilities extended to the Perryville Group each amounting to approximately HK$63,200,000. As at 31st December, 2007, guarantees have been given to a bank by Perryville Group's former shareholder and related parties of its former shareholder with no charge in respect of banking facilities amounting to approximately HK$38,250,000.

33. OBLIGATIONS UNDER FINANCE LEASES — GROUP

The Group leases certain of its motor vehicles under finance leases. The lease term is ranging from 3 to 4 years. Interest rates underlying all obligations under finance leases are fixed and the effective interest rate is 2.376% per annum (2007: 2.375%). No arrangements have been entered into for contingent rental payments.

Amounts payable under finance leases

	Minimum lease payments		Present value of minimum lease payments	
	2008	2007	**2008**	2007
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Within one year	**1,927**	1,782	**1,739**	1,507
In more than one year but not more than two years	**1,763**	1,782	**1,682**	1,606
In more than two years but not more than five years	**555**	2,197	**548**	2,113
	4,245	5,761	**3,969**	5,226
Less: Finance charges	**(276)**	(535)	**—**	—
Present value of lease obligation	**3,969**	5,226	**3,969**	5,226
Less: Amount due for settlement within 12 months (shown under current liabilities)			**(1,739)**	(1,507)
Amount due for settlement after 12 months			**2,230**	3,719

The Group's obligations under finance leases are secured by the lessor's charge over the leased assets.

34. SHARE CAPITAL — GROUP AND COMPANY

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

Notes:

(a) Pursuant to shareholders' approval at the Special General Meeting held on 18th September, 2007, the authorised share capital of the Company has been increased from 800,000,000 shares at HK$0.10 each to 2,000,000,000 shares of HK$0.10 each.

(b) Pursuant to shareholders' approval at the Special General Meeting held on 18th July, 2008, the authroised share capital of the Company has been increased from 2,000,000,000 shares at HK$0.10 each to 4,000,000,000 shares of HK$0.10 each.

(c) Pursuant to a placing and subscription agreement executed on 10th September, 2008, a total of 240,000,000 ordinary shares were issued at an issue price of HK$0.50 per share, raising net proceeds of approximately HK$118.8 million. The new shares rank pari passu in all respects with the existing shares.

(d) Pursuant to a sales and purchase agreement executed on 19th September 2008, a total of 315,666,000 ordinary shares of HK$0.10 per share, and convertible notes with an aggregate principal amount of HK$435,500,000 and conversion price of HK$0.30 (subject to adjustment) were issued for the acquisition of assets (note 39).

(e) On 24th January, 2008, convertible notes with a principal amount of HK$42,000,000 were converted into shares of HK$0.10 each in the Company at the conversion price of HK$0.42 per share. Accordingly, a total of 100,000,000 ordinary shares of HK$0.10 per share were issued.

On 17th September, 2008 and 24th November, 2008, convertible notes with a principal amount of HK$12,150,000 and HK$16,200,000 were converted into shares of HK$0.10 each in the Company at the conversion price of HK$0.405 per share. Accordingly, a total of 30,000,000 and 40,000,000 ordinary shares of HK$0.10 per share were issued respectively.

On 26th November, 2008, 18th December, 2008 and 31st December, 2008, convertible notes with a principal amount of HK$600,000, HK$280,800 and HK$600,600 were converted into shares of HK$0.10 each in the Company at the conversion price of HK$0.30 per share. Accordingly, a total of 2,000,000, 936,000 and 2,002,000 ordinary shares of HK$0.10 per share were issued respectively.

35. CONVERTIBLE NOTES — GROUP AND COMPANY

Convertible note I

On 13th June, 2007, the Company entered into a Sale and Purchase Agreement (the "S&P Agreement") with Parklane International Holdings limited ("Parklane"). Pursuant to the S&P Agreement, the Company conditionally agreed to acquire and Parklane conditionally agreed to sell the entire interests in Perryville Group. The consideration for the acquisition was HK$170 million of which HK$50 million was settled by cash and HK$120 million was settled by issue of convertible notes. The acquisition was completed on 22nd October, 2007.

The convertible notes entitle the holders to convert them, in whole or in part, into ordinary shares of the Company at any time between the date of issue of the convertible notes and their settlement on 22nd October, 2012 at the conversion price of HK$0.42 per share subject to anti-dilutive adjustments. On 10th September, 2008, the conversion price of the convertible note has been adjusted from HK$0.42 per Share to HK$0.405 per Share as a result of the completion of the placing. The holders may by written notice demand the Company to redeem the convertible notes if trading of the shares of the Company has been suspended for consecutively more than 20 trading days. If the whole amount of the convertible notes is converted on the exercise price of HK$0.405 per share, the Company will issue 296,296,296 conversion shares. If the convertible notes have not been converted, they will be redeemed on 22nd October, 2012 at par. Interest of 2% will be paid annually up to the settlement date. The Company does not have the right to redeem the convertible notes prior to 22nd October, 2012.

During the year, the holder of the convertible notes of the Company has converted HK$70.35 million convertible notes into 170,000,000 new ordinary shares of the Company.

The effective interest rate of the convertible notes is 10.2% per annum.

The convertible notes contain two components, liability and equity elements. The fair value of the liability component included in non-current liabilities was calculated using a market interest rate for the equivalent non-convertible loans. The residual amount, representing the value of the equity conversion option, is included in shareholders' equity heading convertible notes reserve.

Convertible notes II

On 30th January, 2008, the Company entered into a sale and purchase agreement pursuant to which the Company conditionally agreed to acquire and the vendors conditionally agreed to dispose of the entire issued share capital of the Smart Year Investment Limited, a company which legally and beneficially owns a 90% equity interest in Luchun Xingtai, for a total consideration of HK$650,000,000. Subject to the supplemental deed, dated 27th June, 2008, the total consideration has been amended and satisfied (i) as to HK$119,800,000 in cash; (ii) as to HK$94,700,000 by the issue of the consideration shares by the Company to the vendors at the issue price; and (iii) as to HK$435,500,000 by the issue of the convertible notes to the vendors. The acquisition has been completed on 19th September, 2008.

35. CONVERTIBLE NOTES — GROUP AND COMPANY *(continued)*

Convertible notes II *(continued)*

The convertible notes entitle the holders to convert them, in whole or in part, into ordinary shares of the Company at any time between the date of issue of the convertible notes and their settlement on 19th September, 2013 at the conversion price of HK$0.30 per share subject to anti-dilutive adjustments. The holders may by written notice demand the Company to redeem the convertible notes if trading of the shares of the Company has been suspended for consecutively more than 20 trading days. If the whole amount of the convertible notes is converted on the exercise price of HK$0.30 per share, the Company will issue approximately 1,451,668,000 conversion shares. If the convertible notes have not been converted, they will be redeemed on 19th September, 2013 at par. No interest will be paid up to the settlement date. The Company does not have the right to redeem the convertible notes prior to 19th September, 2013.

During the year, the holder of the convertible notes of the Company has converted HK$1.48 million convertible notes into 4,938,000 new ordinary shares of the Company.

The effective interest rate of the convertible notes is 14.9% per annum.

The movement of the liability component of the convertible notes for the year is set out below:

	2008	2007
	HK$'000	*HK$'000*
Carrying amount at 1st January,	**84,058**	—
Issue of convertible notes	**217,464**	82,888
Interest expenses *(note 12)*	**14,166**	1,170
Interest paid	**(1,516)**	—
Conversion of convertible notes	**(51,344)**	—
Carrying amount at 31st December,	**262,828**	84,058

The carrying amount of the convertible notes is approximately equal to its fair value as at 31st December, 2008 and 2007.

36. DEFERRED TAXATION — GROUP

The following is the major deferred tax assets/(liabilities) recognised by the Group and movements thereon during the current and prior year:

	Tax losses	Repairs and renovation costs	Impairment loss recognised in respect of toll road operation rights	Accelerated tax depreciation	Intangible asset	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
At 1st January, 2007	—	861	3,187	—	—	4,048
Acquisition of subsidiaries	2,304	—	—	(6,508)	(18,016)	(22,220)
Exchange differences	—	61	226	—	—	287
(Charged)/credited to consolidated income statement for the year	(644)	(51)	(190)	(86)	345	(626)
At 31st December, 2007	1,660	871	3,223	(6,594)	(17,671)	(18,511)
Disposal of subsidiaries	—	(889)	(3,291)	—	—	(4,180)
Exchange differences	—	58	216	—	—	274
(Charged)/credited to consolidated income statement for the year	(694)	(40)	(148)	1,675	15,292	16,085
At 31st December, 2008	966	—	—	(4,919)	(2,379)	(6,332)

For the purpose of balance sheet presentation, certain deferred tax assets and liabilities have been offset. The following is the analysis of the deferred tax balances for financial reporting purposes:

	2008	2007
	HK$'000	*HK$'000*
Deferred tax assets	**966**	5,754
Deferred tax liabilities	**(7,298)**	(24,265)
	(6,332)	(18,511)

Deferred tax assets are recognised for tax losses carried forward to the extent that the realisation of the related tax benefit through future taxable profits is probable. The Group did not recognise deferred tax assets in respect of losses amounting to approximately HK$23 million (2007: HK$3.9 million) that can be carried forward against future taxable income. Losses amounting to approximately HK$23 million (2007: HK$3.9 million) will expire in three to five years from 31st December, 2008.

37. AMOUNT DUE TO A RELATED PARTY — GROUP

The amount due to a related party is unsecured and interest-free and is not repayable within the next twelve months. On application of HKAS 39, the fair value of the amount due to a related party was determined based on an effective interest rate of 5% on initial recognition.

38. PROVISION FOR RESTORATION COSTS — GROUP

	HK$'000
Acquisition of assets	475
Exchange differences	(3)
At 31st December, 2008	472

In accordance with relevant PRC rules and regulations, the Group is obliged to accrue the cost for land restoration for the existing mine starting from 2007. The provision for restoration cost represents the directors of the Group estimation of its liability for land restoration.

39. ACQUISITION OF MINING RIGHT AND OTHER ASSETS AND LIABILITIES — GROUP

As described in note 35, the Company entered into a sale and purchase agreement pursuant to which the Company conditionally agreed to acquire and the vendors conditionally agreed to dispose of the entire issued share capital of Smart Year Group for a total consideration of HK$650,000,000 of which HK$119,800,000 was settled in cash, HK$94,700,000 was settled by issue of consideration shares and HK$435,500,000 was settled by issue of the convertible notes. The acquisition has been completed on 19th September, 2008.

39. ACQUISITION OF MINING RIGHT AND OTHER ASSETS AND LIABILITIES — GROUP *(continued)*

The acquisition was accounted for as an asset acquisition.

Smart Year Group is principally engaged in exploitation, processing and sale of copper, lead, zinc, arsenic, silver and other mineral resources, and has been granted the mining right relating to a copper mine in Luchun Country, Yunnan Province, the PRC. The fair value of the identifiable assets and liabilities acquired in the transaction and the excess payment on asset acquisition resulted are as follows:

	Fair value as at date of acquisition *HK$'000*
Mining right	997,341
Property, plant and equipment	30,917
Inventories	3,207
Other non-current assets	7,390
Other receivables, deposits and prepayments	4,099
Bank balances and cash	998
Trade payables	(4,534)
Other payables and accrued charges	(31,426)
Provision for restoration costs	(475)
Amount due to a related party	(22,562)
Minority interests	(97,772)
	887,183
Excess payment on asset acquisition	167,481
Purchase consideration	1,054,664
Total consideration satisfied by:	
Cash	119,800
Issue of new shares	164,146
Convertible notes at fair value	760,234
Incidental costs	10,484
	1,054,664

39. ACQUISITION OF MINING RIGHT AND OTHER ASSETS AND LIABILITIES — GROUP
(continued)

	Fair value as at date of acquisition
	HK$'000
Net cash outflow arising on acquisition:	
Cash consideration paid	119,800
Bank and cash balances acquired	(998)
Incidental costs	10,484
	129,286

40. DISPOSAL OF SUBSIDIARIES — GROUP

On 6th June, 2008, the Company entered into the agreement with Leading Highway Limited (the ultimate holding company), the purchaser, and Mr. Cheng Yung Pun, the guarantor, who was an executive director of the Company resigned on 16th February, 2009, pursuant to which the Company agreed to sell and the purchaser agreed to acquire (i) the sale shares, representing the entire issued share capital of Cableport Holdings Limited as at the date of the agreement; and (ii) the shareholder's loan. The total consideration payable for the disposal is HK$60,000,000 in cash, of which HK$37,631,679 represents the consideration for the sale of the sales shares and the balance of HK$22,368,321 represents the consideration for the assignment of the shareholder's loan. The disposal has been completed on 26th September, 2008.

40. DISPOSAL OF SUBSIDIARIES — GROUP *(continued)*

As referred to in note 14, on 26th September, 2008, the Group discontinued its toll road operations at the time of disposal of its subsidiaries, Cableport Holdings Limited and HHED. The net assets of Cableport Holdings Limited and its subsidiary at the date of disposal were as follows:

	26th September, 2008
	HK$'000
Net assets disposed of:	
Property, plant and equipment	770
Toll road operation rights	83,674
Amounts due from minority shareholders of a subsidiary	56,444
Deferred tax assets	4,180
Trade and other receivables	1,944
Bank balances and cash	54,633
Shareholder loans	(22,767)
Other payables	(1,779)
Tax payables	(7,148)
Minority interests	(92,443)
Translation reserve released	(32,214)
	45,294
Add: Shareholder loan	22,767
	68,061
Loss on disposal of subsidiaries	(8,311)
Total consideration	59,750
Satisfied by:	
Cash	60,000
Incidental cost	(250)
	59,750
Net cash inflow arising on disposal:	
Cash consideration	60,000
Bank balances and cash disposed of	(54,633)
Incidental cost	(250)
	5,117

The impact of Cableport Holdings Limited and its subsidiary on the Group's results and cash flows in the current and prior periods is disclosed in note 14.

41. COMMITMENTS — GROUP

(a) Operating lease commitments

At the balance sheet date, the Group had commitments mainly for future minimum lease payments under non-cancellable operating lease in respect of office premises, car parks, and counters in the international airport in Hong Kong which falls due as follows:

	2008 HK$'000	2007 HK$'000
Within one year	3,221	2,454
the second to fifth years inclusive	1,199	1,158
Over five years	8	—
	4,428	3,612

Leases are negotiated for an average of two years and rentals are fixed for the lease period.

(b) Capital commitments

Capital expenditure contracted for at the balance sheet date but not yet incurred is as follows:

	2008 HK$'000	2007 HK$'000
Property, plant and equipment		
Contracted but not provided for	5,229	—

42. MAJOR NON-CASH TRANSACTIONS

Part of the consideration for the acquisition of assets was settled by the issue of shares and convertible notes. Further details of the acquisition are set out in note 39.

43. SHARE OPTION SCHEME

The share option scheme (the "Share Option Scheme") of the Company was adopted by the Company pursuant to the written resolutions of the sole shareholder passed on 14th August, 2002 for the primary purpose of providing incentives or rewards to selected participants for their contribution to the Group. The Share Option Scheme is valid and effective for a period of ten years after the date of its adoption. Under the Share Option Scheme, the board of directors of the Company may grant options to eligible participants including employees, executives or officers and directors (including executive and non-executive directors) of the Company or any of its subsidiaries, and any suppliers, consultants and advisers who will contribute or have contributed to the Group to subscribe for shares in the Company.

At the date of this report, the total number of shares available for issue under the Share Option Scheme is 88,473,765 shares which represents 4.62% of the issued share capital of the Company on the date of this report.

43. SHARE OPTION SCHEME *(continued)*

The total number of shares in respect of which options may be granted under the Share Option Scheme is not permitted to exceed 10% of the shares of the Company on the adoption date of the Share Option Scheme unless prior approval from the Company's shareholders in general meeting has been obtained. The number of shares which may be issued upon exercise of all outstanding options granted and yet to be exercised under the Share Option Scheme and any other share option schemes of the Company must not exceed 30% of the shares in issue from time to time. The total number of shares in respect of which options may be granted to any eligible participant in any twelve-month period is not permitted to exceed 1% of the shares of the Company in issue at any point in time, unless prior approval from the Company's shareholders in general meeting has been obtained. Options granted to substantial shareholder or an independent non-executive director of the Company in excess of 0.1% of the Company's share in issue and with a value in excess of HK$5 million must be approved in advance by the Company's shareholders in general meeting.

There is no general requirement that an option must be held to any minimum period before it can be exercised but the board of directors is empowered to impose at its discretion any such minimum period at the time of grant of any particular option. Options offered must be taken up not later than 28 days after the date of offer. A non-refundable remittance of HK$1 is payable as consideration by the grantee upon acceptance of every grant of option under the Share Option Scheme. The period during which an option may be exercised will be determined by the board of directors at its absolute discretion, save that such period of time shall not exceed a period of ten years commencing on the date which the option is granted. The exercise price is determined by the board of directors of the Company, and will not be less than the highest of (i) the closing price of the share on the Stock Exchange's daily quotation sheet on the date of offer, (ii) the average closing price of the shares on the Stock Exchange's daily quotation sheet for the five business days immediately preceding the date of offer and (iii) the nominal value of a share of the Company.

There has been no option granted since the adoption of the Share Option Scheme.

44. RETIREMENT BENEFITS SCHEMES

The Group operates a defined contribution retirement benefits scheme (the "MPF Scheme") under the Mandatory Provident Fund Schemes Ordinance for its employees in Hong Kong. The Group contribute 5% of the employees' basic salaries to the MPF Scheme. The assets of the MPF Scheme are held separately from those of the Group in an independently administered fund.

The employees of the Group's subsidiaries in the PRC are members of a state-managed retirement benefits scheme operated by the PRC government. The PRC subsidiaries are required to contribute an average 23% of payroll costs to the retirement benefits scheme to fund the benefits. The only obligation of the Group with respect to the retirement benefit scheme is to make the specified contributions.

The total cost charged to the consolidated income statement of HK$1,405,000 (2007: HK$705,000) represents contributions to these schemes by the Group in respect of the current accounting period.

45. RELATED PARTY TRANSACTIONS

In addition to those related party transactions and balances disclosed in notes 12, 14, 25, 31, 37 and 40, during the year ended 31st December, 2008 and 2007, rental expenses were borne by a related company in which Mr. Cheng Yung Pun is the substantial shareholder.

Compensation of key management personnel

The remuneration of directors and other members of key management during the year was as follows:

	2008	2007
	HK$'000	*HK$'000*
Short-term employee benefits	2,655	1,018

The remuneration of directors and key executives is determined by the remuneration committee having regard to the performance of individuals and market trends.

46. INTERESTS IN SUBSIDIARIES — COMPANY

	2008	2007
	HK$'000	*HK$'000*
Investments in subsidiaries		
Unlisted shares, at cost	202,419	237,572
Less: provisions for impairment	(111,374)	—
	91,045	237,572
Amounts due from subsidiaries		
Amounts due from subsidiaries	1,084,558	25,108
Less: provisions for impairment	(184,816)	(18,926)
	899,742	6,182
Less: current portion	(18,888)	(3,149)
Non-current portion	880,854	3,033

The amounts due from subsidiaries included under non-current portion are unsecured, interest-free and have no fixed terms of repayment.

The amounts due from subsidiaries included under current portion are unsecured, interest free and expected to be settled within one year.

46. INTERESTS IN SUBSIDIARIES — COMPANY *(continued)*

Movements on the provisions for impairment are as follows:

	2008	2007
	HK$'000	HK$'000
At 1st January,	18,926	18,926
Reversal upon disposal of subsidiaries	(18,926)	—
Provisions for impairment	296,190	—
At 31st December,	296,190	18,926

Details of the principal subsidiaries held by the Company at 31st December, 2008 and 2007, except otherwise specified, are as follows:

Name of subsidiary	Country/place of incorporation or establishment	Place of operation	Issued and fully paid share/ registered capital	Proportion ownership interest held by the Company		Proportion of voting power held by the Company	Principal activities
				Directly	Indirectly		
Cableport Holdings Limited *(note a)*	BVI	Hong Kong	US$2	100%	—	100%	Investment holding
Intrum Sino Limited	BVI	Hong Kong	US$2	100%	—	100%	Investment holding
HHED *(note b)*	PRC *(Note c)*	PRC	RMB170,000,000	—	60%	60%	Operation of toll road
Perryville Group Limited *(note e)*	BVI	Hong Kong	US$50,000	100%	—	100%	Investment holding
Parklane Limousine Service Limited *(note e)*	Hong Kong	Hong Kong	HK$5,000,000	—	100%	100%	Limousine rental services
Airport Shuttle Services Limited *(note e)*	Hong Kong	Hong Kong	HK$10,000	—	100%	100%	Airport shuttle rental services
Golden Genie Limited	BVI	Hong Kong	US$1	100%	—	100%	Investment holding
Smart Year Investments Limited *(note d)*	BVI	Hong Kong	US$10,000	—	100%	100%	Investment holding
綠春鑫泰礦業有限公司 Luchun Xingtai Mining Company Limited# *(note d)*	PRC	PRC	RMB20,000,000	—	90%	90%	Exploitation, processing and sales of copper ore concentrate
Wah Nam International (HK) Limited	Hong Kong	Hong Kong	HK$1	100%	—	100%	Investment holding
Race Master Limited	BVI	Hong Kong	US$1	100%	—	100%	Investment holding

Notes:

(a) The subsidiaries were disposed on 26th September, 2008.

46. INTERESTS IN SUBSIDIARIES — COMPANY *(continued)*

Notes: (continued)

(b) Dividend payment arrangement concerning HHED

The former immediate holding company of HHED, Wah Nam Infrastructure Investment Limited ("WNII") had, under a prior arrangement with two PRC joint venture partners in HHED, Hangzhou Luda Freeway Engineering Co. Limited ("Luda") and Hangzhou Traffic Investment Company Limited ("Hangzhou Traffic") recouped approximately RMB101.5 million of its investment in HHED by way of cash and dividends. Of the RMB101.5 million, approximately RMB21.1 million was received by WNII in 1995 and 1996 by way of dividends with the remaining amount of approximately RMB80.4 million received by cash prior to 31st December, 2000.

According to a board minute of HHED dated 25th February, 2000, WNII agreed that it would allow Luda and Hangzhou Traffic to recoup their investments of RMB68 million in the HHED once WNII recouped its investment of RMB102 million in HHED.

Luda and Hangzhou Traffic had received cash recoupment of an aggregate amount of approximately RMB19 million (of which approximately RMB14 million was received by way of dividends and approximately RMB4.8 million was received by Luda and Hangzhou Traffic by cash). Upon the acquisition of HHED by the Company, Leading Highway, Hangzhou Traffic and Luda had come to the understanding that it was the intention of Luda and Hangzhou Traffic that a further amount of approximately RMB49 million (being an amount equal to the remaining balance of the unrecouped investment of Hangzhou Traffic and Luda in HHED) would be recovered out of the future available cash flows from HHED.

The Group had agreed to defer its pro rata entitlement to surplus cashflow from HHED until Luda and Hangzhou Traffic had recovered all its unrecouped investment.

During the year ended 31st December, 2005, an amount of approximately RMB49 million was drawn by Hangzhou Traffic and Luda in HHED according to the understanding reached upon the acquisition of HHED in 2002. The amounts might be settled through future dividends to be declared by HHED at the discretion of the directors of HHED. Details of the acquisition and the settlement arrangement are set out in the prospectus dated 18th July, 2002.

The subsidiary was disposed on 26th September, 2008 and the amounts due from minority interests were derecognised on the same date.

(c) The subsidiary was established in the PRC as Sino-foreign equity joint venture.

(d) These subsidiaries were acquired on 19th September, 2008.

(e) The subsidiaries have accounting year end date of 31st March. These subsidiaries prepare, for the purpose of consolidation, financial statements as at the same date as the Group.

The English name is for identification purpose only.

None of the subsidiaries had any debt securities outstanding at the end of the year or any time during the year.

In the opinion of the directors, a complete list of the particulars of subsidiaries will be of excessive length and therefore the above list contains only the particulars of those subsidiaries which principally affect the results or net assets of the Group.

47. RESERVES — COMPANY

	Share premium HK$'000	Convertible notes reserve HK$'000	Shareholders' contribution reserve HK$'000	Accumulated losses HK$'000	Total HK$'000
At 1st January, 2007	—	—	163	(23,066)	(22,903)
Profit for the year	—	—	—	897	897
Issue of shares	60,965	—	—	—	60,965
Transaction costs attributable to issue of shares	(2,199)	—	—	—	(2,199)
Issue of convertible notes	—	65,167	—	—	65,167
Deemed (contribution from)/ distribution to shareholders	—	—	(163)	163	—
At 31st December, 2007	58,766	65,167	—	(22,006)	101,927
Loss for the year	—	—	—	(296,097)	(296,097)
Issue of shares	228,580	—	—	—	228,580
Transaction costs attributable to issue of shares	(1,211)	—	—	—	(1,211)
Issue of convertible notes	—	542,770	—	—	542,770
Issue of shares upon conversion of convertible notes	54,338	(20,487)	—	—	33,851
At 31st December, 2008	340,473	587,450	—	(318,103)	609,820

48. (LOSS)/PROFIT ATTRIBUTABLE TO EQUITY HOLDERS OF THE COMPANY

The (loss)/profit attributable to equity holders of the Company is dealt with in the financial statements of the Company to the extent of a loss of approximately HK$296,097,000 (2007: profit of approximately HK$897,000).

FINANCIAL SUMMARY

	THE GROUP				
	2008	2007	2006	2005	2004
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
RESULTS					
Revenue	**142,222**	25,380	15,213	29,243	30,109
(Loss)/profit before income tax	**(291,180)**	(5,329)	5,011	14,253	14,122
Income tax credit/(expense)	**8,718**	(700)	(1,142)	(2,379)	(2,949)
(Loss)/profit for the year	**(282,462)**	(6,029)	3,869	11,874	11,173
Attributable to:					
Equity holders of the Company	**(296,660)**	(5,243)	1,000	5,835	5,763
Minority interests	**14,198**	(786)	2,869	6,039	5,500
	(282,462)	(6,029)	3,869	11,874	11,173
(Loss)/earnings per share					
— Basic (HK cents)	**(28.06)**	(0.77)	0.17	1.14	1.19
— Diluted (HK cents)	**N/A**	N/A	N/A	1.02	1.00

	As at 31st December				
	2008	2007	2006	2005	2004
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
ASSETS AND LIABILITIES					
Total assets	**1,237,562**	442,375	144,708	156,399	141,936
Total liabilities	**(379,507)**	(156,188)	(3,297)	(13,785)	(23,715)
	858,055	286,187	141,411	142,614	118,221
Equity attributable to equity holders of the Company	**761,552**	208,309	60,175	53,315	31,970
Minority interests	**96,503**	77,878	81,236	89,299	86,251
Total equity	**858,055**	286,187	141,411	142,614	118,221