

華南

Wah Nam

International Holdings Limited

(Incorporated in Bermuda with limited liability)

Stock Code: 159



Interim Report **2009**

CORPORATE INFORMATION

BOARD OF DIRECTORS

Executive Directors

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

Independent Non-executive Directors

Lau Kwok Kuen, Eddie
Uwe Henke Von Parpart
Yip Kwok Cheung, Danny

COMPANY SECRETARY

Chan Kam Kwan, Jason

AUDITOR

PricewaterhouseCoopers
Certified Public Accountants

REGISTERED OFFICE

Clarendon House
2 Church Street
Hamilton HM11
Bermuda

PRINCIPAL SHARE REGISTRARS AND TRANSFER OFFICE

Butterfield Fulcrum Group (Bermuda) Limited
Rosebank Centre
11 Bermudiana Road
Pembroke HM08
Bermuda

BRANCH SHARE REGISTRARS AND TRANSFER OFFICE IN HONG KONG

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

PRINCIPAL PLACE OF BUSINESS

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

PRINCIPAL BANKER

Hang Seng Bank Limited
The Hongkong and Shanghai
Banking Corporation Limited

WEBSITE

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

STOCK CODE

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

UNAUDITED INTERIM RESULTS

The board of directors (the “Board”) of Wah Nam International Holdings Limited (the “Company”) announces the unaudited consolidated interim results of the Company and its subsidiaries (the “Group”) for the six months ended 30 June 2009, together with the comparative figures for the corresponding period in 2008. The unaudited consolidated interim results have been reviewed by the Company’s audit committee.

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30 June 2009

	Notes	For the six months ended 30 June	
		2009	2008
		HK\$'000	HK\$'000
		(unaudited)	(unaudited)
Continuing operations:			
Revenue	3	41,988	45,190
Direct costs		(41,710)	(37,749)
Gross profit		278	7,441
Selling and administrative expenses		(15,059)	(13,692)
Other income		10,166	326
Other losses, net		(126)	(14,061)
Finance costs	5	(14,940)	(3,569)
Loss before income tax		(19,681)	(23,555)
Income tax credit	6	165	456
Loss for the period from continuing operations		(19,516)	(23,099)
Discontinued operation:			
Loss for the period from discontinued operation	7	—	(1,755)
Loss for the period	8	(19,516)	(24,854)
Other comprehensive income:			
Exchange differences arising on the translation of foreign operation		(1,182)	9,223
Fair value gain on available-for-sale investment		9,882	—
Other comprehensive income for the period (net of tax)		8,700	9,223
Total comprehensive income for the period		(10,816)	(15,631)

	Notes	For the six months ended 30 June	
		2009	2008
		HK\$'000 (unaudited)	HK\$'000 (unaudited)
Loss for the period attributable to:			
Owners of the Company		(18,902)	(24,246)
Minority interests		(614)	(608)
		(19,516)	(24,854)
Total comprehensive income attributable to:			
Owners of the Company		(10,088)	(15,023)
Minority interests		(728)	(608)
		(10,816)	(15,631)
Loss per share	9		
From continuing and discontinued operations			
— Basic (HK cents)		(1.03)	(2.78)
— Diluted (HK cents)		N/A	N/A
From continuing operations			
— Basic (HK cents)		(1.03)	(2.65)
— Diluted (HK cents)		N/A	N/A

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2009

	Notes	30 June 2009 HK\$'000 (unaudited)	31 December 2008 HK\$'000 (audited)
Non-current assets			
Mining right		982,803	987,005
Property, plant and equipment	10	81,919	86,024
Goodwill		49,719	49,719
Intangible asset		9,273	14,421
Deferred tax assets		966	966
Available-for-sale investment		146,156	—
Other non-current assets		7,742	8,419
		1,278,578	1,146,554
Current assets			
Inventories		6,774	7,379
Trade receivables	11	12,342	12,246
Other receivables, deposits and prepayments		9,166	7,232
Amount due from a related party		1,149	1,500
Financial assets at fair value through profit or loss		2,768	2,894
Cash and cash equivalents		25,808	59,757
		58,007	91,008
Current liabilities			
Trade payables	12	9,838	10,667
Other payables and accrued charges		44,712	40,008
Amounts due to directors		—	305
Bank borrowings due within one year	13	27,469	30,131
Obligations under finance leases		2,067	1,739
		84,086	82,850
Net current (liabilities) assets		(26,079)	8,158
Total assets less current liabilities		1,252,499	1,154,712
Capital and reserves			
Share capital	15	249,107	151,534
Reserves		760,579	610,018
Equity attributable to owners of the Company		1,009,686	761,552
Minority interests		95,775	96,503
Total equity		1,105,461	858,055
Non-current liabilities			
Obligations under finance leases		2,084	2,230
Amount due to a related party		20,167	23,829
Convertible notes	14	117,724	262,828
Deferred tax liabilities		6,591	7,298
Provision for restoration costs		472	472
		147,038	296,657
		1,252,499	1,154,712

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2009

	Attributable to owners of the Company								Total HK\$'000
	Share capital HK\$'000 (Note 15)	Share premium HK\$'000	Statutory surplus reserve HK\$'000	Convertible notes reserve HK\$'000 (Note 14)	Translation reserve HK\$'000	Accumulated losses HK\$'000	Total HK\$'000	Minority interests HK\$'000	
At 1 January 2008 (audited)	78,474	58,766	2,450	65,167	19,123	(15,671)	208,309	77,878	286,187
Loss for the period	—	—	—	—	—	(24,246)	(24,246)	(608)	(24,854)
Exchange differences arising on translation of foreign operation	—	—	—	—	9,223	—	9,223	—	9,223
Total comprehensive income for the period	—	—	—	—	9,223	(24,246)	(15,023)	(608)	(15,631)
Issue of shares upon conversion of convertible notes	10,000	42,362	—	(22,809)	—	—	29,553	—	29,553
Classified as asset held for resale	—	—	—	—	—	—	—	(77,270)	(77,270)
At 30 June 2008 (unaudited)	88,474	101,128	2,450	42,358	28,346	(39,917)	222,839	—	222,839

	Attributable to owners of the Company								Total HK\$'000	Minority interests HK\$'000	Total HK\$'000
	Share capital HK\$'000 (Note 15)	Share premium HK\$'000	Statutory surplus reserve HK\$'000	Convertible notes reserve HK\$'000 (Note 14)	Revaluation reserve HK\$'000	Translation reserve HK\$'000	Accumulated losses HK\$'000	Total HK\$'000			
At 1 January 2009 (audited)	151,534	340,473	225	587,450	—	(8,024)	(310,106)	761,552	96,503	858,055	
Loss for the period	—	—	—	—	—	—	(18,902)	(18,902)	(614)	(19,516)	
Exchange differences arising on translation of foreign operation	—	—	(4)	—	—	(1,064)	—	(1,068)	(114)	(1,182)	
Fair value gain on available-for- sale investment	—	—	—	—	9,882	—	—	9,882	—	9,882	
Total comprehensive income for the period	—	—	(4)	—	9,882	(1,064)	(18,902)	(10,088)	(728)	(10,816)	
Issue of shares	11,150	89,200	—	—	—	—	—	100,350	—	100,350	
Transaction costs attributable to issue of shares	—	(1,173)	—	—	—	—	—	(1,173)	—	(1,173)	
Issue of shares upon conversion of convertible notes	86,423	219,826	—	(147,204)	—	—	—	159,045	—	159,045	
At 30 June 2009 (unaudited)	249,107	648,326	221	440,246	9,882	(9,088)	(329,008)	1,009,686	95,775	1,105,461	

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 ("PRC") in accordance with the PRC laws and regulations.

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 June 2009

	For the six months ended 30 June	
	2009	2008
	HK\$'000	HK\$'000
	(unaudited)	(unaudited)
NET CASH USED IN OPERATING ACTIVITIES	(1,238)	(4,663)
INVESTING ACTIVITIES		
Purchases of available-for-sale investment	(126,427)	—
Purchases of property, plant and equipment	(2,714)	(7,116)
Proceeds from disposal of property, plant and equipment	149	130
Proceeds from disposal of financial assets at fair value through profit or loss	153	—
Interest received	16	327
NET CASH USED IN INVESTING ACTIVITIES	(128,823)	(6,659)
FINANCING ACTIVITIES		
Proceeds from issuance of ordinary shares	100,350	—
Borrowings raised	3,850	—
Additional finance lease	1,198	347
Repayment of borrowings	(6,512)	(5,309)
Expenses on issuance of ordinary shares	(1,173)	—
Repayment of obligations under finance leases	(1,016)	(774)
Interest paid	(488)	(1,373)
Finance lease charges	(115)	(153)
NET CASH GENERATED FROM (USED IN) FINANCING ACTIVITIES	96,094	(7,262)
NET DECREASE IN CASH AND CASH EQUIVALENTS	(33,967)	(18,584)
EFFECTS OF FOREIGN EXCHANGE RATE CHANGES	18	416
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE PERIOD	59,757	40,027
CASH AND CASH EQUIVALENTS AT END OF THE PERIOD	25,808	21,859

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2009

1. BASIS OF PREPARATION

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

2. PRINCIPAL ACCOUNTING POLICIES

The condensed consolidated financial statements have been prepared under the historical cost basis, except for certain properties and financial instruments that are measured at revalued amounts or fair values, as appropriate.

The accounting policies used in the condensed consolidated financial statements are consistent with those followed in the preparation of the Group’s annual financial statements for the year ended 31 December 2008.

In the current interim period, the Group has applied, for the first time, a number of new and revised standards, amendments and interpretations (“new or revised HKFRSs”) issued by HKICPA, which are effective for the Group’s financial year beginning on 1 January 2009.

HKAS 1 (Revised 2007) has introduced a number of terminology changes, including revised titles for the condensed consolidated financial statements, and has resulted in a number of changes in presentation and disclosure. HKFRS 8 is a disclosure standard that requires the identification of operating segments to be performed on the same basis as financial information that is reported internally for the purpose of allocating resources between segments and assessing their performance. The predecessor Standard, HKAS 14 *Segment Reporting*, required the identification of two sets of segments (business and geographical) using a risks and returns approach. In the past, the Group’s primary reporting format was business segments.

The application of HKFRS 8 has not resulted in redesignation of the Group’s reportable segments as compared with the primary reportable segments determined in accordance with HKAS 14 (see note 4). The adoption of the new and revised HKFRSs has had no material effect on the reported results and financial position of the Group for the current or prior accounting periods. Accordingly, no prior period adjustment has been recognised.

The Group has not early applied the following new or revised standards, amendments or interpretation that have been issued but are not yet effective:

HKFRSs (Amendments)	Amendment to HKFRS 5 as part of Improvements to HKFRSs issued in 2008 ¹
HKFRSs (Amendments)	Improvements to HKFRSs issued in 2009 ²
HKAS 27 (Revised in 2008)	Consolidated and Separate Financial Statements ¹
HKAS 39 (Amendment)	Eligible Hedged Items ¹
HKFRS 1 (Amendment)	Additional exemptions for first-time adopters ³
HKFRS 2 (Amendments)	Group cash-settled share-based payments transactions ³
HKFRS 3 (Revised in 2008)	Business Combinations ¹
HK(IFRIC)-Int 17	Distributions of Non-cash Assets to Owners ¹
HK(IFRIC)-Int 18	Transfers of Assets from Customers ⁴

¹ Effective for annual periods beginning on or after 1 July 2009.

² Amendments that are effective for annual periods beginning on or after 1 July 2009 or 1 January 2010, as appropriate.

³ Effective for annual periods beginning on or after 1 January 2010.

⁴ Effective for transfers on or after 1 July 2009.

The adoption of HKFRS 3 (Revised 2008) may affect the Group’s accounting for business combinations for which the acquisition dates are on or after the beginning of the first annual reporting period beginning on or after 1 July 2009. HKAS 27 (Revised 2008) will affect the accounting treatment for changes in the Group’s ownership interest in a subsidiary that do not result in loss of control of the subsidiary. Changes in the Group’s ownership interest that do not result in loss of control of the subsidiary will be accounted for as equity transactions. The directors of the Company anticipate that the application of other new and revised standards, amendments or interpretations will have no material impact on the results and the financial position of the Group.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2009

3. REVENUE

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

	For the six months ended 30 June	
	2009 HK\$'000 (unaudited)	2008 HK\$'000 (unaudited)
Continuing operations		
Income from limousine rental services	29,899	36,339
Income from airport shuttle rental services	6,568	8,851
Sales of copper, lead and zinc ore concentrates	5,521	—
	41,988	45,190
Discontinued operation		
Toll receipts	—	3,242
	—	3,242
	41,988	48,432

4. SEGMENTAL INFORMATION

The Group has adopted HKFRS 8 *Operating Segments* with effect from 1 January 2009. HKFRS 8 requires operating segments to be identified on the basis of internal reports about components of the Group that are regularly reviewed by the chief operating decision maker in order to allocate resources to segments and to assess their performance. In contrast, the predecessor standard (HKAS 14, *Segment Reporting*) required an entity to identify two sets of segments (business and geographical) using a risks and returns approach, with the entity's "system of internal financial reporting to key management personnel" serving only as the starting point for the identification of such segments. In the past, the Group's primary reporting format was business segments. The application of HKFRS 8 has not resulted in a redesignation of the Group's reportable segments as compared with the primary reportable segments determined in accordance with HKAS 14. Nor has the adoption of HKFRS 8 changed the basis of measurement of segment profit or loss.

Business segment information is chosen as the primary reporting format because this is more consistent with the Group's internal financial reporting.

The Group comprises the following main business segments:

Limousine rental services	—	provision of limousine rental services in both Hong Kong and the 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 26 September 2008 as mentioned in note 7.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2009

The following is an analysis of the Group's revenue and results by business segment for the period under review:

	For the six months ended 30 June 2009				
	Limousine rental services HK\$'000 (unaudited)	Airport shuttle rental services HK\$'000 (unaudited)	Mining operation HK\$'000 (unaudited)	Others HK\$'000 (unaudited)	Total HK\$'000 (unaudited)
Revenue					
Segment revenue	29,899	6,568	5,521	—	41,988
Result					
Segment results	(2,892)	(769)	(6,153)	(126)	(9,940)
Unallocated revenue					10,011
Unallocated expenses					(4,812)
Finance costs					(14,940)
Loss before income tax					(19,681)
Income tax credit					165
Loss for the period					(19,516)

	For the six months ended 30 June 2008			
	Continuing operations			Discontinued operation
	Limousine rental services HK\$'000 (unaudited)	Airport shuttle rental services HK\$'000 (unaudited)	Total HK\$'000 (unaudited)	Toll road operation HK\$'000 (unaudited)
Revenue				
Segment revenue	36,339	8,851	45,190	3,242
Result				
Segment results	(2,423)	255	(2,168)	(1,627)
Unallocated revenue			326	—
Unallocated expenses			(18,144)	—
Finance costs			(3,569)	—
Loss before income tax			(23,555)	(1,627)
Income tax credit			456	(128)
Loss for the period			(23,099)	(1,755)

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2009

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

	As at 30 June 2009				
	Limousine rental services HK\$'000 (unaudited)	Airport shuttle rental services HK\$'000 (unaudited)	Mining operation HK\$'000 (unaudited)	Others HK\$'000 (unaudited)	Total HK\$'000 (unaudited)
Segment assets	122,299	18,105	1,031,109	151,556	1,323,069
Other unallocated assets					13,516
Consolidated total assets					1,336,585

	As at 31 December 2008				
	Limousine rental services HK\$'000 (audited)	Airport shuttle rental services HK\$'000 (audited)	Mining operation HK\$'000 (audited)	Others HK\$'000 (audited)	Total HK\$'000 (audited)
Segment assets	133,404	22,366	1,037,717	6,088	1,199,575
Other unallocated assets					37,987
Consolidated total assets					1,237,562

5. FINANCE COSTS

	For the six months ended 30 June	
	2009 HK\$'000 (unaudited)	2008 HK\$'000 (unaudited)
Interest on:		
Convertible notes interest at effective interest rate	14,337	2,876
Bank borrowings wholly repayable within five years	488	540
Finance leases	115	153
	14,940	3,569

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2009

6. INCOME TAX CREDIT

	For the six months ended 30 June	
	2009 HK\$'000 (unaudited)	2008 HK\$'000 (unaudited)
Continuing operations		
Hong Kong Profits Tax	508	1,199
PRC Enterprise Income Tax	65	181
	573	1,380
Deferred tax:		
Original and reversal of temporary differences	(738)	(1,836)
	(165)	(456)
Discontinued operation		
PRC Enterprise Income Tax:		
Current year	—	328
	—	328

Hong Kong Profits Tax is calculated at 16.5% (2008: 16.5%) of the estimated profit for the period.

PRC income tax charge represents the PRC Enterprise Income Tax paid or payable during the period. Enterprise Income Tax in the PRC has been provided at the prevailing rate of 25% (2008: 25%) on the estimated assessable profit applicable to the Company's subsidiaries established in the PRC.

7. DISCONTINUED OPERATION

Discontinued operation representing a separate major line of business area of operation disposed of in the last period.

On 6 June 2008, the Company entered into a sale and purchase agreement to dispose the entire interest of certain subsidiaries 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 26 September 2008, on which date control of Cableport Group passed to the acquirer.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2009

The results of the discontinued operation for the period was as follows:

	For the six months ended 30 June 2008 HK\$'000 (unaudited)
Revenue	3,242
Business Tax	(162)
Direct costs	(4,288)
	(1,208)
Other income	210
Administrative expenses	(629)
Finance costs	—
Loss before income tax	(1,627)
Income tax	(128)
Loss after income tax	(1,755)
Minority interests	608
Loss for the period	(1,147)

8. LOSS FOR THE PERIOD

Loss for the period has been arrived at after crediting (charging) the following items:

	For the six months ended 30 June	
	2009	2008
	HK\$'000	HK\$'000
Charging:		
Cost of inventories	6,064	—
Amortisation of toll road operation rights (included in direct costs)	—	2,685
Amortisation of intangible assets (included in direct costs)	5,148	5,148
Amortisation of mining right (included in direct costs)	3,025	—
Impairment loss on assets of the disposal group classified as held for resales	—	14,061
Depreciation of property, plant and equipment	6,509	5,118
Directors' emoluments	516	224
Retirement benefit scheme contributions	792	792
Other staff costs	12,511	14,345
Total staff costs	13,819	15,361
Operating lease rentals in respect of office premises	1,925	2,429
Loss on disposal of fixed assets	100	50
Crediting:		
Interest income	16	142
Exchange gain	9,998	—

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2009

9. LOSS PER SHARE

From continuing and discontinuing operations

The calculation of basic and diluted loss per share attributable to the owners of the Company is based on the following data:

(a) Basic

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

	For the six months ended 30 June	
	2009 (unaudited)	2008 (unaudited)
Weighted average number of shares in issue (<i>thousands</i>)	1,843,320	871,623
Loss from continuing operations attributable to owners of the Company (<i>HK\$ thousands</i>)	(18,902)	(23,099)
Basic loss per share from continuing operations attributable to owners of the Company (<i>HK cents per share</i>)	(1.03)	(2.65)
Loss from discontinued operation attributable to owners of the Company (<i>HK\$ thousands</i>)	—	(1,147)
Basic loss per share from discontinued operation attributable to owners of the Company (<i>HK cents per share</i>)	—	(0.13)
Loss attributable to owners of the Company (<i>HK\$ thousands</i>)	(18,902)	(24,246)
Basic loss per share attributable to owners of the Company (<i>HK cents per share</i>)	(1.03)	(2.78)

(b) Diluted

Diluted loss per share is the same as basic loss per share for the period 30 June 2009 and 2008 because the effects of the assumed conversion of the convertible notes of the Company during these periods were anti-dilutive.

10. MOVEMENTS IN PROPERTY, PLANT AND EQUIPMENT

During the period, the Group acquired motor vehicles, property, plant and equipment at a cost of approximately HK\$2,714,000.

11. TRADE RECEIVABLES

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 balance sheet dates is as follow:

	2009	2008
	HK\$'000	HK\$'000
0 – 30 days	9,470	6,581
31 – 60 days	1,677	4,075
61 – 90 days	869	898
Over 90 days	326	692
	12,342	12,246

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2009

12. TRADE PAYABLES

Trade payables of the Group principally comprise amounts outstanding for direct costs. The normal credit period taken for direct costs is between 30 days and 60 days. The following is an aged analysis of trade payables of the Group at the balance sheet dates:

	2009	2008
	<i>HK\$'000</i>	<i>HK\$'000</i>
0 – 30 days	2,852	2,696
31 – 60 days	1,248	1,629
61 – 90 days	—	1,810
Over 90 days	5,738	4,532
	9,838	10,667

13. BANK BORROWINGS

During the current period, the Group obtained new bank loans amounting to HK\$3,850,000 (2008: HK\$13,560,000). The loans carry interest at average variable market rate of 3.5% and are repayable in instalments over a period of 4 years. The proceeds were used to finance the acquisition of property, plant and equipment.

As at 30 June 2009 and 31 December 2008, guarantees have been given to bank by the Company and a related party of Perryville Group's former shareholder with no charge in respect of bank facilities extended to the Perryville Group each amounting to approximately HK\$63,200,000.

14. CONVERTIBLE NOTES**Convertible note I**

On 13 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 22 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 22 October 2012 at the conversion price of HK\$0.405 per share subject to anti-dilutive adjustments. On 10 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 a placing of new shares by the Company.

During the period, the holder of the convertible notes of the Company has converted HK\$49.65 million of its convertible notes into 122,592,592 new ordinary shares of the Company.

No outstanding balance of such Convertible note I as at 30 June 2009 as they were fully converted before end of this period.

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

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2009

Convertible notes II

On 30 January 2008, the Company entered into a sale and purchase agreement pursuant to which the Company conditionally agreed to acquire and the vendors conditionally agreed to dispose of the entire issued share capital of Smart Year Investments Limited, a company legally and beneficially owns as to 90% equity interest in Luchun Xingtai Mining Co., Ltd. ("Luchun Xingtai") for a total consideration of HK\$650,000,000. Subject to the supplemental deed, dated 27 June 2008, the total consideration had 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. Details of the acquisition were disclosed in the circular of the Company dated 30 June 2008. Luchun Xingtai is principally engaged in exploitation, processing and sale of copper, lead, zinc, arsenic, silver and other mineral resources, and has been granted the exploitation right relating to a copper mine in Luchun County, Yunnan Province, the PRC. The acquisition was completed on 19 September 2008.

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 19 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 19 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 19 September 2013.

During the period, the holders of the convertible notes of the Company have converted HK\$222.49 million of their convertible notes into 741,640,000 new ordinary shares of the Company.

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

The fair value of convertible notes is approximate to its carrying amount as at 30 June 2009 and 31 December 2008.

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

	2009	2008
	<i>HK\$'000</i>	<i>HK\$'000</i>
Carrying amount at the beginning of the period	262,828	84,058
Issue of convertible notes	—	217,464
Interest expenses (<i>Note 5</i>)	14,337	14,166
Interest paid	(396)	(1,516)
Conversion of convertible notes	(159,045)	(51,344)
Carrying amount at the end of the period	117,724	262,828

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2009

15. SHARE CAPITAL

	Number of shares '000	Share capital HK\$'000
Ordinary shares of HK\$0.10 each		
Authorised		
At 1 January 2008	800,000	80,000
Increase	1,200,000	120,000
At 30 June 2008	2,000,000	200,000
Increase	2,000,000	200,000
At 31 December 2008 and 30 June 2009	4,000,000	400,000
Issued and fully paid		
At 1 January 2008	784,738	78,474
Conversion of convertible notes	100,000	10,000
At 30 June 2008	884,738	88,474
Placing of new shares	240,000	24,000
Issued in consideration for acquisition of subsidiaries	315,666	31,566
Conversion of convertible notes	74,938	7,494
At 31 December 2008	1,515,342	151,534
Placing of new shares (<i>note a</i>)	111,500	11,150
Conversion of convertible notes (<i>note b</i>)	864,232	86,423
At 30 June 2009	2,491,074	249,107

Notes:

- (a) Pursuant to a placing and subscription agreement executed on 17 June 2009, a total of 111,500,000 ordinary shares were issued at an issue price of HK\$0.90 per share, raising net proceeds of approximately HK\$99.18 million. The new shares rank pari passu in all respects with the existing shares.
- (b) During the period, convertible notes with a principal amount of HK\$49,650,000 and HK\$222,492,000 were converted into shares of HK\$0.10 each in the Company at the conversion price of HK\$0.405 per share and HK\$0.30 per share respectively. Accordingly, a total of 122,592,592 and 741,640,000 ordinary shares of HK\$0.10 per share were issued respectively.

16. SHARE OPTION SCHEME

There were no share options granted or exercised during the period. As at the date of this report, the total number of shares available for issue under the share option scheme is 273,025,824 shares which represents 9.81% of the issued share capital of the company on the date of this report.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2009

17. COMMITMENTS

(a) Operating lease commitments

As at 30 June 2009, the Group had commitments 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:

	30 June 2009	31 December 2008
	<i>HK\$'000</i>	<i>HK\$'000</i>
	(unaudited)	(audited)
Within one year	2,727	3,221
the second to fifth years inclusive	71	1,199
Over five years	—	8
	2,798	4,428

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:

	30 June 2009	31 December 2008
	<i>HK\$'000</i>	<i>HK\$'000</i>
	(unaudited)	(audited)
Property, plant and equipment Contracted but not provided for	5,811	5,229

18. PLEDGE OF ASSETS

As at 30 June 2009, motor vehicles with an aggregate carrying value of approximately HK\$26,699,000 of a subsidiary of the Company were pledged to a bank to secure general banking facilities granted to the subsidiary.

19. RELATED PARTY TRANSACTIONS

Except for disclosed elsewhere in these condensed consolidated financial statements, there were no related party transactions for the period.

20. EVENTS AFTER THE END OF THE INTERIM PERIOD

Subsequent to the balance sheet date, convertible notes of the Company with principal amounts of HK\$87.4 million have been converted into 291,184,000 new ordinary shares of the Company.

INTERIM DIVIDEND

The Board does not recommend the payment of an interim dividend for the six months ended 30 June 2009 (2008: nil).

MANAGEMENT DISCUSSION AND ANALYSIS

Business and Financial Review

The Group recorded total consolidated revenue for the period of HK\$42.0 million, of which HK\$36.5 million was arisen from the provision of limousine and airport shuttle rental services and HK\$5.5 million was arisen from the sales of copper, lead and zinc ore concentrates. Overall, the Group's total consolidated revenue from continuing operations has slightly dropped by HK\$3.2 million as compared to last year's total consolidated revenue of HK\$45.2 million.

Loss attributable to shareholders was improved by 21.9% to HK\$18.9 million as compared to HK\$24.2 million for the same period 2008.

Other than the above two major business segments, during the period the Group has also invested in an overseas mining company. The Group has acquired approximately 13.7% of Brockman Resources Limited ("BRM"), a company listed on the Australian Securities Exchange, for a total consideration of approximately HK\$126.4 million.

As of 30 June 2009, the market value of such equity investment has appreciated to approximately HK\$146.2 million and was accounted for as available-for-sale investment. Due to the appreciation of Australian dollars, an exchange gain of approximately HK\$10.0 million was recognized in the profit and loss statement for the period.

Provision of limousine and airport shuttle transportation services

During the period, our limousine and airport shuttle rental operations carried out by our subsidiary group, Perryville Group, has contributed approximately HK\$36.5 million to the Group's overall revenue, representing a decrease of approximately 19.3% as compared to HK\$45.2 million reported in last period. Such segment also recorded operating profit before amortisation of intangible assets of approximately HK\$1.5 million, representing a drop of HK\$1.5 million as compared to last period's profit before such amortisation of HK\$3.0 million.

As the business environment and the overall economy are recovering, it is expected that the limousine and airport shuttle rental operations will continue to make contribution to the Group.

Mining Operation

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

Smart Year Group is principally engaged in exploitation, processing and sales of copper, lead, zinc, arsenic, silver and other mineral resources, through the operations of Luchun Xingtai Mining Co., Ltd.

Smart Year Group has contributed approximately HK\$5.5 million to the Group's overall revenue for the period, and a loss before amortisation of mining right of approximately HK\$3.1 million in the preliminary stage of production with the sales of copper ore concentrates restarted since May 2009.

PROSPECT AND COMPANY STRATEGY

The performance of the Perryville Group is recovering in both Hong Kong and the PRC following the recovery of the recent economic recession. The Perryville Group has managed to obtain the relevant licenses in Shanghai recently and has also signed cooperative agreement with certain major hotels in Shenzhen, Guangzhou, Shanghai and Beijing. The management will take a prudent approach in such recovering economy to balance the risk exposure and return.

Given the strong and sustainable growth momentum of the PRC economy after the financial crisis and the continuous development of the cities, infrastructure and real estate sectors, demand for mineral resources and their related products will continue to grow robustly. The management is very optimistic about the future prospects and demand for natural resources.

Apart from the PRC, we are also actively seeking opportunities to establish footsteps, including investments, to other countries which have abundant natural mineral resources. We aim at becoming a globally competitive mining company.

During the period, the Group has acquired approximately 13.7% of BRM. We believe that our investment in BRM will bring positive return to our shareholders and will continue to explore more investments or acquisition opportunities in the mining operating.

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 maximize the return of our shareholders.

LIQUIDITY AND FINANCIAL RESOURCES

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

During the period, the Group has also raised net proceeds of HK\$99.1 million through the placement of 111.5 million new ordinary shares on 23 June 2009. The Group has utilized part of the proceeds to finance the acquisition of shares in BRM.

Save as above, there is no significant change in the working capital structure for this period, the current ratio for the period is measured at 0.69 times as compared to 1.10 times reported in December 2008.

The gearing ratio for the period (long term debts over Equity and long term debts) is measured at 0.11 as compared to 0.25 recorded as at December 2008. As at 30 June 2009, the Group has total bank and other borrowing amounted to approximately HK\$31.6 million, all of which are secured, approximately HK\$29.5 million is due within one year and the balance of HK\$2.1 million is due more than one year. All of the borrowings are denominated in Hong Kong dollars.

During the period, the Group did not engage in the use of any financial instruments for hedging purposes, and there was no hedging instrument outstanding as at 30 June 2009.

CAPITAL STRUCTURE

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

- (a) Pursuant to a placing and subscription agreement executed on 17 June 2009, a total of 111,500,000 ordinary shares were issued at an issue price of HK\$0.90 per share, raising net proceeds of approximately HK\$99.1 million.
- (b) During the period, convertible notes with principal amounts of HK\$49,650,000 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 122,592,592 ordinary shares of HK\$0.10 per share were issued.
- (c) During the period, convertible notes with principal amounts of HK\$222,492,000 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 741,640,000 ordinary shares of HK\$0.10 per share were issued.

CONTINGENT LIABILITIES

The Group has no contingent liabilities as at 30 June 2009.

STAFF AND REMUNERATION

As at 30 June 2009, the Group employed approximately 404 full time employees (30 June 2008: 241), of which approximately 297 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.

DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES OR DEBENTURES

As at 30 June 2009, 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 (the "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 for Securities Transactions by Directors of the Listing Companies were as follows:

Long positions of ordinary shares of HK\$0.10 each of the Company

Name of Director	Capacity	Number of issued ordinary shares held	Percentage of the issued share capital of the Company
Luk Kin Peter Joseph	Controlled Corporation (<i>Note 1</i>)	194,784,000	7.82%
Cheng Yung Pun	Controlled Corporation (<i>Note 2</i>)	445,500,000	17.88%

Notes:

- The 204,000 shares are held by Equity Valley Investments 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. Luk Kin Peter Joseph and 194,580,000 shares are held by Proudful Future Investments Limited, a company incorporated in the British Virgin Islands with limited liability, and the entire issued share capital of which is wholly owned by Ms. Cheung Sze Wai, Catherine, the spouse of Mr. Luk.
- 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. Mr. Cheng resigned as the chairman and executive director of the Company on 16 February 2009.

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 30 June 2009.

DIRECTORS' RIGHTS TO ACQUIRE SHARES

Other than as disclosed in section "Directors' and Chief Executives' Interests and Short Positions in Shares, Underlying Shares or Debentures", at no time during the period was the Company, its holding company, or any of its subsidiaries or fellow subsidiaries, was a party to any arrangements to enable the directors of the Company and their associates to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate.

SUBSTANTIAL SHAREHOLDERS

As at 30 June 2009, save as disclosed under the section “Directors’ and Chief Executives’ Interests and Short Positions in Shares, Underlying Shares or Debentures” above, the Company had been notified of the following substantial shareholders’ interests, being 5% or more of the Company’s issued share capital under Section 336 of the SFO:

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

Name of shareholder	Capacity	Number of issued ordinary shares held	Percentage of the issued share capital of the Company
Gracious Fortune Investments Limited (Note 1)	Beneficial owner	195,000,000	7.83%
Li Hua (Note 1)	Interest held by controlled corporations	195,000,000	7.83%
Parklane International Holdings Limited (Note 2)	Beneficial owner	152,592,592	6.13%
Leung Chi Yan (Note 2)	Interest held by controlled corporations	152,592,592	6.13%
Prideful Future Investments Limited (Note 3)	Beneficial owner	194,580,000	7.81%
Cheung Sze Wai, Catherine (Note 3)	Interest held by controlled corporations	194,580,000	7.81%
Shimmer Expert Investments Limited (Note 4)	Beneficial owner	280,548,000	11.26%
Groom High Investments Limited (Note 4)	Interest held by controlled corporations	280,548,000	11.26%
Zhang Li (Note 4)	Interest held by controlled corporations	280,548,000	11.26%
Smartpath Investments Limited (Note 5)	Beneficial owner	204,752,000	8.22%
Tan Lini (Note 5)	Interest held by controlled corporations	204,752,000	8.22%
Villas Green Investments Limited (Note 6)	Beneficial owner	249,168,000	10.00%
Chong Yee Kwan (Note 6)	Interest held by controlled corporations	249,168,000	10.00%

Notes:

1. The 195,000,000 shares of the Company are held by Gracious Fortune Investments Limited, which is wholly owned by Li Hua.
2. The 152,592,592 shares of the Company are held by Parklane International Holdings Limited, which is wholly owned by Leung Chi Yan.
3. The 194,580,000 underlying shares of the Company are derived from the convertible notes of principal amount of HK\$58,374,000 held by Pridedeful Future Investments Limited, which is wholly owned by Cheung Sze Wai, Catherine.
4. The 280,548,000 shares of the Company are held by Shimmer Expert Investments Limited, a company wholly owned by Groom High Investments Limited, which is wholly owned by Zhang Li.
5. The 204,752,000 shares of the Company are held by Smartpath Investments Limited, which is wholly owned by Tan Lini.
6. The 249,168,000 underlying shares of the Company are derived from the convertible notes of principal amount of HK\$74,750,400 held by Villas Green Investments Limited, which is wholly owned by Chong Yee Kwan.

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 30 June 2009.

SHARE OPTION SCHEME

Please refer to note 16 to the condensed interim financial information for details of the share options of the Company.

PURCHASE, REDEMPTION OR SALE OF LISTED SECURITIES

During the six months ended 30 June 2009, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the listed shares of the Company.

COMPLIANCE OF THE CODE ON CORPORATE GOVERNANCE PRACTICES

The Company has complied with its own code on corporate governance practices which incorporated all code provisions in the Code on Corporate Governance Practices as set out in Appendix 14 of the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules") (the "CGP Code") throughout the six months ended 30 June 2009, except with the following deviation:

Code Provision A.2.1

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

As the Group's business becomes more diversified and larger in scale, the Board will review the need of appointing suitable candidate to assume of the role of the CEO when necessary.

CHANGES OF DIRECTORS' INFORMATION

The changes of directors' information as required to be disclosed pursuant to Rule 13.51B of the Listing Rules is set out below:

Mr. Yip Kwok Cheung, Danny was appointed as an independent non-executive director of the Company with effect from 5 August 2009.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") set out in Appendix 10 of the Listing Rules as its own code of conduct regarding securities transactions by directors of the Company. Having made specific enquiry of all directors of the Company, all directors have confirmed that they have complied with the required standard set out in the Model Code throughout the six months ended 30 June 2009.

AUDIT COMMITTEE

The Audit Committee comprises of three independent non-executive directors, Messrs. Lau Kwok Kuen, Eddie, Uwe Henke Von Parpart and Yip Kwok Cheung, Danny. Mr. Lau is the Chairman of the Audit Committee. The Audit Committee has adopted the terms of reference which are in line with the CGP Code. The Audit Committee has reviewed the Group's interim results for the six months ended 30 June 2009.

By order of the Board
Luk Kin Peter Joseph
Chairman

14 September 2009, Hong Kong