



FAR EAST GOLDEN RESOURCES GROUP LIMITED

遠東金源集團有限公司

(Stock Code: 01188)

Interim Report 2009



CONTENTS

Corporate Information	2
Condensed Consolidated Statement of Comprehensive Income	3
Condensed Consolidated Statement of Financial Position	5
Condensed Consolidated Cash Flow Statement	6
Condensed Consolidated Statement of Changes in Equity	7
Notes to the Interim Financial Statements	8
Management Discussion and Analysis and Disclosure of Additional Information	17

CORPORATE INFORMATION

BOARD OF DIRECTORS

Executive

Dr Yeung Yung

(Chairman and Chief Executive Officer)

Mr Liu Quan *(Deputy Chairman)*

Mr Hui Wing Sang, Wilson

Dr Zhu Shengliang

Dr Wang Chuantao (appointed on 27 April 2009)

Dr Hou Junwen (appointed on 27 April 2009)

Mr Wang Xiaolin (removed on 15 April 2009)

Independent Non-Executive

Mr He Bangjie

Mr Ting Kwok Kit, Johnny

Mr Wong Lee Hing

AUDITORS

Grant Thornton

Certified Public Accountants

6th Floor, Nexus Building

41 Connaught Road Central

Hong Kong

PRINCIPAL BANKERS

East West Bank

(U.S. branch)

9550 Flair Drive

E1Monte CA91731

HSBC

PRINCIPAL OFFICE

Suites 1407-8, 14/F,

Great Eagle Centre

23 Harbour Road, Wanchai

Hong Kong

REGISTERED OFFICE

Canon's Court

22 Victoria Street

Hamilton HM 12

Bermuda

HONG KONG LEGAL ADVISOR

Chiu & Partners

41st Floor, Jardine House,

1 Connaught Place,

Hong Kong.

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

The Bank of Bermuda Limited

6 Front Street, Hamilton HM11

Bermuda

HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

Computershare Hong Kong Investor

Services Limited

Shops 1712-1716,

17th Floor Hopewell Centre,

183 Queen's Road East

Hong Kong

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30 June 2009

	Notes	Six months ended 30 June	
		2009 HK\$'000 (Unaudited)	2008 HK\$'000 (Unaudited)
Continuing operations			
Revenue	3	8,061	402
Cost of sales		(2,184)	(65)
Gross profit		5,877	337
Other income	4	1,306	3,125
Distribution costs and general operating expenses		(54,029)	(32,442)
Loss before income tax	6	(46,846)	(28,980)
Income tax expense	7	(943)	–
Loss for the period from continuing operations		(47,789)	(28,980)
Discontinued operations			
Loss for the period from discontinued operations	8	–	(19,169)
Loss for the period		(47,789)	(48,149)
Other comprehensive income/(loss)			
Exchange differences on translation of financial statements of subsidiaries		166	(8,515)
Other comprehensive income/(loss) for the period		166	(8,515)
Total comprehensive loss for the period		(47,623)	(56,664)
Loss for the period attributable to:			
Equity holders of the Company		(47,945)	(38,629)
Minority interests		156	(9,520)
		(47,789)	(48,149)

	Notes	Six months ended 30 June	
		2009 HK\$'000 (Unaudited)	2008 HK\$'000 (Unaudited)
Total comprehensive loss attributable to:			
Equity holders of the Company		(47,820)	(47,058)
Minority interests		197	(9,606)
		(47,623)	(56,664)
Loss per share for loss attributable to the equity holders of the Company during the period	9		
From continuing and discontinued operations			
Loss per share – basic		HK(0.87) cent	HK(0.77) cent
Loss per share – diluted		N/A	N/A
From continuing operations			
Loss per share – basic		HK(0.87) cent	HK(0.57) cent
Loss per share – diluted		N/A	N/A

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2009

	Notes	As at 30 June 2009 HK\$'000 (Unaudited)	As at 31 December 2008 HK\$'000 (Audited)
ASSETS AND LIABILITIES			
Non-current assets			
Property, plant and equipment	11	26,438	26,454
Available-for-sale financial asset		–	–
Goodwill		–	–
Intangible assets		18,579	20,020
Prepayments and deposits	12	39,017	46,625
		84,034	93,099
Current assets			
Inventories		217	177
Trade receivables	13	3,942	–
Prepayments, deposits and other receivables	14	89,002	12,890
Pledged bank deposits		806	805
Cash and cash equivalents		78,193	178,809
		172,160	192,681
Current liabilities			
Trade payables	15	91	–
Accruals and other payables		32,075	27,960
Amounts due to related parties		1,091	1,095
Amount due to a director		836	1,779
Tax payables		936	–
Borrowings		3,020	1,897
		38,049	32,731
Net current assets		134,111	159,950
Net assets		218,145	253,049
EQUITY			
Equity attributable to the Company's equity holders			
Share capital	16	548,305	548,305
Reserves		(352,689)	(317,588)
		195,616	230,717
Minority interests		22,529	22,332
Total equity		218,145	253,049

CONDENSED CONSOLIDATED CASH FLOW STATEMENT

For the six months ended 30 June 2009

	Six months ended 30 June	
	2009	2008
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Net cash used in operating activities	(96,492)	(55,668)
Net cash used in investing activities	(4,696)	(9,315)
Net cash generated from financing activities	190	287,286
(Decrease)/Increase in cash and cash equivalents	(100,998)	222,303
Cash and cash equivalents at beginning of period	178,809	77,337
Effect of foreign exchange rate changes, net	382	(12,841)
Cash and cash equivalents at end of period	78,193	286,799

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2009 – Unaudited

	Equity attributable to equity holders of the Company						Minority	(Capital
							interests	deficiency)/
	Share capital HK\$'000	Share premium HK\$'000	Translation reserve HK\$'000	Equity compensation reserve HK\$'000	Accumulated losses HK\$'000	Total HK\$'000		Total equity HK\$'000
At 1 January 2009	548,305	306,817	1,455	19,320	(645,180)	230,717	22,332	253,049
Recognition of equity-settled share-based compensation	-	-	-	12,719	-	12,719	-	12,719
Transaction with owners	-	-	-	12,719	-	12,719	-	12,719
Total comprehensive loss for the period	-	-	125	-	(47,945)	(47,820)	197	(47,623)
At 30 June 2009	548,305	306,817	1,580	32,039	(693,125)	195,616	22,529	218,145

	Equity attributable to equity holders of the Company						Minority	(Capital
							interests	deficiency)/
	Share capital HK\$'000	Share premium HK\$'000	Translation reserve HK\$'000	Equity compensation reserve HK\$'000	Accumulated losses HK\$'000	Total HK\$'000		Total equity HK\$'000
At 1 January 2008	272,400	310,781	(12,477)	6,272	(680,386)	(103,410)	26,008	(77,402)
Issuance of new shares	272,400	-	-	-	-	272,400	-	272,400
Share issue expenses	-	(5,446)	-	-	-	(5,446)	-	(5,446)
Recognition of equity-settled share-based compensation	-	-	-	14,455	-	14,455	-	14,455
Proceeds from shares issued under share option scheme	3,465	1,455	-	(1,386)	-	3,534	-	3,534
Capital contribution from minority interests	-	-	-	-	-	-	1,117	1,117
Transactions with owners	275,865	(3,991)	-	13,069	-	284,943	1,117	286,060
Total comprehensive loss for the period	-	-	(8,429)	-	(38,629)	(47,058)	(9,606)	(56,664)
At 30 June 2008	548,265	306,790	(20,906)	19,341	(719,015)	134,475	17,519	151,994

NOTES TO THE INTERIM FINANCIAL STATEMENTS

For the six months ended 30 June 2009

1. BASIS OF PREPARATION

The condensed consolidated interim financial statements (the "interim financial statements") of the Company and its subsidiaries, (collectively referred to as the "Group") have been prepared in accordance with Hong Kong Accounting Standard ("HKAS") 34, Interim financial reporting, issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and with the applicable disclosure provisions in Appendix 16 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules").

The interim financial statements are presented in Hong Kong Dollars ("HK\$"), which is also the functional currency of the Company and all values are rounded to the nearest thousand ("HK\$'000") unless otherwise stated.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The interim financial statements have been prepared in accordance with the accounting policies and method of comparatives used in the annual financial statements of the Company for the year ended 31 December 2008 (the "2008 Annual Financial Statements"), except for the adoption of the new or amended Hong Kong Financial Reporting Standards ("HKFRSs"), which include individual Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards ("HKASs") and Interpretations ("Int") as disclosed below. The interim financial information should be read in conjunction with the 2008 Annual Financial Statements.

In the current period, the Group has applied for the first time the following new or amended HKFRSs issued by the HKICPA, which are relevant to and effective for the Group's financial statements for the annual financial period beginning on 1 January 2009.

HKAS 1 (Revised 2007)	Presentation of Financial Statements
HKAS 23 (Revised)	Borrowing Costs
HKAS 32, HKAS 39 & HKFRS 7 (Amendments)	Puttable Financial Instruments and Obligations Arising on Liquidation
HKFRS 1 and HKAS 27 (Amendment)	Cost of an Investment in a Subsidiary, Jointly Controlled Entity or an Associate
HKFRS 2 (Amendment)	Share-based Payment – Vesting Conditions and Cancellations
HKFRS 7 (Amendment)	Improving Disclosures about Financial Instruments
HKFRS 8	Operating Segments
HK(IFRIC) – Int 9 & HKAS 39 (Amendment)	Reassessment of Embedded Derivatives
HK(IFRIC) – Int 13	Customer Loyalty Programmes
HK(IFRIC) – Int 15	Agreements for the Construction of Real Estate
HK(IFRIC) – Int 16	Hedges of a Net Investment in a Foreign Operation
Various	Annual improvements to HKFRSs 2008

Other than as noted below, the adoption of these new or amended HKFRSs has had no material effect on this interim financial report.

HKAS 1 (Revised 2007) – Presentation of financial statements

The adoption of HKAS 1 (Revised 2007) makes certain changes to the format and titles of the primary financial statements and to the presentation of some items within these statements. It also gives rise to additional disclosures. The measurement and recognition of the Group's assets, liabilities, income and expenses is unchanged. However, some items that were recognised directly in equity are now recognised in other comprehensive income. HKAS 1 affects the presentation of owner changes in equity and introduces a "Statement of comprehensive income". Comparatives have been restated to conform with the revised standard.

Adoption of new or amended HKFRSs

The Group has not early adopted the following new and amended HKFRSs, which have been published but are not yet effective:

HKAS 27 (Revised)	Consolidated and Separate Financial Statements ¹
HKAS 39 (Amendment)	Eligible Hedged Items ¹
HKFRS 1 (Revised)	First-time Adoption of Hong Kong Financial Reporting Standards ¹
HKFRS 2 (Amendment)	Group Cash-Settled Share-Based Payment Transactions ²
HKFRS 3 (Revised)	Business Combinations ¹
HK(IFRIC) – Int 17	Distributions of Non-cash Assets to Owners ¹
HK(IFRIC) – Int 18	Transfer of Assets from Customers ²
Various	Annual Improvements to HKFRS 2009 ⁴

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

² Effective for transfer received on or after 1 July 2009

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

⁴ Generally effective for annual periods beginning on or after 1 January 2010 unless otherwise stated in the specific HKFRS

The directors of the Company anticipate that all of the pronouncements will be adopted in the Group's accounting policy for the first period beginning after the effective date of the pronouncement.

3. REVENUE

Revenue, which is also the Group's turnover, represents total invoiced value of goods supplied and services rendered. Revenue recognised during the period is as follows:

	Continuing operations		Discontinued operations		Consolidated	
	2009	2008	2009	2008	2009	2008
	HK\$'000 (Unaudited)	HK\$'000 (Unaudited)	HK\$'000 (Unaudited)	HK\$'000 (Unaudited)	HK\$'000 (Unaudited)	HK\$'000 (Unaudited)
Sales of motor vehicles	-	-	-	335,171	-	335,171
Repair and maintenance of motor vehicles	-	-	-	34,775	-	34,775
Sales of properties held for sale	-	-	-	506	-	506
Revenues from operation of indoor games centres	563	402	-	-	563	402
Sales of bioorganic fertilizer	7,498	-	-	-	7,498	-
	8,061	402	-	370,452	8,061	370,854

4. OTHER INCOME

	Continuing operations		Six months ended 30 June		Consolidated	
	2009	2008	2009	2008	2009	2008
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
Bank interest income	456	2,792	–	1,688	456	4,480
Imputed interest income on long-term interest-free deposits	549	–	–	–	549	–
Subsidy income	–	–	–	877	–	877
Other service income	–	–	–	863	–	863
Miscellaneous	301	333	–	2,359	301	2,692
	1,306	3,125	–	5,787	1,306	8,912

5. SEGMENT INFORMATION

On adoption of HKFRS 8 Operating segments, the Group has identified its operating segments and prepared segment information based on the regular internal financial information reported to the Group's executive directors for their decisions about resources allocation to the Group's business components and review of these components' performance.

The Group's operating business are structured and managed separately according to the nature of their operations and the products and services they provide. Each of the Group's business segments represents a strategic business unit that offers products and services which are subject to risks and returns that are different from those of the other business segments. Summary details of the business segments are as follows:

- Operation of indoor game centres;
- Manufacture and sales of automobile axles;
- Environmental products and related business; and
- Natural resources business.

The following business segments have been classified as discontinued operations for the six months ended 30 June 2008:

- Sales and repair of motor vehicles; and
- Sales of properties.

	Six months ended 30 June 2009							
	Continuing operations					Discontinued operations		
	Operation of indoor game centres	Manufacture and sales of automobile axles	Environmental products and related business	Natural resources business	Total	Sales and repair of motor vehicles	Sales of properties	Total
		HK\$'000 (Unaudited)	HK\$'000 (Unaudited)	HK\$'000 (Unaudited)	HK\$'000 (Unaudited)			
Revenue								
Sales to external customers	563	-	7,498	-	8,061	-	-	-
Segment results	253	(96)	(6,684)	(839)	(7,366)	-	-	-
Unallocated income and expense, net					(39,480)			-
Loss before income tax					(46,846)			-
Income tax expense					(943)			-
Loss for the period					(47,789)			-

	Six months ended 30 June 2008							
	Continuing operations					Discontinued operations		
	Operation of indoor game centres	Manufacture and sales of automobile axles	Environmental products and related business	Natural resources business	Total	Sales and repair of motor vehicles	Sales of properties	Total
		HK\$'000 (Unaudited)	HK\$'000 (Unaudited)	HK\$'000 (Unaudited)	HK\$'000 (Unaudited)			
Revenue								
Sales to external customers	402	-	-	-	402	369,946	506	370,452
Segment results	(16)	-	-	-	(16)	(2,068)	(13,519)	(15,587)
Unallocated income and expense, net					(28,964)			-
Finance costs					-			(3,003)
Loss before income tax					(28,980)			(18,590)
Income tax expense					-			(579)
Loss for the period					(28,980)			(19,169)

6. LOSS BEFORE INCOME TAX

Loss before income tax is arrived after charging:

	Continuing operations		Six months ended 30 June Discontinued operations		Consolidated	
	2009	2008	2009	2008	2009	2008
	HK\$'000 (Unaudited)	HK\$'000 (Unaudited)	HK\$'000 (Unaudited)	HK\$'000 (Unaudited)	HK\$'000 (Unaudited)	HK\$'000 (Unaudited)
Staff cost (including directors' emoluments)	11,114	9,710	–	10,595	11,114	20,305
Share-based compensation	12,719	14,455	–	–	12,719	14,455
Amortisation of intangible assets	1,349	–	–	–	1,349	–
Depreciation of property, plant and equipment	4,062	1,795	–	3,134	4,062	4,929
Interests on bank and other loans wholly repayable within five year	–	–	–	3,003	–	3,003

7. INCOME TAX EXPENSE

No provision for Hong Kong profits tax has been made as the Group did not generate any assessable profits arising in Hong Kong during the period (Six months ended 30 June 2008: Nil). Tax on overseas profits has been calculated on the estimated assessable profit for the period at the rates of taxation prevailing in the countries in which the Group operates.

	Continuing operations		Six months ended 30 June Discontinued operations		Consolidated	
	2009	2008	2009	2008	2009	2008
	HK\$'000 (Unaudited)	HK\$'000 (Unaudited)	HK\$'000 (Unaudited)	HK\$'000 (Unaudited)	HK\$'000 (Unaudited)	HK\$'000 (Unaudited)
Current tax – PRC	943	–	–	579	943	579

8. LOSS FOR THE PERIOD FROM DISCONTINUED OPERATIONS

As disclosed in note 11 to the 2008 Annual Financial Statements, on 22 October 2008, the Group has entered into an agreement with an independent third party to dispose of the entire equity interest in Ningbo Meili Assets Management Co., Limited and its subsidiaries ("Ningbo Meili Group"), which principally engaged in sales and repair of motor vehicles and sales of properties. The disposal of Ningbo Meili Group was completed on 22 December 2008 and the Group has discontinued its operations in sales and repair of motor vehicles and sales of properties thereafter.

As sales and repair of motor vehicles and sales of properties represent components of the Group's business, the operations and cash flows of which can be clearly distinguished from the rest of the Group and which represent separate major lines of businesses, the Group presented, in its financial statements, these operations as discontinued operations in accordance with HKFRS 5.

An analysis of the results of the discontinued operations included in the condensed consolidated statement of comprehensive income is as follows:

	Six months ended 30 June	
	2009 HK\$'000 (Unaudited)	2008 HK\$'000 (Unaudited)
Revenue	-	370,452
Cost of sales	-	(350,567)
Gross profit	-	19,885
Other income	-	5,787
Distribution costs and general operating expenses	-	(41,259)
Operating loss	-	(15,587)
Finance costs	-	(3,003)
Loss before income tax	-	(18,590)
Income tax expense	-	(579)
Loss for the period	-	(19,169)

9. LOSS PER SHARE

	Six months ended 30 June	
	2009 (Unaudited)	2008 (Unaudited)
Loss per share for loss attributable to the equity holders of the Company during the period		
From continuing and discontinued operations		
Loss per share – basic	HK(0.87) cent	HK(0.77) cent
Loss per share – diluted	N/A	N/A
From continuing operations		
Loss per share – basic	HK(0.87) cent	HK(0.57) cent
Loss per share – diluted	N/A	N/A
From discontinued operations		
Loss per share – basic	N/A	HK(0.20) cent
Loss per share – diluted	N/A	N/A

The calculations of the basic and diluted loss per share attributable to the ordinary equity holders of the Company is based on the following data:

	Six months ended 30 June	
	2009 HK\$'000 (Unaudited)	2008 HK\$'000 (Unaudited)
Loss attributable to the equity holders of the Company for the purpose of basic loss per share		
Continuing operations	(47,945)	(28,730)
Discontinued operations	–	(9,899)
Total loss from continuing and discontinued operations	(47,945)	(38,629)

	Six months ended 30 June	
	2009 Number of shares '000 (Unaudited)	2008 Number of shares '000 (Unaudited)
Weighted average number of shares for the purpose of basic loss per share	5,483,054	5,015,041

Diluted loss per share from continuing and discontinued operations for both periods ended 30 June 2009 and 2008 were not presented because the impact of the exercise of the share options was anti-dilutive. Potential ordinary shares are dilutive when and only when their conversion into ordinary shares would reduce earnings per share or reduce loss per share from continuing operations attributable to the equity holders of the Company.

10. INTERIM DIVIDEND

The directors of the Company do not recommend the payment of an interim dividend for the six months ended 30 June 2009 (Six months ended 30 June 2008: Nil).

11. PROPERTY, PLANT AND EQUIPMENTS

During the six months ended 30 June 2009, the Group acquired property, plant and equipment of HK\$5,152,000 (Six months ended 30 June 2008: HK\$15,277,000). In addition, property, plant and equipments with net book value of HK\$1,058,000 were disposed of during the period. (Six months ended 30 June 2008: HK\$848,000).

12. PREPAYMENTS AND DEPOSITS

	At 30 June 2009 HK\$'000 (Unaudited)	At 31 December 2008 HK\$'000 (Audited)
Deposits for management agreements	17,083	16,625
Prepayment for research and development projects	21,934	30,000
	39,017	46,625

The deposits for management agreements are interest-free, unsecured and repayable in 2011.

13. TRADE RECEIVABLES

As at 30 June 2009, the aging analysis of the trade receivables (net of impairment) of the Group was as follows:

	At 30 June 2009 HK\$'000 (Unaudited)	At 31 December 2008 HK\$'000 (Audited)
1 to 3 months	3,942	-

14. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

Included in the prepayments, deposits and other receivables, there was a loan due from Hybrid Kinetic Motors Investment, LLC, a limited liability company organised in the State of Delaware, the United States of America ("USA" or "U.S.") ("HKMI") amounted to US\$9 million, approximately HK\$69,754,000 (At 31 December 2008: Nil). A wholly owned subsidiary of the Company is the manager of HKMI. The amount due was non-interest bearing, repayable on demand and secured by the entire equity interest of HKMI.

15. TRADE PAYABLES

As at 30 June 2009, the aging analysis of the trade payables of the Group was as follows:

	At 30 June 2009 HK\$'000 (Unaudited)	At 31 December 2008 HK\$'000 (Audited)
1 to 3 months	91	-

16. SHARE CAPITAL

	At 30 June 2009 (Unaudited)		At 31 December 2008 (Audited)	
	Number of shares	Amount HK\$'000	Number of shares	Amount HK\$'000
<i>Authorised:</i>				
Ordinary shares of HK\$0.10 each	30,000,000,000	3,000,000	30,000,000,000	3,000,000
<i>Issued and fully paid:</i>				
Ordinary shares of HK\$0.10 each	5,483,054,464	548,305	5,483,054,464	548,305

17. CAPITAL COMMITMENT

As at 30 June 2009, the Group has capital commitment of approximately HK\$5,669,000 (At 31 December 2008: HK\$5,600,000) contracted but not provided for the acquisition of the entire equity interest in a company incorporated in the PRC.

18. POST BALANCE SHEET EVENTS

On 10 July 2009, the Group has granted share options to subscribe for 72,000,000 ordinary shares of HK\$0.10 each in the Company to directors, employees and certain other eligible persons under the share option scheme adopted by the Company on 12 June 2003. The fair value of the share options granted was amounted to approximately HK\$4,624,000.

On 27 July 2009, the Company and Hybrid Kinetic Motors Investment, LLC, a limited liability company organised in the State of Delaware, the United States of America ("USA" or "U.S.") ("HKMI") entered into a non-legally binding memorandum of understanding ("MOU"), which outlines a preliminary framework for the strategic participation of the Group in an automobile project (the "Project") launched by HKMI in the USA. The Project launched by HKMI will include the setting up of a headquarter and manufacturing operation in the USA. The Company and its subsidiaries are not required to make any capital commitment to the Project. The Group will contribute in the form of provision of primary management and support services to HKMI and the Project through a wholly owned subsidiary of the Company, which is the manager of HKMI.

Details of the MOU have been set out in the Company's announcements dated 27 July 2009 and 28 July 2009.

MANAGEMENT DISCUSSION AND ANALYSIS AND DISCLOSURE OF ADDITIONAL INFORMATION

BUSINESS REVIEW

Overview

The principal business of the Group during the period include environmental products and related business, natural resources business, operation of indoor family entertainment game centers and manufacturing and selling automobile axles in the PRC. During the period, the Group established a U.S. subsidiary to explore business opportunities in the automobile industry in the U.S. market.

The Group's turnover from continuing operations and total comprehensive loss attributable to shareholders for the first six months of 2009 amounted to HK\$8.06 million (2008: HK\$0.40 million) and HK\$47.82 million (2008: HK\$47.06 million) respectively. As compared with the corresponding period in 2008, the turnover increased by approximately 1905.22% while the loss increased by 1.62%. The increase in turnover was mainly due to the acquisition of environmental product business in the second half of 2008. The general operating expenses of continuing operations for the six months ended 30 June 2009 increased to HK\$54.03 million (2008: HK\$32.44 million) which include professional expenses of HK\$7.17 million, research and development expenses of HK\$8.07 million, share-based compensation of HK\$12.72 million for the share options issued during the period and salary of HK\$11.11 million.

(a) Environmental products and related business

The Group participated in environmental products and related business mainly through its non-wholly owned subsidiary in Beijing, namely Beijing Century Wanyeyuan Bio-Engineering Co., Ltd. ("Beijing Century") and its subsidiary. Beijing Century recorded a turnover of HK\$7.50 million (2008: N/A) and a profit before tax of HK\$1.38 million (2008: N/A). This business sector recorded a loss of HK\$6.68 million (2008: N/A) as a result of research and development expenses for future product pipelines incurred by another subsidiary. In the first half of year 2009, Beijing Century had a significant growth in turnover and the business started to develop promising sales channel in the PRC.

In June 2009, Beijing Century has been granted the "High-tech Enterprise Certificate" by Beijing Science and Technology Committee, and the "Microorganisms Fertilizer Registration Certificate" and the "Bio-organic Fertilizer Registration Certificate" by the Ministry of Agriculture of China. It has also been awarded the "Invention Patent Certificate of Microbial Agents" and the "Invention Patent Certificate of Bio-organic Fertilizers" by the Patent Office of China. In mid-2009, the development of the Group's bio-organic fertilizers is fully supported by China's "National Agricultural Technology Extension and Service Center". A pilot demonstration was launched throughout the country. Building on the pilot demonstration, the Group believes that it is well positioned to rapidly expand the market share of its environment-friendly products in the nationwide bio-organic fertilizer markets.

(b) Natural resources business

During the period, Jilin Shengshi Mining Limited ("Jilin Shengshi"), a wholly owned subsidiary of the Company, has not recorded any revenue. Currently, a subsidiary of Jilin Shengshi owns two mine exploration rights in Jilin. Other than holding and managing its own mine exploration rights, Jilin Shengshi also entered into management agreements with owners of mine exploration rights for providing mine management services.

(c) Game centers

The Group continued to operate two indoor family entertainment game centers in the PRC. This business recorded turnover HK\$0.56 million (2008: HK\$0.40 million) and a profit of HK\$0.25 million (2008: Loss of HK\$0.02 million) in the first half of 2009.

(d) Automobile axles

The Group's 51% owned sino-foreign equity joint venture (the "JV") established in the PRC, Shenyang Liaohua Automobile Axles Company Ltd has suspended operations since the mid of 2004 as the result of re-allocation of plant. For the six months ended 30 June 2009, the business recorded losses from operations of HK\$0.10 million (2008: Nil).

(e) U.S. Automobile business

On 31 March 2009, the Group incorporated a wholly owned subsidiary (namely, Hybrid Kinetic Motors Corporation) in the U.S. which is intended to be a vehicle to explore business opportunities in the automobile industry in the U.S. market. The Board is of the view that, based on the future market demand and the series of economic stimulus policies by the U.S. Government, the automobile industry has high growth potentials.

Prospects

One of our major businesses is environmental products which can improve the quality of soil and provide healthy food products. The increasing concern about environmental protection and food health in the PRC definitely creates a rapid growth market for our products. The Board believes that such market will be huge and our efforts have already earned the recognitions from customers and governmental departments. The Group will allocate more resources to this business and try to establish a much greater production and distribution network in the PRC in the coming year.

After the impact of the world financial crisis in 2008, the U.S. industrial regime has been forced to reform and one of the key areas which reform or even re-birth is needed is the automobile industry. The U.S. government has encouraged the development of next generation environmental friendly vehicles and provided suitable environment for such moves. The Board believes that a huge opportunity is emerging and the Group is in a good position to grab this opportunity as it is served by talented and experienced experts in the automobile industry from not only the U.S. markets, but also other parts of the world, including Europe and the PRC.

LIQUIDITY AND FINANCIAL RESOURCES

As at 30 June 2009, the total equity of the Group amounted to HK\$218 million (31 December 2008: HK\$253 million). The gearing ratio of the Group as at 30 June 2009 measured in terms of total liabilities divided by shareholders' equity was approximately 19.50% (31 December 2008: 14.20%). As at 30 June 2009, net current assets of the Group were approximately HK\$134.11 million (31 December 2008: HK\$159.95 million). The pledged bank deposits were approximately HK\$0.81 million (31 December 2008: HK\$0.80 million) while the cash and cash equivalents amounted to HK\$78.19 million (31 December 2008: HK\$178.81 million). The Group also had short-term loan outstanding of approximately HK\$3.02 million (31 December 2008: HK\$1.90 million).

HUMAN RESOURCES AND REMUNERATION POLICIES

The Group had a total of approximately 105 employees as at 30 June 2009. It has been the Group's policy to ensure that the remuneration levels of its employees are reviewed and rewarded on a performance related basis within the general framework of the Group's salary and bonus system. The Group has participated in a mandatory provident fund scheme for its employees based in Hong Kong. Shares options may also be granted to employees of the Group.

CHARGES OF GROUP ASSETS

As at 30 June 2009, bank deposits of HK\$0.81 million (31 December 2008: HK\$0.80 million) were pledged to secure the general banking facilities granted to the Group.

EXPOSURE TO FLUCTUATIONS IN EXCHANGE RATES AND ANY RELATED HEDGES

Almost all of the income and expenditure of the Group were denominated in Renminbi, Hong Kong Dollar and United States Dollar. The Group has not taken any financial instruments for hedging purpose during the period.

LOAN AGREEMENT

On 29 June 2009 (U.S. time), the Company entered into a loan agreement ("Loan Agreement") with HKMI in respect of the advancement of a loan ("Loan") in the principal amount of US\$9 million (equivalent to HK\$70.20 million) by the Company to HKMI. The Loan is secured against the entire ownership interest of the sole member of HKMI. Repayment is entitled on demand and the Loan does not carry any interest. The purpose of the Loan is to provide initial general working capital to HKMI. The Directors believe that the granting of the Loan will not cause significant financial impact on the Group but will pave the way for future co-operation with HKMI in the development of the Group's business in the U.S. automobile industry.

MATERIAL ACQUISITIONS AND DISPOSALS

In March 2009, the Group announced the acquisition of 80% equity interest in Alabama Center for Foreign Investment, LLC (“ACFI”). The consideration for such acquisition is HK\$7.8 million and payable by the issue and allotment of consideration shares of the Company. ACFI has been designated by the U.S. Citizenship and Immigration Services of the U.S. Department of Homeland Security as regional center for the State of Alabama to participate in the Immigrant Investor Pilot Program (EB-5 visa category), an employment-creation visa program that offers foreign nationals the opportunity to become permanent residents in the U.S.. The acquisition of ACFI was not completed during the six months ended 30 June 2009. Save for this transaction, there were no new business or material acquisitions and disposals during the six months ended 30 June 2009.

SUBSEQUENT EVENT

Please refer to Note 18 of the Interim Financial Statements.

SUBSTANTIAL SHAREHOLDERS’ INTEREST IN THE SHARE CAPITAL OF THE COMPANY

As at 30 June 2009, according to the register kept by the Company pursuant to section 336 of the Securities and Futures Ordinance (“SFO”) and so far as is known to, or can be ascertained after reasonable enquiry by the directors of the Company, the following persons had an interest or short position in the shares and underlying shares of the Company (“Shares”) which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO:

Name	Nature of interest	Number of Shares	Percentage (Note 1)
Sun East LLC	Beneficial Owner (Note 2)	2,213,268,989	40.37%
Huang Xiujuan	Beneficial Owner	340,560,000	6.21%

Note:

1. The percentage of shareholding is calculated on the basis of 5,483,054,464 Shares in issue as at 30 June 2009 and does not taken into account any Shares which may fall to be allotted and issued upon exercise of any subscription rights attaching to any share options granted by the Company.
2. Sun East LLC is owned as to 35% by Dr Yeung Yung (shared commonly with his wife under the laws of California, the US) and 65% by Mr Ma Manwai (alias Ma Manwai, Philip) and Mr Jimmy Wang (alias Wang Jian) as co-trustees for certain trusts established for the benefit of the children of Dr Yeung Yung on 30 December 2002. Dr Yeung Yung (as well as his spouse) was deemed to be interested in these 2,213,268,989 Shares held by Sun East LLC under Part XV of the SFO.

Save as disclosed above, no person, other than Directors whose interests are set out in the section “Directors’ interests in Shares below, had registered an interest or short positions in the share capital or underlying shares of the Company that was required to be recorded under Section 336 of SFO.

DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS AND SHORT POSITIONS IN SECURITIES

As at 30 June 2009, the interests and short positions of the directors and the chief executive of the Company in the share, underlying share or debentures of the Company or any of its associated corporations (within the meaning of the Part XV of the SFO or as otherwise notified to the Company and the Stock Exchange of Hong Kong Limited (the "Stock Exchange") pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") Set out in Appendix 10 to the Rule Governing the Listing of Securities on the Stock Exchange (the "Listing Rules") were as follow:

(1) Long positions in the ordinary Share of HK\$0.10 each in the Company

Name of director	Capacity	Number of Shares held	Percentage of the issued share capital of the Company (Note 1)
Yeung Yung	Interest of controlled corporation	2,213,268,989 (Note 2)	40.37%
Liu Quan	Family interest	241,760,000 (Note 3)	4.41%
Zhu Shengliang	Beneficial owner	5,333,883	0.10%

Notes:

- The percentage of shareholding is calculated on the base of 5,483,054,464 Shares in issue as at 30 June 2009 and does not take into account any Shares which may fall to be allotted and issued upon exercise of any subscription rights attaching to any share options granted by the Company.
- These Shares are held by Sun East LLC. Sun East LLC is a limited liability company incorporated in California, the U.S., which is owned as to (i) 35% by Dr Yeung Yung (shared commonly with his spouse under the laws of California, the U.S.) and (ii) 65% by Mr Ma Manwai (alias Ma Manwai, Philip) and Mr Jimmy Wang (alias Wang Jian) as co-trustees for certain trusts established for the benefit of the children of Dr Yeung Yung on 30 December 2002. Dr Yeung Yung (as well as the spouse) was deemed to be interested in these 2,213,268,989 Shares held by Sun East LLC under Part XV of the SFO.
- These Shares are held by Fortune Venture Holdings Limited, a company incorporated in the British Virgin Islands whose entire issued share capital is solely and beneficially owned by Ms Li Xiaoqin (the spouse of Mr Liu Quan). Mr Liu Quan is deemed to be interested in these 241,760,000 Shares held by his spouse by virtue of Part XV of the SFO.

(2) Interests in share options of the Company

Name of Director	Date of grant	Exercisable period	Exercise price (HK\$)	Number of underlying shares subject to outstanding Options	Approximate percentage of shareholding (note 1)
Yeung Yung	16 February 2000	16 February 2000 to 15 February 2010	0.619	11,140,000	
	2 November 2000	2 November 2000 to 1 November 2010	0.343	24,028,980	
	9 August 2005	29 August 2005 to 8 August 2015	0.102	11,140,000	
	6 February 2008	6 February 2008 to 5 February 2018	0.114	27,000,000	
	24 June 2009	24 June 2009 to 11 June 2013	0.123	40,000,000	
				113,308,980	2.07%
Liu Quan	6 February 2008	6 February 2008 to 5 February 2018	0.114	27,000,000	
	24 June 2009	24 June 2009 to 11 June 2013	0.123	13,000,000	
				40,000,000	0.73%
Hui Wing Sang, Wilson	9 August 2005	29 August 2005 to 8 August 2015	0.102	1,114,000	
	6 February 2008	6 February 2008 to 5 February 2018	0.114	27,000,000	
	24 June 2009	24 June 2009 to 11 June 2013	0.123	21,886,000	
				50,000,000	0.91%
Zhu Shengliang	9 August 2005	29 August 2005 to 8 August 2015	0.102	16,710,000	
	24 June 2009	24 June 2009 to 11 June 2013	0.123	1,290,000	
				18,000,000	0.33%

Name of Director	Date of grant	Exercisable period	Exercise price (HK\$)	Number of underlying shares subject to outstanding Options	Approximate percentage of shareholding (note 1)
Wang Chuantao	24 June 2009	24 June 2009 to 11 June 2013	0.123	15,000,000	0.27%
Hou Junwen	24 June 2009	24 June 2009 to 11 June 2013	0.123	7,500,000	0.14%
He Bangjie	6 February 2008	6 February 2008 to 5 February 2018	0.114	2,000,000	0.04%
Ting Kwok Kit, Johnny	6 February 2008	6 February 2008 to 5 February 2018	0.114	2,000,000	0.04%

Note(s):

- The percentage of shareholding is calculated on the basis of 5,483,054,464 Share in issue as at 30 June 2009.

In addition to the above, Mr Liu Quan, Mr Hui Wing Sang Wilson, Dr Wang Chuantao, Dr Hou Junwen and Dr Zhu Shengliang have non-beneficial personal equity interests in certain subsidiaries held for the benefit of the Company solely for the purpose of complying with the minimum company membership requirements.

Save as disclosed above, as at 30 June 2009, none of the Directors nor their associates had any interests or short positions in any shares or underlying shares of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) as recorded in the register required to be kept under Section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.

DIRECTORS' RIGHTS TO SUBSCRIBE FOR SHARES

Save as disclosed under the section headed "Directors' and Chief Executive's Interest in Securities" above, and the section headed "Share Option Scheme" below, at no time during the six months ended 30 June 2009 were rights to acquire benefits by means of the acquisition of shares or debentures of the Company granted to any Director or their respective spouse or minor children, or were any such rights exercised by them, or was the Company or any of its subsidiaries a party to any arrangements to enable the Directors to acquire such rights in any other body corporate.

SHARE OPTION SCHEME

The Company adopted a share option scheme on 15 March 1995 (the “1995 Scheme”), which was terminated on 12 June 2003, and a new share option scheme (the “2003 Scheme”), which are Currently in force, was adopted by the Company on 12 June 2003.

The following share options were outstanding under the 1995 Scheme and 2003 Scheme during the period from 1 January to 30 June 2009:

Name or category of participant	As at 1 January 2009	Share options granted	Share options lapsed/ cancelled during the period	Share options exercised	As at 30 June 2009	Date of grant	Exercise price	Exercise period
Directors								
Yeung Yung	11,140,000	-	-	-	11,140,000	Note 1	Note 1	Note 1
	24,028,980	-	-	-	24,028,980	Note 2	Note 2	Note 2
	11,140,000	-	-	-	11,140,000	Note 4	Note 4	Note 4
	27,000,000	-	-	-	27,000,000	Note 5	Note 5	Note 5
	-	40,000,000	-	-	40,000,000	Note 6	Note 6	Note 6
Liu Quan	27,000,000	-	-	-	27,000,000	Note 5	Note 5	Note 5
	-	13,000,000	-	-	13,000,000	Note 6	Note 6	Note 6
Hui Wing Sang, Wilson	1,114,000	-	-	-	1,114,000	Note 4	Note 4	Note 4
	27,000,000	-	-	-	27,000,000	Note 5	Note 5	Note 5
	-	21,886,000	-	-	21,886,000	Note 6	Note 6	Note 6
Zhu Shengliang	16,710,000	-	-	-	16,710,000	Note 4	Note 4	Note 4
	-	1,290,000	-	-	1,290,000	Note 6	Note 6	Note 6
Wang Chuantao	-	15,000,000	-	-	15,000,000	Note 6	Note 6	Note 6
Hou Junwen	-	7,500,000	-	-	7,500,000	Note 6	Note 6	Note 6
He Bangjie	2,000,000	-	-	-	2,000,000	Note 5	Note 5	Note 5
Ting Kwok Kit, Johnny	2,000,000	-	-	-	2,000,000	Note 5	Note 5	Note 5
Wang Xiaolin (Note 7)	27,000,000	-	(27,000,000)	-	-	Note 5	Note 5	Note 5
Sub-Total	176,132,980	98,676,000	(27,000,000)	-	247,808,980			
Employees:								
(in aggregate)	4,678,800	-	-	-	4,678,800	Note 1	Note 1	Note 1
	9,357,600	-	-	-	9,357,600	Note 2	Note 2	Note 2
	19,241,008	-	-	-	19,241,008	Note 3	Note 3	Note 3
	49,573,000	-	-	-	49,573,000	Note 4	Note 4	Note 4
	89,800,000	-	(5,000,000)	-	84,800,000	Note 5	Note 5	Note 5
-	177,224,592	-	-	177,224,592	Note 6	Note 6	Note 6	
Sub-Total	172,650,408	177,224,592	(5,000,000)	-	344,875,000			
Other eligible persons:								
(in aggregate)	23,280,000	-	-	-	23,280,000	Note 4	Note 4	Note 4
	35,000,000	-	-	-	35,000,000	Note 5	Note 5	Note 5
	-	23,500,000	-	-	23,500,000	Note 6	Note 6	Note 6
Sub-Total	58,280,000	23,500,000	-	-	81,780,000			
Total:	407,063,388	299,400,592	(32,000,000)	-	674,463,980			

Notes:

1. These share options were granted on 16 February 2000 and are exercisable at a subscription price of HK\$0.619 per share at any time during the period of 10 years from 16 February 2000 to 15 February 2010.
2. These share options were granted on 2 November 2000 and are exercisable at a subscription price of HK\$0.343 per share at any time during the period of 10 years from 2 November 2000 to 1 November 2010.
3. These share options were granted on 5 January 2004 and are exercisable at a subscription price of HK\$0.144 per share at any time during the period of 10 years from 26 January 2004 to 4 January 2014.
4. These share options were granted on 9 August 2005 and are exercisable at a subscription price of HK\$0.102 per share at any time during the period of 10 years from 29 August 2005 to 8 August 2015.
5. These share options were granted on 6 February 2008 and are exercisable at a subscription price of HK\$0.114 per share at any time during the period of 10 years from 6 February 2008 to 5 February 2018.
6. These share options were granted on 24 June 2009 and are exercisable at a subscription price of HK\$0.123 per share at any time during the period of 4 years from 24 June 2009 to 11 June 2013. The fair value of these share options at the date of grant was amounted to HK\$12.72 million. The accounting policy adopted for recognition of share options granted was disclosed in the 2008 Annual Financial Statements.

Fair value of share options granted on 24 June 2009 and assumptions:

The fair value of services received in return for share options granted are measured by reference to the fair value of share options granted. The estimate of the fair value of the share option granted is measured based on Binomial Option Pricing Model.

	measurement date 24/06/2009
Fair value	HK\$0.042
Exercise price	HK\$0.123
Expected volatility	110.14%
Option life	4 years
Risk-free interest rate	1.949%

For the purpose of determining the value of the share options, we have considered all the prominent factors affecting the value, including, but not limited to, the following:

- The financial instruments used by the company;
- The relative rate at which the price of the underlying security moves up and down;
- The change in the value of an option for each dollar change in the market price of the underlying asset;
- The change in the option's price for a 1% change in volatility;
- The exercise price of the share options granted;
- The nature of the share options granted;
- The exercisable period of the share options granted;
- The expected dividend yield of the underlying securities; and
- Other factors materially affecting the value of the share option granted.

The option value varies with different variables of certain subjective assumptions. Any change to the variables used may materially affect the estimation of its fair value. The Company takes no responsibilities for the information of option value provided.

7. Mr Wang Xiaolin was removed from the office of Director with effect from 15 April 2009. The share options granted to him to subscribe for Shares were lapsed accordingly.

PURCHASE, SALES OR REDEMPTION OF SECURITIES

Neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's securities during the period.

COMPLIANCE WITH THE CODE ON CORPORATE GOVERNANCE PRACTICES

Throughout the accounting period for the six months ended 30 June 2009, the Company has complied with the code provisions and certain recommended best practices set out in the Code on Corporate Governance Practices ("CG Code") contained in Appendix 14 to the Listing Rules, except the following deviations:

(i) Code Provision A 2.1

Pursuant to code A2.1 of the CG Code, the role of chairman and chief executive officer should be separate and should not be performed by the same individual.

Dr Yeung Yung, the chairman of the Company and an executive Director, will concurrently act as chief executive officer ("CEO") of the Company until a suitable candidate is identified to fill the vacancy left with the termination of the office of CEO of Mr Wang Xiaolin with effect from 23 March 2009 (as disclosed in the Company's announcement dated 23 March 2009). The Board considers the current arrangement will not impair the balance of power and authority of the Board (which comprises six executive Directors and three independent non-executive Directors) and a strong independent element in the composition of the Board can and will still be maintained.

(ii) Code Provision E 1.2

Pursuant to code E 1.2 of the CG Code, the chairman of the board should attend the annual general meeting and arrange for the chairman of the audit, remuneration and nomination committees (collectively the "Committees") (as appropriate) or in the absence of the chairman of such committees, another member of the committee or failing this his duly appointed delegate, to be available to answer questions at the annual general meeting. The chairman of the independent board committee (if any) should be available to answer questions at any general meeting to approve a connected transaction or any transaction that is subject to independent shareholders' approval.

The chairman of the Board and the chairman of the Committees could not attend the annual general meeting ("AGM") of the Company held on 3 June 2009 due to business matters. Mr Hui Wing Sang Wilson, being one of the executive Directors and the delegate appointed by the Committees, attended the AGM to ensure effective communication with the shareholders of the Company.

COMPLIANCE WITH THE MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code for Securities Transactions by Director of Listed Issuers set out in Appendix 10 to the Listing Rules (the "Model Code") as its own code of conduct governing securities transactions by the Directors. After specific enquiry of all Directors, all Directors confirmed to the Company their compliance with the required standards set out in the Model Code for six months ended 30 June 2009.

AUDIT COMMITTEE

The audit committee ("Audit Committee") of the Company has reviewed and discussed with management of the Company the accounting principles and practices adopted by the Group, internal controls and financial reporting matters. The Audit Committee has also reviewed the unaudited condensed consolidated financial statements of the Group for the six months ended 30 June 2009.

By Order of the Board
Yeung Yung
Chairman

Hong Kong, 22 September 2009