華南

Wah Nam International Holdings Limited

(Incorporated in Bermuda with limited liability)

Stock Code: 159

09 Annual Report

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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,
Sheung Wan, Hong Kong

PRINCIPAL BANKER

Hang Seng Bank Limited
The Hongkong and Shanghai Banking Corporation Limited

WEBSITE

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

STOCK CODE

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

CHAIRMAN'S STATEMENT

In 2009, we continued to lay the ground work for our future growth.

We acquired Smart Year Investments Limited ("Smart Year") in September 2008. Through its subsidiary, Luchun Xingtai Mining Co., Ltd and its mine of aggregate licensed mine area of approximately 3.7 square kilometers located in the Yunnan Province, China, Smart Year is principally engaged in exploitation, processing and sales of copper, lead, zinc, arsenic, silver and other mineral resources.

During the year, we have spent plenty of efforts to explore the mine of Smart Year with satisfactory result. Such exploration has provided us a more solid fundamental for large-scale exploitation in the future.

Driven by the economic and infrastructural developments of the country after the global financial crisis, and RMB4 trillion economic stimulus plan by the China Government, we are experiencing an increasing demand for natural resources in China. Besides local supplies, China is increasingly seeking supplies from foreign countries.

To take advantage on such demand, we have also actively looked for investment opportunities in foreign countries. One of the investment opportunities that we have identified is Brockman Resources Limited ("BRM"), a company listed on the Australian Securities Exchange. We have acquired 19.9% of BRM so far. BRM is a company principally engaged in the exploration, exploitation and processing of iron ore. We consider that the combination of BRM's iron ore resources, current professional management team, coupled with its potential infrastructure access will create great potential and value for its future development. In the long term, we are confident that our shareholder will benefit from the return of such investment.

Whilst the mining business is the primary business focus of the Group in 2009, the provision of limousine rental and airport shuttle bus business through our wholly-owned Perryville Group contributed the majority revenue of the Group.

We continued to record a positive cash flow from such business despite the slightly drop in its turnover compared to previous year. For our Hong Kong operation, the first half of 2009 was very difficult due to the effect of global financial crisis. Fortunately the business has been improving following the increase in the number of visitors to Hong Kong during second half. Yet we are still facing keen competition in Hong Kong and has been forced to reduce our profit margin.

In China, we currently provide limousine rental services in Shenzhen, Guangzhou, Shanghai and Beijing. Despite over 2 years of efforts, we were still unable to generate positive return from our overall China operation. The regulation in the industry has created an unfavourable business environment for a foreign company like us to develop such business in China. The increase in labour costs also impacted our business. Nevertheless, we have made some progress in terms of revenue and number of trips in the Shenzhen, Guangzhou and Shanghai operation while our Beijing operation was underperforming. We will use a prudent approach and adopt flexible strategies, such as relocation of resources to balance the risk exposure and return. In 2010, we will place more resources in Shanghai for the World Expo, and in Guangzhou, where we are seeing a better track record of growth among the 4 cities.

CHAIRMAN'S STATEMENT

PROSPECT

We will continue to develop both business segments of mining and resources, and limousine rental and airport shuttle bus services. While the limousine and airport shuttle bus business will continue to provide a stable revenue and income source to us, great focus will be placed on the development of mining and resources business.

We will continue to develop our mine in Yunnan with a view to increase the Group's copper production and revenue. With promising reserves of the mine and the benefit of increasing copper price, we expect that in the coming years, the sale of copper ore concentrates will become the significant revenue source for the Group.

We will also look for good mining and natural resources investment opportunities in the PRC as well as other countries. We intend to become an investment holding company in different metal ore and resources around the globe.

During the year of 2010, we have raised approximately HK$297 million for our expansion and general working capital by placing out 334 million new shares of the Company. We consider that we need to further strengthen our capital base and cash reserves to allow us to capture any acquisition opportunities should they arise. Depending on the market conditions and our different needs, we may utilise debt financing and capital placement as means to raise the necessary cash resources for the Group's development and expansion.

I would like to take this opportunity to thank our investors, suppliers and customers for their continuing support, and to thank our employees for their effort in bringing new ideas and motivation for the future growth of the Group.

Luk Kin Peter Joseph
Chairman

Hong Kong, 30 March 2010

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW AND FINANCIAL HIGHTLIGHTS

For the year ended 31 December 2009, the Group recorded total consolidated revenue of approximately HK$95.4 million from its continuing operations, representing an increase of 7.4% compared to last financial year. The consolidated revenue from continuing operations consisted of HK$80.6 million from the provision of limousine rental and airport shuttle bus services, and HK$14.8 million from the sales of copper, lead and zinc ore concentrates. As at 31 December 2009, the Group's net asset value amounted to HK$1,219 million (2008: HK$858 million) and cash and bank balances, including restricted cash, amounted to HK$22 million (2008: HK$59.8 million).

Loss attributable to equity holders of the Company decreased to approximately HK$78.9 million from HK$296.7 million as recorded in 2008. Basic loss per share is HK$3.44 cents, as compared to a loss of HK$28.06 cents of previous year. The decrease in loss was mainly due to the decrease in the impairment losses for the intangible asset and goodwill, and there was no excess payment on asset acquisition recorded during 2009 (2008: approximately HK$167.5 million).

Provision of limousine rental and airport shuttle bus services

During the year, this segment recorded a revenue of approximately HK$80.6 million, representing a decrease of 7.6% as compared to the revenue of HK$87.2 million recorded in previous year. Profit before amortisation and impairment from this segment was HK$3.1 million, representing an increase of 12% as compared to that of previous year. Hong Kong remains the largest market of this segment and has contributed over 82% revenue recorded under this segment. We continued to face keen competition in the Hong Kong Market as more companies now offer similar services with more competitive price. While the Group was trying to maintain its leading position in the high-end limousine rental service provider by providing the best quality services to customers at a reasonable price, the Group has adopted a stringent costs control scheme. Overall cost in the Hong Kong operation was reduced by 12% as compared to previous year.

In Mainland China, we continued to provide the limousine rental service to four cities namely Shenzhen, Guangzhou, Shanghai and Beijing. Overall turnover from the China operations was HK$14.3 million, representing an increase of 74% as compared to previous year.

The Group recorded a steady growth in Shenzhen, Guangzhou and Shanghai while the Beijing operation has underperformed. As at 31 December 2009, we already have service contracts with 36 hotels in the 4 cities (2008: 9 hotels) to provide our limousine rental services.

We are still confident in the China market in the long-term, however, certain existing regulations have created an unfavourable environment for the Group to expand the business. The Group will carefully review the market condition and relevant policies from time to time and formulate suitable business strategies for the expansion. Meanwhile, the Group plans to shift more resources from the Beijing operation to the other three cities, especially in Shanghai where the World Expo will be held in 2010, and Guangzhou where we are seeing a better track record of growth.

Mining Operation

The Group completed the acquisition of Smart Year Investments Limited and its subsidiary ("Smart Year Group") in September 2008. Therefore, the consolidated results of the Group for the year ended 2008 only recorded the 3-month performance of the mining operation while for the year ended 2009, full year performance of the mining operation was recorded.

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

During the year, the revenue of this segment was approximately HK$14.8 million, and the loss before amortisation of mining right was approximately HK$4.5 million. The production volume of copper ore concentrates was approximately 340 tonnes and sales of the copper ore concentrates was approximately 410 tonnes. In 2009, we have spent plenty of time in conducting geographical and geological exploration of copper deposits and research on mineralisation across our mine site, thus we have postponed our original production plan. As quoted in the Shanghai Metal Exchange Market ("SHMET"), the copper price per tonne, as of 31 December 2009 was approximately RMB59,000, representing an increase of approximately 119% as compared to approximately RMB27,000 as recorded in the beginning of 2009. Such increase has reflected the shortage of supply of copper in China and the recovery of the economy following the global financial crisis. In the future, subject to the progress of the exploration and the production plan, the Group will gradually increase the production volume to meet the growing demand in the local market. With a larger scale of production, the Group shall also be able to have cost efficiency and the profit margin is expected to increase.

Apart from the mine in Luchun, the Group has always been seeking investment opportunities in foreign countries. During the year, the Group acquired 18,739,631 shares in Brockman Resources Limited ("BRM"), a company listed on the Australian Securities Exchange, for a total consideration of approximately HK$129.5 million. As at 31 December 2009, the Group owned approximately 13.5% equity interest in BRM and as of the date of this report, the Group holds approximately 19.9% of BRM. The investment of BRM was accounted for as available-for-sale investment. The fair value gain of such investment and the exchange gain due to the appreciation of Australian dollars of HK$133.6 million (net of tax) in aggregate, was accounted for in the available-for-sale investment reserve, thus no profit and loss effect relating to such investment was recorded. For the detail of the acquisition, please refer to the announcement of the Company dated 24 June 2009, 29 June 2009, 18 February 2010 and 1 March 2010.

LIQUIDITY AND FINANCIAL RESOURCES

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

During the year, the Group has raised net proceeds of HK$99.1 million through the placement of 111.5 million new ordinary shares on 23 June 2009. For detail of such placement, please refer to the announcement of the Company dated 17 June 2009.

Save as above, there is no significant change in the working capital structure during the year, the current ratio for the year measures at 0.62 times compared to 1.10 times as reported in last year.

The gearing ratio for the year (long term debts over equity and long term debts) is measured at 0.07 compared to 0.25 as recorded in previous year. As at the balance sheet date, the Group has total bank and other borrowings amounted to approximately HK$42.4 million, all of which were secured, approximately HK$41.2 million was due within one year and the balance of HK$1.2 million was due in more than one year. All of the borrowings are denominated in Hong Kong dollars.

During the year, the Group did not engage in the use of any financial instruments for hedging purposes, and there was no outstanding hedging instrument as at 31 December 2009.

CAPITAL STRUCTURE

During the year, the Company has the following movement 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 proceed of approximately HK$99.1 million.

(b) During the year, convertible notes of aggregate principal amounts of HK$49,650,000 were converted into ordinary shares of the Company at the conversion price of HK$0.405 per share. Accordingly, a total of 122,592,592 ordinary shares of the Company were issued.

(c) During the year, convertible notes of aggregate principal amounts of HK$309,847,200 were converted into shares of the Company at the conversion price of HK$0.30 per share. Accordingly, a total of 1,032,824,000 ordinary shares of the Company were issued.

CHARGE OF ASSETS

As at 31 December 2009, motor vehicles with an aggregate carrying value of HK$23,438,000 of certain subsidiaries of the Company were charged to secure general banking facilities granted to a subsidiary of the Company.

MARKET RISK

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

a) **Copper Price risk**

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

b) **Exchange rate risk**

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

CONTINGENT LIABILITIES

The Group has no contingent liabilities as at 31 December 2009.

STAFF AND REMUNERATION

As at 31 December 2009, the Group employed 552 full time employees (2008: 496), of which 440 employees (2008: 381) were in the PRC. The remuneration of employees includes salary and discretionary bonus. The Group also adopted a share option scheme to provide incentives to the employees.

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

BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

EXECUTIVE DIRECTORS

Mr. Luk Kin Peter Joseph

Mr. Luk Kin Peter Joseph, aged 39, joined the Group in February 2009. He is the Chairman of the Company and a director of certain subsidiaries of the Company. Mr. Luk holds a Master Degree in Business Administration and the professional qualification of Chartered Financial Analyst. Mr. Luk has worked in several international financial institutions and he is well-experienced in international financial and investment management.

Mr. Chan Kam Kwan, Jason

Mr. Chan Kam Kwan, Jason, aged 36, joined the Group in January 2008. He is also the company secretary of the Company and a director of certain subsidiaries of the Company. Mr. Chan graduated from the University of British Columbia in Canada with a Bachelor of Commerce Degree and is a member of the American Institute of Certified Public Accountants. Mr. Chan has extensive experience in accounting and corporate finance.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Lau Kwok Kuen, Eddie

Mr. Lau Kwok Kuen, Eddie, aged 54, joined the Group in December 2007. He graduated from the Hong Kong Polytechnic (now known as The Hong Kong Polytechnic University) and is a fellow member of The Hong Kong Institute of Certified Public Accountants and a fellow member of The Association of Chartered Certified Accountant of the United Kingdom. He has been practicing as a Certified Public Accountant in Hong Kong since 1982.

Mr. Uwe Henke Von Parpart

Mr. Uwe Henke Von Parpart, aged 69, joined the Group in January 2008. He received a Fulbright scholarship and did his graduate work in mathematics and philosophy (Ph.D.) at Princeton University and the University of Pennsylvania.

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

Mr. Yip Kwok Cheung, Danny

Mr. Yip Kwok Cheung, Danny, aged 46, joined the Group in August 2009. He is an Australian citizen and graduated from the Australian National University majoring in Economic and Accountancy. Mr. Yip has extensive experience as the Internet strategist, entrepreneur and specialist in international trade. He was also the founder of several service-oriented business in Hong Kong and Australia, and he was the founder of Tradeeasy Holdings Limited in 1996. He had been the executive director and chief executive officer of CCT Resources Holdings Limited (formerly known as Tradeeasy Holdings Limited) (a company listed on the growth enterprise market of The Stock Exchange of Hong Kong Limited) until June 2007.

SENIOR MANAGEMENT

Mr. Leung Chi Yan, Danny

Mr. Leung Chi Yan, Danny, aged 62, is the president of the Perryville Group which is principally engaged in the provision of limousine and airport shuttle transportation services in Hong Kong. Mr. Leung graduated from Newport University of Southern California with a Master of Business Administration degree. Mr. Leung has over 30 years of experience in limousine and airport shuttle transportation services and is the Chairman of Hong Kong Limousine Hire Association.

Mr. Hendrianto Tee

Mr. Hendrianto Tee, aged 42, joined the Group in January 2009. He is the Chief Investment Officer of the Company. Mr. Tee graduated from Walsh University, USA with Bachelor of Arts degree. Mr. Tee has spent a large part of his career with several international financial institutions with focus in debt capital market. Prior to joining the Company, Mr. Tee held a senior executive position at a large Asian agribusiness conglomerate.

Mr. Au-Yeung Sai Kit, Alex

Mr. Au-Yeung Sai Kit, Alex, aged 31, joined the Group in December 2008. He is the Group Financial Controller. Mr. Au-Yeung is a member of the Hong Kong Institute of Certified Public Accountants and a member of CPA Australia. Mr. Au-Yeung obtained a bachelor degree of Business Administration (Honours) — Accounting from the Hong Kong Baptist University. Mr. Au-Yeung has over 9 years of experience in auditing, accounting and banking.

Mr. Fu Ming Kit, Chris

Mr. Fu Ming Kit, Chris, aged 43, Mr. Fu joined Parklane Limousine Service Limited and Airport Shuttle Services Limited (the "Perryville Group") in October, 2006 and is the Financial Controller of the Perryville Group. Mr. Fu has over 19 years of accounting experience. Mr. Fu holds a master degree in business administration from the Open University of Hong Kong. He is an associate member of Hong Kong Institute of Certified Public Accountants and a fellow member of Association of Chartered Certified Accountants.

CORPORATE GOVERNANCE REPORT

CODE ON CORPORATE GOVERNANCE PRACTICES

The board of Directors (the "Board") of the Company has adopted its own code on corporate governance practices which incorporates all the code provisions in the Code on Corporate Governance Practices (the "CGP Code") as set out in Appendix 14 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") (the "Listing Rules").

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

BOARD OF DIRECTORS

The Board serves the important function of guiding the management. As at 31 December 2009, the Board comprised two executive Directors, namely Mr. Luk Kin Peter Joseph (Chairman), Mr. Chan Kam Kwan, Jason and three independent non-executive Directors namely Messrs. Lau Kwok Kuen, Eddie, Uwe Henken Von Parpart and Yip Kwok Cheung, Danny.

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

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

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

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

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

The Board held 6 meetings during the year.

	Name of Director	**Attended/Eligible to attend**
Chairman	Luk Kin Peter Joseph	5/6
Executive Directors	Chan Kam Kwan, Jason	6/6
Independent Non-Executive Directors	Lau Kwok Kuen, Eddie	6/6
	Uwe Henke Von Parpart	6/6
	Yip Kwok Cheung, Danny *(appointed on 5 August 2009)*	1/1

The Company provides at least 14 days' notice of every Board meeting to all the Directors (if not, such notice was waived by them) to give them an opportunity to attend. Board papers are circulated in advance before the Board meetings to enable the Directors to make informed decisions on matters to be raised at the Board meetings.

APPOINTMENT AND RE-ELECTION OF DIRECTORS

In accordance with the Bye-laws of the Company and to comply with relevant Listing Rules, every director should be subject to retirement by rotation at least once every three year. All Directors appointed to fill a casual vacancy should be subject to re-election by shareholders at the first annual general meeting after their appointment and not less than one-third of the Directors should be subject to retirement and re-election every year. Messrs. Lau Kwok Kuen, Eddie and Uwe Henke Von Parpart are appointed for a term of 2 years and Mr. Yip Kwok Cheung, Danny is appointed for a term of 3 years. All of them will be subject to retirement by rotation and re-election at the annual general meeting of the Company.

None of the Directors has a service contract with the Company which requires the Company to give a period of notice of more than one year or to pay compensation or make other payments equivalent to more than one year's emoluments.

NOMINATION OF DIRECTORS

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

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

CHAIRMAN AND CHIEF EXECUTIVE OFFICER

During the year ended 31 December 2009, there was no separation of the role of chairman (the "Chairman") and chief executive officer (the "CEO") as set out in the code provision A.2.1. Mr. Luk Kin Peter Joseph was appointed as the Chairman and the CEO of the Company as this structure was considered more suitable to the Company at this fast development stage because it could promote the efficient formulation and implementation of the Company's strategies.

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

DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as set out in Appendix 10 of the Listing Rules as its own code of conduct regarding securities transactions by the Directors of the Company. Having made specific enquiries to all Directors of the Company, all Directors confirmed that they had complied with the required standard set out in the Model Code throughout the year under review.

DIRECTORS' RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

The financial statements of the Company for the year ended 31 December 2009 have been reviewed by the Audit Committee and audited by the external auditor, PricewaterhouseCoopers. The Directors acknowledge their responsibility for preparing the financial statements of the Group and presenting a balanced, clear and comprehensive assessment of the Group's performance and prospects.

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

The report of the Auditor of the Company about their reporting responsibilities on the financial statements of the Group is set out in the Independent Auditor's Report on pages 20 to 21.

REMUNERATION COMMITTEE

As at 31 December 2009, the Remuneration Committee, composed of Messrs. Luk Kin Peter Joseph, Lau Kwok Kuen, Eddie, Uwe Henke Von Parpart and Yip Kwok Cheung, Danny and was chaired by Mr. Lau Kwok Kuen, Eddie.

The Remuneration Committee held 1 meeting during the year.

Name of Member	**Attended/Eligible to attend**
Lau Kwok Kuen, Eddie	1/1
Luk Kin Peter Joseph	1/1
Uwe Henke Von Parpart	1/1
Yip Kwok Cheung, Danny *(appointed on 5 August 2009)*	0/0
Wilton Timothy Carr Ingram *(resigned on 5 August 2009)*	1/1

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

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

The Remuneration Committee consults the Chairman about the proposal relating to the remuneration of other executive Directors and has access to professional advice where necessary. No Director and chief executive can determine his own remuneration. During the year under review, the Remuneration Committee has reviewed the rewarding system of the Company. Minutes of Remuneration Committee Meeting are kept by a secretary of the meeting. Draft and final versions of minutes of the meeting are sent to all members of the Committee for their comment and records respectively, in both cases within a reasonable time after the meeting.

AUDIT COMMITTEE

As at 31 December 2009, the Audit Committee, comprising three Independent non-executive Directors namely Messrs. Lau Kwok Kuen, Eddie, Uwe Henke Von Parpart and Yip Kwok Cheung, Danny and was chaired by Mr. Lau Kwok Kuen, Eddie. Mr. Lau is a qualified accountant. None of the Audit Committee members are members of the former or existing auditors of the Company.

The Audit Committee held 3 meetings during the year.

Name of Member	**Attended/Eligible to attend**
Lau Kwok Kuen, Eddie	3/3
Uwe Henke Von Parpart	3/3
Yip Kwok Cheung, Danny *(appointed on 5 August 2009)*	1/1
Wilton Timothy Carr Ingram *(resigned on 5 August 2009)*	2/2

AUDIT COMMITTEE *(continued)*

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

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

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

EXECUTIVE COMMITTEE

The Executive Committee has been established since September 2009 and consists of the members (such as executive Directors and certain senior management) appointed by the Board from time to time. The Executive Committee is vested with all the general powers of management and control of the activities of the Group as are vested in the Board, save for those matters which are reserved for the Board's decision and approval pursuant to the written terms of reference of the Executive Committee.

The Executive Committee meets whenever it is necessary. It is mainly responsible for undertaking and supervising the day-to-day management and is empowered:

(i) to formulate and implement policies for the business activities, internal control and administration of the Group; and

(ii) to plan and decide on strategies to be adopted for the business activities of the Group within the overall strategy of the Group as determined by the Board.

AUDITOR'S REMUNERATION

During the year, the auditors of the Company, PricewaterhouseCoopers received approximately HK$1,350,000 for statutory audit services. In addition, SHINEWING Risk Services Limited received approximately HK$120,000 for non-audit services.

INTERNAL CONTROL AND GROUP RISK MANAGEMENT

The Board has overall responsibility for the Group's system of internal control and for the assessment and management of risk. The Board has conducted a review of and is satisfied with the effectiveness of the system of internal control of the Group.

In meeting its responsibility, the Board seeks to increase risk awareness across the Group's business operations and has put in place policies and procedures, including the parameters of delegated authority, which provide a framework for the identification and management of risk. Reporting and review activities include the review and approval by the Board of detailed operational and financial reports, budgets and plans provided by the management of the business operations, the review by the Board of actual results against the budgets, the review by the Board of the internal control system of the Group, as well as the regular business reviews by executive Directors and the senior management.

The Board is responsible for monitoring the overall operations of the businesses within the Group. Directors are appointed to the boards of all significant material operating subsidiaries and associates to attend their board meetings and to oversee the operations of those companies. Monitoring activities include the review and approval of business strategies, budgets and plans, and the setting of key business performance targets. The senior management is accountable for the performance within the agreed strategies and is accountable for its conduct and performance.

The Board also reviews at least annually the adequacy of resources, qualifications and experience of staff of the Group's accounting and financial reporting function, and their training programmes and budget.

The Financial Controller of the Company, reports directly to the Board and the Audit Committee, and monitors the existence and effectiveness of the controls in the Group's business operations. The Financial Controller also discusses the audit plan with the Audit Committee and the external auditors. The audit plan is reassessed during the year as needed to ensure that adequate resources are deployed and the plan's objectives are met. In addition, regular dialogues are maintained with the Group's external auditors so that both are aware of the significant factors which may affect their respective scope of work.

Reports from the external auditors on relevant financial reporting matter is presented to the Audit Committee, and, as appropriate, to the Board.

INVESTOR RELATIONS AND SHAREHOLDERS' RIGHTS

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

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

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

REPORT OF DIRECTORS

The Directors present their annual report and the audited consolidated financial statements for the year ended 31 December 2009.

PRINCIPAL ACTIVITIES

The Company is an investment holding company. The principal activities of the Company's subsidiaries is set out in note 41 to the consolidated financial statements.

RESULTS AND APPROPRIATIONS

The results of the Group for the year ended 31 December 2009 are set out in the consolidated statement of comprehensive income on page 22.

FINAL DIVIDEND

The Board does not recommend the payment of a dividend.

PROPERTY, PLANT AND EQUIPMENT

Details of movements during the year in the property, plant and equipment of the Group are set out in note 19 to the consolidated financial statements.

CONVERTIBLE NOTES AND SHARE CAPITAL

Details of the authorised and issued share capital and the convertible notes of the Company are set out in notes 31 and 32 to the consolidated financial statements respectively.

RESERVES

Movements in reserves during the year are set out in the consolidated statement of changes in equity on page 26.

DISTRIBUTABLE RESERVES

As at 31 December 2009 and 2008, the Company has no reserve available for distribution to the shareholders.

PRE-EMPTIVE RIGHTS

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

CONNECTED TRANSACTION

The Company has no connected transaction for the year ended 31 December 2009.

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

FINANCIAL SUMMARY

A summary of the results and of the assets and liabilities of the Group for the last five years is set out on page 80.

REPORT OF DIRECTORS

DIRECTORS

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

Executive Directors:

Luk Kin Peter Joseph *(Chairman)*	(appointed on 16 February 2009)
Cheng Yung Pun *(Chairman)*	(resigned on 16 February 2009)
Chan Kam Kwan, Jason	

Independent non-executive Directors:

Lau Kwok Kuen, Eddie	
Uwe Henke Von Parpart	
Yip Kwok Cheung, Danny	(appointed on 5 August 2009)
Wilton Timothy Carr Ingram	(resigned on 5 August 2009)

In accordance with Clauses 87(1) and (2) of the Company's Bye-laws, Messrs. Luk Kin Peter Joseph and Chan Kam Kwan, Jason shall retire and, being eligible, offer themselves for re-election at the forthcoming annual general meeting. In accordance with Clause 86(2) of the Company's Bye-laws, Mr. Yip Kwok Cheung, Danny shall retire and, being eligible, offer himself for re-election at the forthcoming annual general meeting.

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

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

DIRECTOR'S SERVICE CONTRACTS

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

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

As at 31 December 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 ("SFO")) as recorded in the register maintained by the Company pursuant to Section 352 of the SFO, or which were otherwise required to be notified to the Company and the Stock Exchange, pursuant to the Model Code were as follows:

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

Name of Director	Capacity	Number of issued ordinary shares or underlying shares held	Approximate percentage of the issued share capital of the Company
Mr. Luk Kin Peter Joseph *(Note)*	Controlled Corporation	196,008,000	7.05%

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

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

Note: The 96,008,000 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 100,000,000 shares are held by Prideful 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.

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 31 December 2009.

SHARE OPTION SCHEME

The share option scheme (the "Share Option Scheme") of the Company was adopted by the Company pursuant to the written resolution of the sole shareholder passed on 14 August 2002. Particulars of the Share Option Scheme are set out in note 37 to the consolidated financial statements.

The Company has granted 9,000,000 and 27,000,000 share options to eligible persons under the Share Option Scheme on 18 January 2010 and 11 February 2010 respectively.

DIRECTORS' RIGHTS TO ACQUIRE SHARES

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

DIRECTORS' INTERESTS IN COMPETING BUSINESS

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

DIRECTORS'/CONTROLLING SHAREHOLDERS' INTERESTS IN CONTRACTS

Details of the related party transactions for the year are set out in note 39 to the consolidated financial statements. Other than as disclosed therein, no contracts of significance to which the Company, its holding company, subsidiaries or fellow subsidiaries was a party and in which a Director or a controlling shareholder of the Company had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year.

RELATED PARTY TRANSACTIONS

Significant related party transactions entered into by the Group during the year ended 31 December 2009 are disclosed in note 39 to the consolidated financial statements.

SUBSTANTIAL SHAREHOLDERS

As at 31 December 2009, the register of substantial shareholders maintained by the Company pursuant to Section 336 of the SFO shows that the following shareholders had notified the Company of relevant interests and short positions in the issued share capital of the Company:

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

Name of shareholder	Capacity	Number of issued ordinary shares or underlying shares held	Approximate percentage of the issued share capital of the Company
Gracious Fortune Investments Limited *(Note 1)*	Beneficial owner	195,000,000	7.01%
Li Hua *(Note 1)*	Interest held by controlled corporations	195,000,000	7.01%
Leading Highway Limited *(Note 2)*	Beneficial owner	445,500,000	16.01%
Cheng Yung Pun *(Note 2)*	Interest held by controlled corporations	445,500,000	16.01%
Parklane International Holdings Limited *(Note 3)*	Beneficial owner	140,592,592	5.05%
Leung Chi Yan *(Note 3)*	Interest held by controlled corporations	140,592,592	5.05%
Shimmer Expert Investments Limited *(Note 4)*	Beneficial owner	280,548,000	10.08%
Groom High Investments Limited *(Note 4)*	Interest held by controlled corporations	280,548,000	10.08%
Zhang Li *(Note 4)*	Interest held by controlled corporations	280,548,000	10.08%
Smartpath Investments Limited *(Note 5)*	Beneficial owner	204,752,000	7.36%
Tan Lini *(Note 5)*	Interest held by controlled corporations	204,752,000	7.36%
Villas Green Investments Limited *(Note 6)*	Beneficial owner	249,168,000	8.96%
Chong Yee Kwan *(Note 6)*	Interest held by controlled corporations	249,168,000	8.96%

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 445,500,000 shares of the Company are held by Leading Highway Limited, which is wholly owned by Cheng Yung Pun.
3. The 140,592,592 shares of the Company are held by Parklane International Holdings Limited, which is wholly-owned by Leung Chi Yan.
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 31 December 2009.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

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

MAJOR CUSTOMERS AND SUPPLIERS

For the year ended 31 December 2009, the aggregate amount of revenue attributable to the Group's five largest customers represented approximately 39% of the Group's total revenue, while the revenue attributable to the Group's largest customer accounted for approximately 14% of the Group's total revenue. Aggregate operating and administrative expenses attributable to the Group's five largest suppliers were less than 30% of total operating and administrative expenses for the year.

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

EMOLUMENT POLICY

Details of the Directors' emoluments for the year 2009 are set out in the Remuneration Committee of the Corporate Governance Report on page 12.

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

CORPORATE GOVERNANCE

The Company is committed to maintain a high standard of corporate governance practices. Information on the corporate governance practices is adopted by the Company as set out in the Corporate Governance Report on pages 10 to 14 of the annual report.

SUFFICIENCY OF PUBLIC FLOAT

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

AUDITOR

The financial statements for the financial year ended 31 December 2009 have been audited by PricewaterhouseCoopers who retire and, being eligible, offer itself or re-appointment at the forthcoming annual general meeting of the Company.

By order of the Board

Luk Kin Peter Joseph
Chairman

Hong Kong, 30 March 2010

INDEPENDENT AUDITOR'S REPORT

PRICEWATERHOUSECOOPERS

羅兵咸永道會計師事務所

PricewaterhouseCoopers
22nd Floor, Prince's Building
Central, Hong Kong
Telephone (852) 2289 8888
Facsimile (852) 2810 9888

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

We have audited the consolidated financial statements of Wah Nam International Holdings Limited (the "Company") and its subsidiaries (together, the "Group") set out on pages 22 to 79, which comprise the consolidated and company balance sheets as at 31 December 2009, and the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory notes.

DIRECTORS' RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

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

AUDITOR'S RESPONSIBILITY

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

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

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

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

INDEPENDENT AUDITOR'S REPORT

OPINION

In our opinion, the consolidated financial statements give a true and fair view of the state of affairs of the Company and of the Group as at 31 December 2009 and of the Group's loss and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards and have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

PricewaterhouseCoopers
Certified Public Accountants

Hong Kong, 30 March 2010

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2009

	Note	2009 HK$'000	2008 HK$'000
Continuing operations			
Revenue	6	**95,374**	88,837
Direct costs	14	**(84,729)**	(80,384)
Gross profit		**10,645**	8,453
Selling and administrative expenses	14	**(31,618)**	(30,058)
Other income	8	**300**	1,561
Other gains/(losses), net	9	**505**	(14,501)
Excess payment on asset acquisition		**—**	(167,481)
Impairment losses	10	**(38,314)**	(118,414)
Finance costs	11	**(20,914)**	(15,692)
Loss before income tax		**(79,396)**	(336,132)
Income tax (expense)/credit	12	**(608)**	15,886
Loss for the year from continuing operations		**(80,004)**	(320,246)
Discontinued operation			
Profit for the year from discontinued operation	13	**—**	37,784
Loss for the year		**(80,004)**	(282,462)
Other comprehensive income/(loss):			
Exchange differences arising on translation of foreign operations		**(285)**	4,165
Fair value gain on available-for-sale investment		**133,644**	—
Reserve released upon disposal of subsidiaries		**—**	(32,214)
Other comprehensive income/(loss) for the year, net of tax		**133,359**	(28,049)
Total comprehensive income/(loss) for the year		**53,355**	(310,511)
Loss for the year attributable to:			
Equity holders of the Company		**(78,935)**	(296,660)
Minority interests		**(1,069)**	14,198
		(80,004)	(282,462)
Total comprehensive income/(loss) attributable to:			
Equity holders of the Company		**54,433**	(323,807)
Minority interests		**(1,078)**	13,296
		53,355	(310,511)
(Loss)/earnings per share from continuing operations and discontinued operation attributable to the equity holders of the Company during the year		***HK cents***	*HK cents*
Basic and diluted			
— from continuing operations	17	**(3.44)**	(30.23)
— from discontinued operation	17	**—**	2.17
		(3.44)	(28.06)

The notes on pages 29 to 79 are an integral part of these financial statements.

CONSOLIDATED BALANCE SHEET

As at 31 December 2009

	Note	2009 HK$'000	2008 HK$'000
Non-current assets			
Mining right	18	980,568	987,005
Property, plant and equipment	19	81,726	86,024
Goodwill	20	11,405	49,719
Intangible asset	21	12,819	14,421
Available-for-sale investment	24	309,929	—
Deferred income tax assets	33	337	966
Other non-current assets		8,900	8,419
		1,405,684	1,146,554
Current assets			
Inventories	22	4,516	7,379
Trade receivables	23	21,456	12,246
Other receivables, deposits and prepayments		7,470	7,232
Amount due from a related party	39	1,139	1,500
Financial assets at fair value through profit or loss	25	3,397	2,894
Restricted cash	27	5,200	—
Cash and cash equivalents	26	16,758	59,757
		59,936	91,008
Current liabilities			
Trade payables	28	9,738	10,667
Other payables and accrued charges	28	44,529	40,008
Amounts due to directors	39	—	305
Amounts due to related companies	39	1,363	—
Bank borrowings due within one year	29	39,258	30,131
Obligations under finance leases	30	1,965	1,739
		96,853	82,850
Net current (liabilities)/assets		(36,917)	8,158
Total assets less current liabilities		1,368,767	1,154,712
Capital and reserves			
Share capital	31	278,226	151,534
Reserves		844,930	610,018
Equity attributable to equity holders of the Company		1,123,156	761,552
Minority interest		95,425	96,503
Total equity		1,218,581	858,055
Non-current liabilities			
Obligations under finance leases	30	1,168	2,230
Amount due to a related party	39	21,353	23,829
Convertible notes	32	74,119	262,828
Deferred income tax liabilities	33	53,074	7,298
Provision for restoration costs	34	472	472
		150,186	296,657
		1,368,767	1,154,712

The consolidated financial statements on pages 22 to 79 were approved and authorised for issue by the Board of Directors on 30 March 2010 and are signed on its behalf by:

Luk Kin Peter Joseph
Chairman

Chan Kam Kwan, Jason
Director

The notes on pages 29 to 79 are an integral part of these financial statements.

BALANCE SHEET

As at 31 December 2009

	Note	2009 HK$'000	2008 HK$'000
Non-current assets			
Investments in subsidiaries	41	91,045	91,045
Amounts due from subsidiaries	41	1,010,004	880,854
		1,101,049	971,899
Current assets			
Prepayments		522	292
Amounts due from subsidiaries	41	11,973	18,888
Cash and cash equivalents	26	2,942	36,137
		15,437	55,317
Current liabilities			
Other payables and accrued charges	28	4,691	2,729
Amounts due to directors	39	—	305
		4,691	3,034
Net current assets		10,746	52,283
Total assets less current liabilities		1,111,795	1,024,182
Capital and reserves			
Share capital	31	278,226	151,534
Reserves	42	759,450	609,820
Total equity		1,037,676	761,354
Non-current liability			
Convertible notes	32	74,119	262,828
		1,111,795	1,024,182

Luk Kin Peter Joseph
Chairman

Chan Kam Kwan, Jason
Director

The notes on pages 29 to 79 are an integral part of these financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2009

	Attributable to equity holders of the Company								
	Share capital *HK$'000* *(Note 31)*	Share premium *HK$'000*	Statutory surplus reserve *HK$'000*	Convertible notes reserve *HK$'000* *(Note 32)*	Translation reserve *HK$'000*	Accumulated losses *HK$'000*	Total *HK$'000*	Minority interests *HK$'000*	Total *HK$'000*
Balance at 1 January 2008	78,474	58,766	2,450	65,167	19,123	(15,671)	208,309	77,878	286,187
Comprehensive income									
Loss for the year	—	—	—	—	—	(296,660)	(296,660)	14,198	(282,462)
Other comprehensive income									
Exchange differences arising on translation of foreign operation recognised directly in equity	—	—	—	—	5,067	—	5,067	(902)	4,165
Reserves released upon disposal of subsidiaries	—	—	—	—	(32,214)	—	(32,214)	—	(32,214)
Total other comprehensive income for the year	—	—	—	—	(27,147)	—	(27,147)	(902)	(28,049)
Total comprehensive income for the year	—	—	—	—	(27,147)	(296,660)	(323,807)	13,296	(310,511)
Transactions with equity holders									
Issue of shares	55,566	228,580	—	—	—	—	284,146	—	284,146
Transaction costs attributable to issue of shares	—	(1,211)	—	—	—	—	(1,211)	—	(1,211)
Issue of convertible notes	—	—	—	542,770	—	—	542,770	—	542,770
Issue of shares upon conversion of convertible notes	17,494	54,338	—	(20,487)	—	—	51,345	—	51,345
Disposal of subsidiaries	—	—	(2,450)	—	—	2,450	—	(92,443)	(92,443)
Acquisition of assets	—	—	—	—	—	—	—	97,772	97,772
Appropriations to statutory surplus reserve *(note a)*	—	—	225	—	—	(225)	—	—	—
Total transactions with equity holders	73,060	281,707	(2,225)	522,283	—	2,225	877,050	5,329	882,379
Balance at 31 December 2008	151,534	340,473	225	587,450	(8,024)	(310,106)	761,552	96,503	858,055

The notes on pages 29 to 79 are an integral part of these financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2009

	Attributable to equity holders of the Company									
	Share capital	Share premium	Statutory surplus reserve	Convertible notes reserve	Available-for-sale investment reserve	Translation reserve	Accumulated losses	Total	Minority interests	Total
	HK$'000 *(Note 31)*	*HK$'000*	*HK$'000*	*HK$'000* *(Note 32)*	*HK$'000* *(Note 24)*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Balance at 1 January 2009	151,534	340,473	225	587,450	—	(8,024)	(310,106)	761,552	96,503	858,055
Comprehensive income										
Loss for the year	—	—	—	—	—	—	(78,935)	(78,935)	(1,069)	(80,004)
Other comprehensive income										
Exchange differences arising on translation of foreign operation recognised directly in equity	—	—	—	—	—	(276)	—	(276)	(9)	(285)
Fair value gain on available-for-sale investment *(Note 24)*	—	—	—	—	180,491	—	—	180,491	—	180,491
Deferred tax on fair value gain on available-for-sale investment *(Note 33)*	—	—	—	—	(46,847)	—	—	(46,847)	—	(46,847)
Total other comprehensive income for the year	—	—	—	—	133,644	(276)	—	133,368	(9)	133,359
Total comprehensive income for the year	—	—	—	—	133,644	(276)	(78,935)	54,433	(1,078)	53,355
Transactions with equity holders										
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	115,542	525,145	—	(432,693)	—	—	—	207,994	—	207,994
Appropriations to statutory surplus reserve *(note a)*	—	—	408	—	—	—	(408)	—	—	—
Total transactions with equity holders	126,692	613,172	408	(432,693)	—	—	(408)	307,171	—	307,171
Balance at 31 December 2009	278,226	953,645	633	154,757	133,644	(8,300)	(389,449)	1,123,156	95,425	1,218,581

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

The notes on pages 29 to 79 are an integral part of these financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2009

	Note	2009 HK$'000	2008 HK$'000
Cash flows from operating activities			
Loss before income tax, including continuing and discontinued operations		**(79,396)**	(291,180)
Adjustments for:			
Impairment of goodwill	10	**38,314**	42,153
Impairment of intangible asset	10	**—**	76,261
Excess payment on asset acquisition		**—**	167,481
Finance costs	11	**20,914**	15,692
Depreciation of property, plant and equipment	19	**14,440**	11,303
Amortisation of toll road operation rights		**—**	4,047
Amortisation of intangible asset	21	**1,602**	10,295
Amortisation of mining right	18	**6,349**	3,430
Loss on disposal of subsidiaries		**—**	8,311
(Gain)/loss on disposal of financial assets at fair value through profit or loss		**(2)**	6,569
Reversal of inventory provision		**(184)**	(1,039)
Dividend income from financial assets fair value through profit or loss		**(28)**	(825)
Interest income		**(21)**	(734)
Unrealised gain on financial assets at fair value through profit or loss		**(503)**	(379)
Loss/(gain) on disposal of property, plant and equipment		**106**	(144)
Operating cash flows before movements in working capital		**1,591**	51,241
Decrease/(increase) in inventories		**3,047**	(3,155)
Increase in trade receivables		**(9,210)**	(575)
Decrease/(increase) in other receivables, deposits and prepayments		**842**	(108)
Increase in restricted cash		**(5,200)**	—
Decrease in trade payables		**(929)**	(26)
Increase in other payables and accrued charges		**1,548**	1,740
(Decrease)/increase in amounts due to directors		**(305)**	305
Decrease in amounts due to/from related parties		**(750)**	(79)
Cash (used in)/generated from operating activities		**(9,366)**	49,343
Income tax refund/(paid)		**361**	(419)
Net cash (used in)/generated from operating activities		**(9,005)**	48,924
Cash flows form investing activities			
Purchase of available-for-sale investment	24	**(129,588)**	—
Purchases of property, plant and equipment	19	**(10,415)**	(16,075)
Proceeds from disposal of property, plant and equipment		**167**	326
Proceeds from disposal of financial assets at fair value through profit or loss		**152**	2,781
Dividends received from financial assets at fair value through profit or loss		**28**	825
Interest received		**21**	505
Acquisition of assets		**—**	(129,286)
Purchases of financial assets at fair value through profit or loss		**—**	(11,865)
Proceeds from disposal of subsidiaries		**—**	5,117
Net cash used in investing activities		**(139,635)**	(147,672)

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2009

	Note	2009 HK$'000	2008 HK$'000
Cash flows from financing activities			
Proceeds from issuance of ordinary shares		**100,350**	120,000
Proceeds from borrowings		**22,213**	13,560
Additional finance lease		**1,198**	407
Repayment of borrowings		**(13,086)**	(11,259)
Repayment of obligations under finance leases		**(2,034)**	(1,664)
Interest paid		**(1,401)**	(2,755)
Expenses on issuance of ordinary shares		**(1,173)**	(1,211)
Finance lease charges		**(228)**	(287)
Net cash generated from financing activities		**105,839**	116,791
Net (decrease)/increase in cash and cash equivalents		**(42,801)**	18,043
Cash and cash equivalents at beginning of year		**59,757**	40,027
Effect of foreign exchange rate changes		**(198)**	1,687
Cash and cash equivalents at end of year, represented by			
Bank balances and cash	26	**16,758**	59,757

The notes on pages 29 to 79 are an integral part of these financial statements.

1. GENERAL

Wah Nam International Holdings Limited (the "Company") is a public limited company incorporated in Bermuda as an exempted company with limited liability and its shares are listed on The Stock Exchange of Hong Kong Limited (the "Stock Exchange"). The address of its registered office is Clarendon House, 2 Church Street, Hamilton HM11, Bermuda.

The Company is an investment holding company. The principal activities and other details of its subsidiaries are set out in note 41.

These consolidated financial statements are presented in thousands of Hong Kong dollar (HK$'000) unless otherwise stated. These consolidated financial statements have been approved for issue by the Board of Directors on 30 March 2010.

2. SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies applied in the preparation of these consolidated financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

(a) Basis of preparation

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

As at 31 December 2009, the Group had net current liabilities of approximately HK$36.9 million (2008: net current assets of approximately HK$8.2 million). The directors are of the opinion that, having taken into account the expected operating cash inflows and the available financial resources of the Group, including the proceeds of a share placement in February 2010, the Group has sufficient financial resources to meet its liabilities as and when they fall due in the foreseeable future and the Group will be able to continue as a going concern. Consequently, the consolidated financial statements have been prepared on a going concern basis.

The preparation of financial statements in conformity with HKFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Company and its subsidiaries' (together the "Group") accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed in note 3.

The HKICPA has issued certain new and amended HKFRS that are first effective or available for early adoption for the current accounting period of the Group. The following sets out the changes in accounting policies for the current and prior accounting periods reflected in these financial statements.

New and amended HKFRS adopted by the Group, which are effective for the Group's accounting period beginning on or after 1 January 2009

- HKFRS 7 (Amendment), "Financial Instruments — Disclosures". The amendment requires enhanced disclosures about fair value measurement and liquidity risk. In particular, the amendment requires disclosure of fair value measurements by level of a fair value measurement hierarchy. As the change in accounting policy only results in additional disclosures, there is no impact on earnings per share.

2. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(a) Basis of preparation *(continued)*

New and amended HKFRS adopted by the Group, which are effective for the Group's accounting period beginning on or after 1 January 2009 *(continued)*

- HKAS 1 (Revised), 'Presentation of Financial Statements'. The revised standard prohibits the presentation of items of income and expenses (that is, 'non-owner changes in equity') in the statement of changes in equity, requiring 'non-owner changes in equity' to be presented separately from owner changes in equity in a statement of comprehensive income. The Group has no non-owner changes in equity for the current or prior year. Since the change in accounting policy only impacts presentation aspects, there is no impact on earnings per share.

- HKFRS 8, 'Operating Segments'. HKFRS 8 replaces HKAS 14, 'Segment reporting', and aligns segment reporting with the requirements of the US standard SFAS 131, 'Disclosures about segments of an enterprise and related information'. The new standard requires a 'management approach', under which segment information is presented on the same basis as that used for internal reporting purposes. The adoption of HKFRS 8 has resulted in the presentation of segment information in a manner that is more consistent with internal reporting provided to the chief operating decision-maker and has resulted in additional reportable segments being identified and presented. Comparative figures have been provided on a basis consistent with the revised segment information. The chief operating decision-maker of the Group has been identified as the executive directors who make the strategic decisions.

Except as described above, the adoption of the new and revised HKFRSs had no material effect on the consolidated financial statements of the Group for the current or prior accounting periods.

Standards and amendments to existing standards that are not yet effective and have not been early adopted by the Group

- HKFRS 3 (Revised) "Business Combinations"[1]. The revised standard continues to apply the acquisition method to business combinations, with some significant changes. For example, all payments to purchase a business are to be recorded at fair value at the acquisition date, with contingent payments classified as debt subsequently re-measured through the income statement. There is a choice on an acquisition-by-acquisition basis to measure the non-controlling interest in the acquiree either at fair value or at the non-controlling interest's proportionate share of the acquiree's net assets. When a business combination achieved in stages, the acquirer should remeasure its previously held interest in the acquiree at its fair value at the date of control is obtained, recognising a gain/loss in the income statement. All acquisition-related costs should be expensed. The Group will apply HKFRS 3 (Revised) prospectively to all business combinations from 1 January 2010.

- HKAS 27 (Revised), "Consolidated and Separate Financial Statements"[1]. The revised standard requires the effects of all transactions with non-controlling interests to be recorded in equity if there is no change in control and these transactions will no longer result in goodwill or gains and losses. The standard also specifies the accounting when control over a previous subsidiary is lost. Any remaining interest in the entity is re-measured to fair value and a gain or loss is recognised in income statement. The Group will apply HKAS 27 (Revised) prospectively to transactions with non-controlling interests from 1 January 2010.

2. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(a) Basis of preparation *(continued)*

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

- HKAS 24 (Revised), "Related Party Disclosures"[3]. The amendment introduces an exemption from all of the disclosure requirements of HKAS 24 for transactions among government-related entities and the government. Those disclosures are replaced with a requirement to disclose the name of the government and the nature of their relationship; and the nature and amount of any individually-significant transactions; and the extent of any collectively-significant transactions qualitatively or quantitatively. It also clarifies and simplifies the definition of a related party. The Group will apply HKAS 24 (Revised) prospectively from 1 January 2011.

- HKFRS 1 (Amendment), "First-time Adoption of HKFRSs"[2]. The amendments address the retrospective application of HKFRSs to particular situations and aims to ensure that entities applying HKFRSs will not face undue cost or effort in the transition process.

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

- HKFRS 5, "Non-current Assets Held for Sale and Discontinued Operations"[1]. The amendment is part of the HKICPA's annual improvements project published in April/May 2009. The amendment provides clarification that HKFRS 5 specifies the disclosures required in respect of non-current assets (or disposal groups) classified as held for sale or discontinued operations. It also clarifies that the general requirement of HKAS 1 still apply, particularly paragraph 15 (to achieve a fair presentation) and paragraph 125 (sources of estimation uncertainty) of HKAS 1. The Group will apply HKFRS 5 (Amendment) from 1 January 2010. It is not expected to have a material impact on the Group's financial statements.

- HKFRS 9, "Financial Instruments"[4]. This standard introduces new requirements for the classification and measurement of financial assets and will be effective from 1 January 2013, with earlier application permitted. The Standard requires all recognised financial asset that are within the scope of HKAS 39 Financial Instruments: Recognition and Measurement to be measured at either amortised cost or fair value. Specifically, debt investments that (i) are held within a business model whose objective is to collect the contractual cash flows and (ii) have contractual cash flows that are solely payments of principal and interest on the principal outstanding are generally measured at amortised cost. All other debt investments and equity investments are measured at fair value. In addition, changes in fair value of equity investments are generally recognised in other comprehensive income with only dividend income recognised in profit or loss. The application of HKFRS 9 might affect the classification and measurement of the Group's financial assets.

2. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(a) Basis of preparation *(continued)*

Improvements to HKFRS – Amendments to existing standards that are not yet effective and have not been early adopted by the Group

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

1 Effective for the Group for annual periods beginning on or after 1 July 2009
2 Effective for the Group for annual periods beginning on or after 1 January 2010
3 Effective for the Group for annual periods beginning on or after 1 January 2011
4 Effective for the Group for annual periods beginning on or after 1 January 2013

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

(b) Consolidation

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

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

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

2. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(b) Consolidation *(continued)*

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

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

In the Company's balance sheet the investments in subsidiaries are stated at cost less provision for impairment losses (Note 2(k)). The results of subsidiaries are accounted for by the Company on the basis of dividends received and receivable.

(c) Business combinations

The acquisition of businesses (other than the business combination under common control) is accounted for using the purchase method. The cost of the acquisition is measured at the aggregate of the fair values, at the date of exchange, of assets given, liabilities incurred or assumed, and equity instruments issued by the Group in exchange for control of the acquiree, plus any costs directly attributable to the business combination. The acquiree's identifiable assets, liabilities and contingent liabilities that meet the conditions for recognition under HKFRS 3 *Business Combinations* are recognised at their fair values at the acquisition date.

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

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

(d) Goodwill

Goodwill arising on an acquisition of a business represents the excess of the cost of acquisition over the Group's interest in the fair value of the identifiable assets, liabilities and contingent liabilities of the relevant business at the date of acquisition. Such goodwill is carried at cost less any accumulated impairment losses.

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

2. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(d) Goodwill *(continued)*

For the purposes of impairment testing, goodwill arising from an acquisition is allocated to each of the relevant cash-generating units, or groups of cash-generating units, that are expected to benefit from the synergies of the acquisition. A cash-generating unit to which goodwill has been allocated is tested for impairment annually, and whenever there is an indication that the unit may be impaired. For goodwill arising on an acquisition in a financial year, the cash-generating unit to which goodwill has been allocated is tested for impairment before the end of that financial year. When the recoverable amount of the cash-generating unit is less than the carrying amount of the unit, the impairment loss is allocated to reduce the carrying amount of any goodwill allocated to the unit first, and then to the other assets of the unit pro rata on the basis of the carrying amount of each asset in the unit. Any impairment loss for goodwill is recognised directly in the consolidated statement of comprehensive income. An impairment loss for goodwill is not reversed in subsequent periods.

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

(e) Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-maker has been identified as the executive directors of the Group, who are responsible for allocating resources, assessing performance of the operating segments, and making strategic decisions.

(f) Foreign currency translation

(i) Functional and presentation currency

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

(ii) Transactions and balances

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

Foreign exchange gains and losses that relate to cash and cash equivalents are presented in the statement of comprehensive income within 'selling and administrative expenses'. All other foreign exchange gains and losses are also presented in the statement of comprehensive income within 'selling and administrative expenses'.

Translation differences on non-monetary financial assets such as equities classified as available for sale are included in the available-for-sale investment reserve in equity.

2. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(f) Foreign currency translation *(continued)*

(iii) Group companies

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

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

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

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

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

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

(g) Revenue recognition

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

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

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

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

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

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

2. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(h) Mining right

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

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

(i) Intangible assets acquired in a business combination

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

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

(j) Property, plant and equipment

Property, plant and equipment including buildings held for use in the production or supply of goods or services, or for administrative purposes, other than construction in progress, are stated at historical cost less subsequent accumulated depreciation and accumulated impairment losses, if any. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognised. All other repairs and maintenance are charged to the statement of comprehensive income during the financial period in which they are incurred.

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

Buildings	5%
Leasehold improvements	20%-25%
Plants, furniture, fixtures and equipment	12.5%-25%
Motor vehicles	10%-20%

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

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

2. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(j) Property, plant and equipment *(continued)*

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

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

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount. Gains and losses in disposal are determined by Company the proceeds with the carrying amount and are recognised in the consolidated statement of comprehensive income.

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

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

Impairment testing of the investments in subsidiaries or associates is required upon receiving dividends from those investments if the dividend exceeds the total comprehensive income of the subsidiary in the period the dividend is declared or if the carrying amount for the investment in the separate financial statements exceeds the carrying amount in the consolidated financial statements of the investee's net assets including goodwill.

(l) Inventories

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

(m) Borrowing costs

All borrowing costs are recognised as and included in finance costs in the consolidated statement of comprehensive income in the period in which they are incurred. Except to the extend that they are capitalised as being directly attributable to the acquisition, construction or production of a qualifying asset which necessarily takes a substantial period of time to get ready for its intended use or sale.

2. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(n) Current and deferred income tax

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

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

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

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

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

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income taxes assets and liabilities relate to income taxes levied by the same taxation authority on either the taxable entity or different taxable entities where there is an intention to settle the balances on a net basis.

(o) Financial assets

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

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

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

(ii) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for maturities greater than 12 months after the balance sheet date. These are classified as non-current assets. The Group's loans and receivables comprise 'trade and other receivables', 'amount due from a related party' and 'cash and cash equivalents' in the balance sheet (Notes 2(q) and 2(r)).

2. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(o) Financial assets *(continued)*

(iii) Available-for-sale financial assets

Available-for-sale financial assets are non-derivatives that are either designated in this category or not classified as financial assets at fair value through profit or loss, loans and receivables or held-to-maturity investment. They are included in non-current assets unless the investment matures or management intends to dispose of it within 12 months of the end of the reporting period.

Available-for-sale financial assets are measured at fair value at the end of each reporting period. Changes in fair value are recognised in other comprehensive income and accumulated in available-for-sale investment reserve, until the financial asset is disposed of or is determined to be impaired, at which time, the cumulative gain or loss previously accumulated in the available-for-sale investment reserve is reclassified to profit or loss.

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

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

Translation differences on non-monetary securities are recognised in other comprehensive income. Change in fair value of non-monetary securities classified as available-for-sale are recognised in other comprehensive income.

When securities classified as available for sale are sold or impaired, the accumulated fair value adjustments recognised in equity are included in the income as 'gains and losses from investment securities'.

Dividends on available-for-sale equity instruments are recognised in the statement of comprehensive income as part of other income when the Group's right to receive payments is established.

2. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(p) Impairment of financial assets

(i) Assets carried at amortised cost

The Group assesses at the end of each reporting period whether there is objective evidence that a financial asset or group of financial assets is impaired. A financial asset or a group of financial assets is impaired and impairment losses are incurred only if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a 'loss event') and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated.

The criteria that the Group uses to determine that there is objective evidence of an impairment loss include:

- Significant financial difficulty of the issuer or obligor;
- A breach of contract, such as a default or delinquency in interest or principal payments;
- The Group, for economic or legal reasons relating to the borrower's financial difficulty, granting to the borrower a concession that the lender would not otherwise consider;
- It becomes probable that the borrower will enter bankruptcy or other financial reorganisation;
- The disappearance of an active market for that financial asset because of financial difficulties; or
- Observable data indicating that there is a measurable decrease in the estimated future cash flows from a portfolio of financial assets since the initial recognition of those assets, although the decrease cannot yet be identified with the individual financial assets in the portfolio, including:

  (i) adverse changes in the payment status of borrowers in the portfolio;

  (ii) national or local economic conditions that correlate with defaults on the assets in the portfolio.

The Group first assesses whether objective evidence of impairment exists.

The amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. The asset's carrying amount of the asset is reduced and the amount of the loss is recognised in the consolidated statement of comprehensive income. If a loan has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate determined under the contract. As a practical expedient, the Group may measure impairment on the basis of an instrument's fair value using an observable market price.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised (such as an improvement in the debtor's credit rating), the reversal of the previously recognised impairment loss is recognised in the consolidated statement of comprehensive income.

2. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(p) Impairment of financial assets *(continued)*

(ii) Assets classified as available for sale

The Group assesses at the end of each reporting period whether there is objective evidence that a financial asset or a group of financial assets is impaired. In the case of equity investments classified as available for sale, a significant or prolonged decline in the fair value of the security below its cost is also evidence that the assets are impaired. If any such evidence exists for available-for-sale financial assets, the cumulative loss — measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognised in profit or loss — is removed from equity and recognised in the separate consolidated income statement. Impairment losses recognised in the separate consolidated income statement on equity instruments are not reversed through the separate consolidated income statement.

(q) Trade and other receivables

Trade receivables are amounts due from customers for inventories sold or services performed in the ordinary course of business. If collection of trade and other receivables is expected in one year or less (or in the normal operating cycle of the business if longer), they are classified as current assets. If not, they are presented as non-current assets.

Trade and other receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment.

(r) Cash and cash equivalents

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

(s) Trade and other payables

Trade payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Accounts payable are classified as current liabilities if payment is due within one year or less (or in the normal operating cycle of the business if longer). If not, they are presented as non-current liabilities. Trade and other payables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

(t) Borrowings

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

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

2. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(u) Convertible notes

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

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

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

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

(v) Financial guarantee

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

(w) Derecognition

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

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

2. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(x) Leases

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

(i) The Group as lessee

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

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

(y) Provisions

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

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

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

(z) Employee benefits

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

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

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

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

2. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(aa) Dividend distribution

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

(ab) Share capital

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

3. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

In the application of the Group's accounting policies, which are described in note 2, the directors of the Company are required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

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

(a) Impairment of goodwill

Determining whether goodwill is impaired requires an estimation of the value in use of the cash-generating units to which goodwill has been allocated. The value in use calculation requires the Group to estimate the future cash flows expected to arise from the cash-generating unit and a suitable discount rate in order to calculate the present value. Where the actual future cash flows are less than expected, a material impairment loss may arise. As at 31 December 2009, the carrying amount of goodwill is HK$11,405,000 (2008: HK$49,719,000). Details of the recoverable amount calculation and the key assumptions used are disclosed in note 20.

(b) Impairment of intangible asset

Determining whether intangible asset is impaired requires an estimation of the value-in-use of the cash-generating units to which intangible asset has been allocated. The value in use calculation requires the Group to estimate the future cash flows expected to arise from the cash-generating unit and a suitable discount rate in order to calculate the present value. Where the actual future cash flows are less than expected, a material impairment loss may arise. As at 31 December 2009, the carrying amount of intangible asset is HK$12,819,000 (2008: HK$14,421,000). Details of the recoverable amount calculation and the key assumptions used are disclosed in note 21.

(c) Expected useful life of intangible asset

The Group amortises its intangible asset on a straight line basis over its estimated useful life of 10 years commencing from the date of acquisition of subsidiaries. The estimated useful life reflects the directors' estimate of the periods that the Group intends to derive future economic benefits from the use of the intangible asset. The Group re-assesses the useful life of the intangible asset on a regular basis and if the expectation differs from the original estimate, such difference will impact the amortisation in the year in which such estimate has been changed. During the year ended 31 December 2009, the Group recognised amortisation of intangible asset amounting to approximately HK$1,602,000 (2008: HK$10,295,000). Details of the Group's intangible asset are set out in note 21.

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

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

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

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

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

4. CAPITAL RISK MANAGEMENT

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

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

The gearing ratios at 31 December 2009 and 2008 were as follows:

	2009	2008
	HK$'000	*HK$'000*
Long-term debts *(Notes 30, 32 and 39)*	**96,640**	288,887
Total equity	**1,218,581**	858,055
Total capital	**1,315,221**	1,146,942
Gearing ratio	**7.3%**	25.2%

The significant decrease in the gearing ratio during 2009 resulted primarily from the conversion of convertible notes of HK$207,994,000 (Note 32).

5. FINANCIAL INSTRUMENTS

(a) Categories of financial instruments

	The Group	
	2009	2008
	HK$'000	*HK$'000*
Financial assets		
Available-for-sale investment	**309,929**	—
Financial assets at fair value through profit or loss	**3,397**	2,894
Loans and receivables:		
— Other non-current assets	**—**	1,080
— Trade receivables	**21,456**	12,246
— Other receivables and deposits	**3,027**	1,737
— Amount due from a related party	**1,139**	1,500
— Restricted cash	**5,200**	—
— Cash and cash equivalents	**16,758**	59,757
	360,906	79,214
Financial liabilities		
At amortised cost:		
— Trade payables	**9,738**	10,667
— Other payables	**10,469**	11,501
— Amounts due to directors	**—**	305
— Bank borrowings	**39,258**	30,131
— Amounts due to related parties	**22,716**	23,829
— Convertible notes	**74,119**	262,828
Obligations under finance leases	**3,133**	3,969
	159,433	343,230

	The Company	
	2009	2008
	HK$'000	*HK$'000*
Financial assets		
Loans and receivables:		
— Amounts due from subsidiaries	**11,973**	18,888
— Cash and cash equivalents	**2,942**	36,137
	14,915	55,025
Financial liabilities		
At amortised cost:		
— Other payables	**1,911**	1,516
— Amounts due to directors	**—**	305
— Convertible notes	**74,119**	262,828
	76,030	264,649

5. FINANCIAL INSTRUMENTS *(continued)*

(b) Financial risk management

The Group's major financial instruments are set out in note (a) above and the details of these financial instruments are disclosed in the respective notes. The Group's activities expose it to a variety of financial risks: market risk (including currency risk, fair value interest rate risk, cash flow interest rate risk and price risk), credit risk and liquidity risk. The management manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.

(i) Market risk

(1) Foreign exchange risk

Foreign exchange risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. Foreign exchange risk arises from monetary assets and liabilities denominated in foreign currencies. The Group had only insignificant foreign exchange risk exposure to Renminbi ("RMB") as at 31 December 2009 and 31 December 2008.

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

The Group is also exposed to foreign exchange risk primarily through the retranslation of available-for-sale investment that are denominated in Australian dollar other than the functional currency of the operations to which they relate. Fluctuation in such currency is reflected in the movement of the available-for-sale investment reserve.

If the Group's sensitivity to 5% increase and decrease in Hong Kong dollar against Australian dollar, the Group's equity for the year ended 31 December 2009 would be a maximum decrease/increase of HK$15,496,000.

5% is the sensitivity rate used when reporting foreign currency risk internally to key management personnel and represents management's assessment of the reasonably possible change in foreign exchange rates. The sensitivity analysis includes only outstanding foreign currency denominated in non-monetary equity investments.

The Company has no significant foreign currency denominated monetary assets and liabilities as at 31 December 2009 (2008: same). As such, it is not exposed to foreign exchange risk and no sensitivity analysis has been presented.

(2) Price risk

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

5. FINANCIAL INSTRUMENTS *(continued)*

(b) Financial risk management *(continued)*

(i) Market risk (continued)

(2) Price risk (continued)

The Group's investments in equity of other entities are publicly traded on the Stock Exchange of Hong Kong and/or the Australian Securities Exchange. The table below summarises the impact of increase/decrease in the value of the investments on the Group's post-tax profit for the year and on equity. The analysis is based on the assumption that the equity indexes had increased/decreased by 10% with all other variables held constant and all the Group's equity instruments moved according to the historical correlation with the index:

	Impact on post-tax profit		Impact on other components of equity, net of tax	
	2009	2008	**2009**	2008
Index	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
Heng Seng Index (^HSI)	**340**	289	**—**	—
All Ordinaries (^AORD)	**—**	—	**21,695**	—
	340	289	**21,695**	—

The Group is also exposed to commodity price risk since it is engaged in the exploitation, processing and sales of copper, zinc and other non-ferrous metal products. Non-ferrous metal markets are influenced by global as well as regional supply and demand conditions. A decline in prices of copper or zinc could adversely affect the Group's financial performance.

(3) Interest rate risk

The Group is exposed to fair value interest rate risk mainly in relation to fixed rate convertible notes and fixed rate obligation under finance leases. If the interest rate had been 50 basis points higher/lower, the Group's loss for the year ended 31 December 2009 would be a maximum increase/decrease of HK$642,000 (2008: HK$570,000).

The Company is exposed to fair value interest rate risk in relation to its fixed rate convertible notes. If the interest rate had been 50 basis points higher/lower, the Company's loss for the year ended 31 December 2009 would be a maximum increase/decrease of HK$626,000 (2008: HK$548,000).

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

5. FINANCIAL INSTRUMENTS *(continued)*

(b) Financial risk management *(continued)*

(i) Market risk (continued)

(3) Interest rate risk (continued)

If interest rates had been 50 basis points higher/lower and all other variables were held constant, the Group's loss for the year ended 31 December 2009 would increase/decrease by HK$196,000 (2008: HK$151,000). This is mainly attributable to the Group's exposure to interest rates on its variable-rate bank borrowings.

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

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

(ii) Credit risk

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

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

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

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

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

(iii) Liquidity risk

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

The Group relies on bank borrowings from bank as a significant source of liquidity. As at 31 December 2009, the Group has available unutilised bank loan facilities of approximately HK$17,141,592 (2008: HK$31,507,000). The Company has no bank loan facilities as at 31 December 2009 and 2008.

5. FINANCIAL INSTRUMENTS *(continued)*

(b) Financial risk management *(continued)*

(iii) Liquidity risk (continued)

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

Liquidity and interest risk tables

	The Group					
	Weighted average effective interest rate	Within 1 year of demand	1-2 years	2-5 years	Total undiscounted cash flows	Carrying amount at year end date
2009	%	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Non-derivative financial liabilities:						
Trade payables	—	9,738	—	—	9,738	9,738
Other payables	—	10,469	—	—	10,469	10,469
Amount due to related parties	—	1,363	21,353	—	22,716	22,716
Bank borrowings — variable rate	2.73	39,258	—	—	39,258	39,258
Obligations under finance leases	2.44	2,099	890	335	3,324	3,133
Convertible notes	14.9	—	—	124,171	124,171	74,119
		62,927	22,243	124,506	209,676	159,433

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

5. FINANCIAL INSTRUMENTS *(continued)*

(b) Financial risk management *(continued)*

(iii) Liquidity risk (continued)

	The Company					
	Weighted average effective interest rate	Within 1 year of demand	1-2 years	2-5 years	Total undiscounted cash flows	Carrying amount at year end date
2009	%	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Non-derivative financial liabilities:						
Other payables	—	1,911	—	—	1,911	1,911
Convertible notes	14.9	—	—	124,171	124,171	74,119
		1,911	—	124,171	126,082	76,030

	The Company					
	Weighted average effective interest rate	Within 1 year of demand	1-2 years	2-5 years	Total undiscounted cash flows	Carrying amount at year end date
2008	%	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Non-derivative financial liabilities:						
Other payables	—	1,516	—	—	1,516	1,516
Amounts due to directors	—	305	—	—	305	305
Convertible notes	14.23	993	993	485,467	487,453	262,828
		2,814	993	485,467	489,274	264,649

(c) Fair value

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

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

5. FINANCIAL INSTRUMENTS *(continued)*

(c) Fair value *(continued)*

Effective 1 January 2009, the Group adopted the amendment to HKFRS 7 for financial instruments that are measured in the balance sheet at fair value, this requires disclosure of fair value measurements by level of the following fair value measurement hierarchy:

- Quoted prices (unadjusted) in active markets for identical assets or liabilities (level 1).
- Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices) (level 2).
- Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs) (level 3).

The Group's financial assets that are measured at fair value at 31 December 2009 included the trading securities of HK$3,397,000 presented as financial assets at fair value through profit or loss and equity securities of HK$309,929,000 presented as available-for-sale investment on the consolidated balance sheet. Their fair value are determined based on quoted market price which is the current bid price. All of them are classified as level 1.

6. REVENUE

Revenue represents the amounts received and receivable for providing limousine rental and airport shuttle bus services and sales of mineral ore products for the year ended 31 December 2009. An analysis of the Group's revenue for the year is as follows:

	2009	2008
	HK$'000	*HK$'000*
Continuing operations		
Income from limousine rental services	**65,580**	71,326
Income from airport shuttle bus services	**14,993**	15,854
Sales of copper, lead and zinc ore concentrates	**14,801**	1,657
	95,374	88,837
Discontinued operation		
Gross toll receipts	**—**	5,366
Hangzhou City government compensation *(note)*	**—**	48,019
	—	53,385

Note:

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

7. SEGMENT INFORMATION

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

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

(a) Business segments

The Group comprises the following main business segments:

Limousine rental services	—	provision of limousine rental services in both Hong Kong and the People's Republic of China ("PRC")
Airport shuttle bus services	—	provision of airport shuttle bus services in Hong Kong
Mining operation	—	exploitation, processing and sales of copper, zinc and lead ore concentrates in the PRC
Others	—	investment in equity securities

The Group was also involved in the management and operation of a toll road in the PRC which was discontinued on 26 September 2008 as mentioned in note 13.

(1) Consolidated statement of comprehensive income

For the year ended 31 December 2009

	2009					2008					
						Continuing operations					Discontinued operation
	Limousine rental services	Airport shuttle bus services	Mining operation	Others	Total	Limousine rental services	Airport shuttle bus services	Mining operation	Others	Total	Toll road operation
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Revenue											
Segment revenue	66,395	16,178	14,801	–	97,374	71,326	17,400	1,657	–	90,383	53,385
Inter-segment revenue	(815)	(1,185)	–	–	(2,000)	–	(1,546)	–	–	(1,546)	–
Revenue from external customers	65,580	14,993	14,801	–	95,374	71,326	15,854	1,657	–	88,837	53,385
Result											
Segment results	(38,492)	1,679	(10,824)	522	(47,115)	(118,525)	(7,419)	(173,501)	(5,381)	(304,826)	44,952
Unallocated income					17					1,486	–
Unallocated expenses					(11,384)					(17,100)	–
Finance costs					(20,914)					(15,692)	–
(Loss)/profit before taxation					(79,396)					(336,132)	44,952
Income tax (expense)/ credit					(608)					15,886	(7,168)
(Loss)/profit for the year					(80,004)					(320,246)	37,784

7. SEGMENT INFORMATION *(continued)*

(a) Business segments *(continued)*

(2) Consolidated balance sheet

As at 31 December 2009

	2009					2008				
	Limousine rental services	Airport shuttle bus services	Mining operation	Others	Total	Limousine rental services	Airport shuttle bus services	Mining operation	Others	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Segment assets	101,563	20,213	1,024,342	310,117	1,456,235	133,404	22,366	1,037,717	6,088	1,199,575
Unallocated assets					9,385					37,987
Consolidated total assets					1,465,620					1,237,562
Segment liabilities	40,998	15,077	58,834	–	114,909	6,100	4,426	37,475	–	48,001
Unallocated liabilities					132,130					331,506
Consolidated total liabilities					247,039					379,507

(3) Other information:

	2009					2008					
						Continuing operations					Discontinued operation
	Limousine rental services	Airport shuttle bus services	Mining operation	Unallocated balances	Total	Limousine rental services	Airport shuttle bus services	Mining operation	Unallocated balances	Total	Toll road operation
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Excess payment on asset acquisition	–	–	–	–	–	–	–	167,481	–	167,481	–
Impairment of goodwill	38,314	–	–	–	38,314	42,153	–	–	–	42,153	–
Impairment of intangible asset	–	–	–	–	–	69,826	6,435	–	–	76,261	–
Depreciation of property, plant and equipment	11,133	8	2,992	307	14,440	10,434	8	742	–	11,184	119
Amortisation of mining right	–	–	6,349	–	6,349	–	–	3,430	–	3,430	–
Amortisation of intangible asset	1,046	556	–	–	1,602	8,996	1,299	–	–	10,295	–
Amortisation of toll road operation rights	–	–	–	–	–	–	–	–	–	–	4,047
Loss/(gain) on disposal of property, plant and equipment	106	–	–	–	106	(144)	–	–	–	(144)	–
Additions of property, plant and equipment	9,724	–	382	309	10,415	14,554	–	105	1,135	15,794	281
Additions of property, plant and equipment through assets acquisition	–	–	–	–	–	–	–	30,917	–	30,917	–
Addition of mining right	–	–	–	–	–	–	–	997,341	–	997,341	–
Additions of non-current assets	9,724	–	382	309	10,415	14,554	–	1,028,363	1,135	1,044,052	281

7. SEGMENT INFORMATION *(continued)*

(b) Geographical information

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

Revenue from the Group's discontinued toll road operation was derived from the PRC (2009: HK$nil, 2008: HK$53,385,000).

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

	2009			2008		
	The PRC	**Hong Kong**	**Total**	The PRC	Hong Kong	Total
	HK$'000	***HK$'000***	***HK$'000***	*HK$'000*	*HK$'000*	*HK$'000*
Segment revenue	**29,123**	**66,251**	**95,374**	9,904	78,933	88,837

The following is an analysis of the carrying amount of segment assets, the Group's property, plant and equipment, intangible asset, goodwill, mining right and other non-current assets ("specified non-current assets") and additions to specified non-current assets, analysed by geographical area in which the assets are located:

	2009				2008		
	The PRC	**Hong Kong**	**Australia**	**Total**	The PRC	Hong Kong	Total
	HK$'000	***HK$'000***	***HK$'000***	***HK$'000***	*HK$'000*	*HK$'000*	*HK$'000*
Segment assets	**1,060,285**	**95,218**	**310,117**	**1,465,620**	1,068,772	168,790	1,237,562
Specified non-current assets	**1,038,157**	**57,261**	**—**	**1,095,418**	1,049,292	96,296	1,145,588
Additions of property, plant and equipment	**8,656**	**1,759**	**—**	**10,415**	13,134	2,941	16,075
Additions of property, plant and equipment through assets acquisition	**—**	**—**	**—**	**—**	30,917	—	30,917
Addition of mining right	**—**	**—**	**—**	**—**	997,341	—	997,341

8. OTHER INCOME

	2009	2008
	HK$'000	*HK$'000*
Interest on bank deposits	**21**	326
(Loss)/gain on disposal of property, plant and equipment	**(106)**	144
Dividend income from financial assets at fair value through profit or loss	**28**	825
Others	**357**	266
	300	1,561

9. OTHER GAINS/(LOSSES), NET

	2009	2008
	HK$'000	*HK$'000*
Unrealised gain on financial assets at fair value through profit or loss	**503**	379
Loss on disposal of subsidiaries	**—**	(8,311)
Gain/(loss) on disposal of financial assets at fair value through profit or loss	**2**	(6,569)
	505	(14,501)

10. IMPAIRMENT LOSSES

	2009	2008
	HK$'000	*HK$'000*
Impairment of goodwill *(note 20)*	**38,314**	42,153
Impairment of intangible asset *(note 21)*	**—**	76,261
	38,314	118,414

11. FINANCE COSTS

	2009	2008
	HK$'000	*HK$'000*
Effective interest expenses on convertible notes *(note 32)*	**19,679**	14,166
Interest on bank borrowings wholly repayable within five years	**1,007**	1,239
Interest on obligations under finance lease	**228**	287
	20,914	15,692

12. INCOME TAX EXPENSE/(CREDIT)

Hong Kong profits tax has been provided at the rate of 16.5% (2008: 16.5%) on the estimated assessable profit for the year. PRC enterprise income tax has been provided at the prevailing rate of 25% (2008: 25%) on the estimated assessable profit applicable to the Company's subsidiary established in the PRC.

	2009 *HK$'000*	2008 *HK$'000*
Continuing operations		
Hong Kong profits tax		
Current year	1,015	430
Underprovision in prior years	15	—
PRC Enterprise Income Tax		
Current year	—	34
Underprovision/(overprovision) in prior years	20	(77)
	1,050	387
Deferred tax:		
Origination and reversal of temporary differences *(note 33)*	(442)	(15,227)
Effect of change in Hong Kong profits tax rate	—	(1,046)
	608	(15,886)
Discontinued operation		
PRC Enterprise Income Tax	—	6,980
Deferred tax:		
Original and reversal of temporary differences	—	188
	—	7,168

The income tax on the Group's loss before income tax differs from the theoretical amount that would arise using the enacted tax rate of the consolidated entities as follows:

	2009 HK$'000	2008 HK$'000
Loss before income tax:		
Continuing operations	(79,396)	(336,132)
Notional tax at the applicable tax rate of 16.5% (2008: 16.5%)	(13,100)	(55,462)
Income not subject to tax	(88)	(585)
Expenses not deductible for tax purposes	13,115	37,967
Underprovision/(overprovision) in respect of prior years	35	(77)
Tax loss for which no deferred income tax asset was recognised	1,286	3,317
Effect of different tax rates of subsidiaries operating overseas	(640)	—
Effect of change in Hong Kong tax rate	—	(1,046)
Income tax charge/(credit) for the year	608	(15,886)

The tax charge relating to components of other comprehensive income is as follows:

	2009 Before tax HK$'000	 Tax charge HK$'000	 After tax HK$'000
Fair value gain:			
— Available-for-sale investment	180,491	(46,847)	133,644
Currency translation differences	(285)	—	(285)
Other comprehensive income	180,206	(46,847)	133,359
Deferred income tax *(note 33)*		(46,847)	

13. DISCONTINUED OPERATION

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

The profit for the year ended 31 December 2008 from the discontinued operation is analysed as follows:

	2008
	HK$'000
Profit of toll road operation for the year	37,784
Loss on disposal of toll road operation	(8,311)
	29,473

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

	Period ended 26 September 2008
	HK$'000
Revenue *(note 6)*	53,385
Direct costs	(6,326)
Business Tax	(2,671)
Other Income	1,604
Administrative expenses	(1,040)
Profit before income tax	44,952
Income tax expense *(note 12)*	(7,168)
Profit for the period	37,784

During the year ended 31 December 2008, Cableport Group contributed HK$47 million to the Group's net operating cash flows, paid HK$12.5 million in respect of investing activities and paid nil amount in respect of financing activities.

The exchange differences arising on translation of toll road operation recognised directly in equity was HK$32,124,000.

14. EXPENSES BY NATURE

	2009	2008
	HK$'000	*HK$'000*
Cost of inventories *(note 22)*	**10,185**	3,079
Amortisation of intangible asset (included in direct costs) *(note 21)*	**1,602**	10,295
Amortisation of mining right (included in direct costs) *(note 18)*	**6,349**	3,430
Depreciation *(note 19)*	**14,440**	11,184
Auditor's remuneration	**1,448**	1,300
Staff costs *(note a)*	**30,612**	29,726
Operating lease rentals in respect of office premises	**4,520**	4,842
Motor vehicles rental charges	**14,105**	11,008
Fuel and oil	**7,681**	10,330
Toll charges	**4,225**	4,677
Others *(note b)*	**21,180**	20,571
Total direct costs and selling and administrative expenses	**116,347**	110,442

(a) Staff costs

	2009	2008
	HK$'000	*HK$'000*
Directors' emoluments *(note 15)*	**1,904**	639
Retirement benefit scheme contributions	**1,361**	955
Other staff costs	**27,347**	28,132
	30,612	29,726

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

15. DIRECTORS AND EMPLOYEES' EMOLUMENTS

(a) Directors' emoluments

The emoluments paid or payable to each of the six (2008: eight) directors were as follows:

	Chan Kam Kwan, Jason	Cheng Yung Pun	Yu Sui Chuen	Luk Kin Peter Joseph	Au-Yeung Tsan Pong, Davie	Fung Ka Choi	Yip Kwok Cheung, Danny	Lau Kwok Kuen, Eddie	Uwe Henke Von Parpart	Wilton Timothy Carr Ingram	Total
	HK$'000	*HK$'000* *(Note 2)*	*HK$'000* *(Note 3)*	*HK$'000* *(Note 1)*	*HK$'000* *(Note 3)*	*HK$'000* *(Note 3)*	*HK$'000* *(Note 1)*	*HK$'000*	*HK$'000*	*HK$'000* *(Note 2)*	*HK$'000*
2009											
Salaries and other benefits	**600**	**—**	**N/A**	**872**	**N/A**	**N/A**	**—**	**—**	**—**	**—**	**1,472**
Fees	**—**	**—**	**N/A**	**—**	**N/A**	**N/A**	**58**	**144**	**144**	**86**	**432**
	600	**—**	**N/A**	**872**	**N/A**	**N/A**	**58**	**144**	**144**	**86**	**1,904**
2008											
Salaries and other benefits	200	—	—	N/A	—	—	N/A	—	—	—	200
Fees	—	—	—	N/A	—	—	N/A	151	144	144	439
	200	—	—	N/A	—	—	N/A	151	144	144	639

Note:

1. Mr. Luk Kin Peter Joseph and Mr. Yip Kwok Cheung, Danny were appointed as directors on 16 February 2009 and 5 August 2009 respectively.

2 Mr. Cheng Yung Pun and Mr. Wilton Timothy Carr Ingram resigned as directors on 16 February 2009 and 5 August 2009 respectively.

3. These directors resigned on 2 January 2008.

No director waived any emoluments during the two years ended 31 December 2009.

(b) Five highest paid individuals

Of the five individuals with the highest emoluments in the Group, two (2008: NIL) are directors of the Company whose emoluments are included in the disclosures in note 15(a) above. The emoluments of the remaining three (2008: five) individuals are as follows:

	2009	2008
	HK$'000	*HK$'000*
Salaries and other benefits	**2,571**	3,053
Contribution to retirement benefit scheme	**36**	47
Performance related incentive payments	**812**	539
	3,419	3,639

15. DIRECTORS AND EMPLOYEES' EMOLUMENTS *(continued)*

(b) Five highest paid individuals *(continued)*

The emoluments of the remaining individuals fell within the following bands:

	Number of individuals 2009	2008
HK$100,001 — HK$500,000	**—**	3
HK$500,001 — HK$1,000,000	**2**	1
HK$1,500,001 — HK$2,000,000	**1**	—
HK$2,000,001 — HK$2,500,000	**—**	1
	3	5

16. DIVIDEND

No dividend was paid or proposed during 2009, nor has any dividend been proposed since the balance sheet date (2008: nil).

17. LOSS PER SHARE

(a) Basic

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

	2009	2008
Weighted average number of shares in issue *(thousands)*	**2,293,827**	1,057,465
Loss from continuing operations attributable to equity holders of the Company *(HK$ thousands)*	**(78,935)**	(319,639)
Basic loss per share from continuing operations attributable to equity holders of the Company *(HK cents per share)*	**(3.44)**	(30.23)
Profit from discontinued operation attributable to equity holders of the Company *(HK$ thousands)*	**—**	22,979
Basic earnings per share from discontinued operation attributable to equity holders of the Company *(HK cents per share)*	**—**	2.17
Loss attributable to equity holders of the Company *(HK$ thousands)*	**(78,935)**	(296,660)
Basic loss per share attributable to equity holders of the Company *(HK cents per share)*	**(3.44)**	(28.06)

(b) Diluted

Diluted loss per share is the same as basic loss per share for the year ended 31 December 2009 and 2008 because the effects of the assumed conversion of the convertible notes of the Company during these years were anti-dilutive.

18. MINING RIGHT — GROUP

	2009	2008
	HK$'000	*HK$'000*
Cost		
Balance at 1 January	**990,531**	—
Addition	**—**	997,341
Exchange differences	**(88)**	(6,810)
Balance at 31 December	**990,443**	990,531
Amortisation		
Balance at 1 January	**3,526**	—
Charge for the year	**6,349**	3,430
Exchange differences	**—**	96
At 31 December	**9,875**	3,526
Carrying value		
At 31 December	**980,568**	987,005

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

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

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

In the opinion of the directors, the Group will be able to renew the mining right with the relevant government authorities continuously at minimal charges.

The mining right is amortised over 15 years using the units of production method based on the proven and probable mineral reserves of 7,798,000 tones under the assumption that the Group can renew the mining right indefinitely till all proven and probable reserves have been mined.

19. PROPERTY, PLANT AND EQUIPMENT — GROUP

	Leasehold improvements	Buildings	Plants, furniture, fixtures and equipment	Motor vehicles	Sub-total	Construction in progress	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Cost							
At 1 January 2008	291	—	1,035	52,704	54,030	—	54,030
Exchange differences	4	—	(38)	374	340	(125)	215
Assets acquisition	—	—	12,164	417	12,581	18,336	30,917
Additions — continuing operations	892	—	570	14,279	15,741	53	15,794
Additions — discontinued operation	—	—	11	270	281	—	281
Transfer from Construction in progress	—	12,505	5,759	—	18,264	(18,264)	—
Disposals	—	—	(8)	(6,014)	(6,022)	—	(6,022)
Written off	—	—	(17)	—	(17)	—	(17)
Disposal of subsidiaries	—	—	(791)	(1,018)	(1,809)	—	(1,809)
At 31 December 2008	1,187	12,505	18,685	61,012	93,389	—	93,389
Exchange differences	—	(1)	(2)	5	2	—	2
Additions	158	—	437	9,820	10,415	—	10,415
Disposals	—	—	(5)	(1,496)	(1,501)	—	(1,501)
At 31 December 2009	1,345	12,504	19,115	69,341	102,305	—	102,305
Accumulated depreciation and impairment							
At 1 January 2008	15	—	323	2,544	2,882	—	2,882
Exchange differences	—	—	7	68	75	—	75
Provided for the year	109	148	785	10,261	11,303	—	11,303
Disposals	—	—	(7)	(5,847)	(5,854)	—	(5,854)
Written off	—	—	(2)	—	(2)	—	(2)
Disposal of subsidiaries	—	—	(389)	(650)	(1,039)	—	(1,039)
At 31 December 2008	124	148	717	6,376	7,365	—	7,365
Exchange differences	—	—	—	2	2	—	2
Provided for the year	320	626	2,527	10,967	14,440	—	14,440
Disposals	—	—	(1)	(1,227)	(1,228)	—	(1,228)
At 31 December 2009	444	774	3,243	16,118	20,579	—	20,579
Carrying values							
At 31 December 2009	901	11,730	15,872	53,223	81,726	—	81,726
At 31 December 2008	1,063	12,357	17,968	54,636	86,024	—	86,024

At 31 December 2009, the Group pledged the motor vehicles with a carrying value of approximately HK$23,438,000 (2008: HK$30,612,000) to secure general banking facilities granted to a subsidiary of the Group.

The net book value of motor vehicles includes an amount of approximately HK$5,921,000 (2008: HK$5,655,000) in respect of assets held under finance leases.

20. GOODWILL AND IMPAIRMENT TESTING ON GOODWILL — GROUP

	2009 *HK$'000*	2008 *HK$'000*
Cost		
Balance at 1 January and 31 December	91,872	91,872
Accumulated impairment losses		
Balance at 1 January	42,153	—
Impairment loss	38,314	42,153
At 31 December	80,467	42,153
Carrying value		
At 31 December	11,405	49,719

The goodwill arising on acquisition is attributable to the anticipated profitability of the Group in the business of limousine rental and airport shuttle bus services. For the purposes of impairment testing, goodwill has been allocated to the following cash generating units ("CGUs").

	2009 *HK$'000*	2008 *HK$'000*
Airport shuttle bus services in Hong Kong ("Unit A")	10,621	10,621
Limousine rental services in Hong Kong ("Unit B")	784	784
Limousine rental services in the PRC ("Unit C')	—	38,314
	11,405	49,719

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

Unit A

The recoverable amount of this unit was determined based on a value in use calculation That calculation used cash flow projections based on financial budgets approved by management covering a five-year period up to 2014 and extrapolates cash flow using zero growth rate. The management estimates the gross margin of approximately 38% and a discount rate of 11%. The key assumptions for the value-in-use calculation relating to the estimation of cash inflows/outflows are based on the unit's past performance and management estimation. If the budgeted gross margin used in value-in-use calculation had been 0.5% lower than management's estimates at 31 December 2009, the recoverable amount of the CGU would be reduced by approximately HK$808,000 and no impairment loss would be recognised.

Unit B

The recoverable amount of this unit was determined based on a value in use calculation. That calculation uses cash flow projections based on financial budgets approved by management covering a five-year period up to 2014 and extrapolates cash flow using zero growth rate. The management estimates the gross margin ranging from 23% to 27% and a discount rate of 11%. Other key assumptions for the value in use calculation relating to the estimation of cash inflows/outflows are based on the unit's past performance and management estimation. If the budgeted gross margin used in value-in-use calculation had been 0.5% lower than management's estimates at 31 December 2009, the recoverable amount of the CGU would be reduced by approximately HK$3,731,000 and no impairment loss would be recognised.

20. GOODWILL AND IMPAIRMENT TESTING ON GOODWILL — GROUP *(continued)*

Unit C

The recoverable amount of this unit was determined based on a value in use calculation. That calculation uses cash flow projections based on financial budgets approved by management covering a five-year period up to 2014 and extrapolates cash flow using zero growth rate. The management estimates the gross margin of 24% to 40% and a discount rate of 13.5%. Other key assumptions for the value in use calculation relating to the estimation of cash inflows/outflows are based on the management best estimation. If the budgeted gross margin used in value-in-use calculation had been 0.5% lower than management's estimates at 31 December 2009, the Group would need to reduce the carrying value of other assets by approximately HK1,386,000.

21. INTANGIBLE ASSET — GROUP

	2009	2008
	HK$'000	*HK$'000*
Cost		
Balance at 1 January and 31 December	**102,952**	102,952
Amortisation and Impairment		
Balance at 1 January	**88,531**	1,975
Amortisation for the year	**1,602**	10,295
Impairment for the year	**—**	76,261
At 31 December	**90,133**	88,531
Carrying value		
At 31 December	**12,819**	14,421

The intangible asset represents the customer base of Perryville Group arising from the acquisition of Perryville Group in October 2007.

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

The recoverable amount of the intangible asset as at 31 December 2009 was determined based on value-in-use calculations. These calculations use cash flow projections based on financial budgets approved by management covering the remaining useful life of the underlying intangible asset and the management estimates a gross margin of 38% and a range of 23% to 27% for limousine rental services in Hong Kong & Airport shuttle bus services respectively. If the budgeted gross margin used in value-in-use calculation had been 0.5% higher or lower than management's estimates at 31 December 2009, the recoverable amount of intangible asset would be decreased/increased by HK$1,293,000 and no impairment loss would be recognised.

22. INVENTORIES — GROUP

	2009	2008
	HK$'000	*HK$'000*
Raw materials	2,550	2,516
Work in progress	297	290
Finished goods	1,897	4,985
Less: Provision for inventories	(228)	(412)
	4,516	7,379

The cost of inventories recognised as expenses and included in direct costs amounted to approximately HK$10,185,000 (2008: HK$3,079,000).

23. TRADE RECEIVABLES — GROUP

	2009	2008
	HK$'000	*HK$'000*
Trade receivables	21,566	12,356
Less: allowance for doubtful debts	(110)	(110)
Trade receivables — net	21,456	12,246

The Group's credit terms granted to customers of limousine rental and airport shuttle bus services range between 60 days and 90 days. Before accepting any new customers, the Group will understand the potential customer's credit quality and approve its credit limits. Credit limits attributed to customers are reviewed regularly. An aged analysis of the trade receivables, based on invoice date as at balance sheet date is as follows:

	2009	2008
	HK$'000	*HK$'000*
0 — 30 days	7,091	6,581
31 — 60 days	9,234	4,075
61 — 90 days	3,761	898
Over 90 days	1,480	802
	21,566	12,356

At 31 December 2009, the Group's trade receivable balance of HK$2,100,000 (2008: HK$1,590,000) were past due at balance sheet date but not impaired. The directors considered that these relate to a number of customers for whom there is no recent history of default. The Group does not hold any collateral over these balances. The ageing analysis of these trade receivables is as follows:

	2009	2008
	HK$'000	*HK$'000*
61-90 days	730	898
Over 90 days	1,370	692
Total	2,100	1,590

23. TRADE RECEIVABLES — GROUP *(continued)*

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

	2009	2008
	HK$'000	*HK$'000*
At 1 January	110	104
Exchange differences	—	6
At 31 December	110	110

The carrying amounts of the Group's trade receivables are denominated in the following currencies:

	2009	2008
	HK$'000	*HK$'000*
Hong Kong Dollar	16,533	10,506
Renminbi	4,923	1,740
	21,456	12,246

24. AVAILABLE-FOR-SALE INVESTMENT — GROUP

	2009
	HK$'000
At 1 January	—
Additions	129,588
Disposals	(150)
Fair value gain recognised in equity	180,491
At 31 December	309,929
Listed investments:	
— Equity securities listed in Australia	309,929

The fair value of the equity securities is based on their current bid price in an active market. The amount is denominated in Australian dollar.

At 31 December 2009, the carrying amount of interests in the following company exceed 10% of total assets of the Group.

Name	Place of incorporation	Principal activities	Particulars of issued share held	Interest held
Brockman Resources Limited	Australia	Acquisition, exploration and development of mineral tenements	18,739,631 ordinary shares	13.51%

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

	2009	2008
	HK$'000	*HK$'000*
Listed securities:		
— Equity securities listed in Hong Kong	3,397	2,894

The fair value of the equity securities is based on their current bid prices in an active market. The amount is denominated in Hong Kong dollar.

26. CASH AND CASH EQUIVALENTS — GROUP AND COMPANY

The bank balances earn interest at an average rate of 0.01% (2008: 0.01%) per annum. Included in the bank balances and cash on the consolidated balance sheet were amounts in RMB of approximately HK$4,625,000 (2008: HK$5,534,000), which are not freely convertible into other currencies. There is no concentration of credit risk with respect to bank balances, as the Group has placed deposits with a number of financial institutions.

27. RESTRICTED CASH

At 31 December 2009, the Group has a restricted cash balance of HK$5,200,000 held in a specific bank account as security for a banking facility.

28. OTHER CURRENT FINANCIAL LIABILITIES — GROUP AND COMPANY

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

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

	2009	2008
	HK$'000	*HK$'000*
0 — 30 days	5,056	2,696
31 — 60 days	1,126	1,629
61 — 90 days	478	1,810
Over 90 days	3,078	4,532
	9,738	10,667

Other payables and accrued expenses of the Company of HK$4,691,000 (2008: HK$2,729,000) are payable within one year.

29. BANK BORROWINGS — GROUP

	2009	2008
	HK$'000	*HK$'000*
Current		
Bank borrowings, within 1 year	**39,258**	30,131

As at 31 December 2009, bank loans of HK$27,858,000 are secured by the motor vehicles as disclosed in note 19 (2008: HK$21,482,000), and bank borrowings of HK$11,400,000 are secured by bank deposits of HK$5,200,000 (2008: nil).

All the bank borrowings are dominated in Hong Kong dollar.

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

	2009	2008
Variable rate bank borrowings	**2.18% to 3.43%**	3.40% to 6.00%

As at 31 December 2009, guarantees have been given to a bank by the Company and a related party of Perryville Group's former shareholder with no charge in respect of banking facilities extended to the Perryville Group jointly amounting to approximately HK$63,200,000 and HK$50,000,000 respectively. As at 31 December 2008, guarantees have been given to a bank by the Company and a related party of Perryville Group's former shareholder with no charge in respect of banking facilities extended to the Perryville Group each amounting to approximately HK$63,200,000.

30. OBLIGATIONS UNDER FINANCE LEASES — GROUP

The Group leases certain of its motor vehicles under finance leases. The lease term ranges from 3 to 4 years. Interest rates underlying all obligations under finance leases are fixed and the effective interest rate is 2.44% per annum (2008: 2.38%). No arrangements have been entered into for contingent rental payments.

Amounts payable under finance leases

	Minimum lease payments		Present value of minimum lease payments	
	2009	2008	2009	2008
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Within 1 year	**2,099**	1,927	**1,965**	1,739
Between 1 and 2 years	**890**	1,763	**849**	1,682
Between 2 and 5 years	**335**	555	**319**	548
	3,324	4,245	**3,133**	3,969
Less: Finance charges	**(191)**	(276)	**—**	—
Present value of lease obligation	**3,133**	3,969	**3,133**	3,969
Less: Amount due for settlement within 12 months (shown under current liabilities)			**(1,965)**	(1,739)
Amount due for settlement after 12 months			**1,168**	2,230

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

31. SHARE CAPITAL — GROUP AND COMPANY

	Number of shares		Share Capital	
	2009	2008	**2009**	2008
	'000	*'000*	***HK$'000***	*HK$'000*
Ordinary shares of HK$0.10 each				
Authorised				
As at 1 January	**4,000,000**	2,000,000	**400,000**	200,000
Increase *(note a)*	**—**	2,000,000	**—**	200,000
As at 31 December	**4,000,000**	4,000,000	**400,000**	400,000
Issued and fully paid				
As at 1 January	**1,515,342**	784,738	**151,534**	78,474
Placing of new shares *(note b)*	**111,500**	240,000	**11,150**	24,000
Issued in consideration for acquisition of subsidiaries *(note c)*	**—**	315,666	**—**	31,566
Conversion of convertible notes *(note d)*	**1,155,416**	174,938	**115,542**	17,494
As at 31 December	**2,782,258**	1,515,342	**278,226**	151,534

Notes:

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

(b) 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.

(c) On 19 September 2008, a total of 315,666,000 ordinary shares, and convertible notes of aggregate principal amount of HK$435,500,000 with conversion price of HK$0.30 (subject to adjustment) were issued for the acquisition of Smart Year Investments Limited and its subsidiaries.

(d) During the year, convertible notes of aggregate principal amount of HK$49,650,000 were converted into ordinary shares of HK$0.10 each of the Company at the conversion price of HK$0.405 per share. Accordingly, a total of approximately 122,592,000 ordinary shares were issued.

During the year, convertible notes of aggregate principal amount of HK$309,847,200 were converted into ordinary shares of HK$0.10 each of the Company at the conversion price of HK$0.30 per share. Accordingly, a total of 1,032,824,000 ordinary shares were issued.

32. CONVERTIBLE NOTES — GROUP AND COMPANY

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 the placing. The holders may by written notice demand the Company to redeem the convertible notes if trading of the shares of the Company has been suspended for consecutively more than 20 trading days. If the whole amount of the convertible notes is converted on the exercise price of HK$0.405 per share, the Company will issue 296,296,296 conversion shares. If the convertible notes have not been converted, they will be redeemed on 22 October 2012 at par. Interest of 2% will be paid annually up to the settlement date. The Company does not have the right to redeem the convertible notes prior to 22 October 2012.

During the year, the holder of the convertible notes of the Company has converted the remaining HK$49.65 million (2008: HK$70.35 million) convertible notes into approximately 122,592,000 (2008: 170,000,000) new ordinary shares of the Company.

There was no Convertible note I outstanding as at 31 December 2009.

The effective interest rate of the convertible notes is 10.2% per annum (2008: same).

Convertible note 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 which legally and beneficially owns a 90% equity interest in Luchun Xingtai, for a total consideration of HK$650,000,000, Subject to the supplemental deed, dated 27 June 2008, the total consideration has been amended and satisfied (i) as to HK$119,800,000 in cash; (ii) as to HK$94,700,000 by the issue of the consideration shares by the Company to the vendors at the issue price; and (iii) as to HK$435,500,000 by the issue of the convertible notes to the vendors. 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 rights relating to a copper mine in Luchun County, Yunnan Province, the PRC. The acquisition has been 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.

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

Convertible note II *(continued)*

On 8 February 2010, subsequent to the balance sheet date, the conversion price of the convertible note has been adjusted from HK$0.30 per share to HK$0.29 per share as a result of the completion of a placing of new shares of the Company.

During the year, the holders of the convertible notes of the Company have converted HK$309.85 million (2008: HK$1.48 million) convertible notes into 1,032,824,000 (2008: 4,938,000) new ordinary shares of the Company

The effective interest rate of the convertible notes is 14.9% per annum (2008: same).

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 in the convertible notes reserve.

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

	2009	2008
	HK$'000	*HK$'000*
Carrying amount at 1 January	**262,828**	84,058
Issue of convertible notes	**—**	217,464
Interest expenses *(note 11)*	**19,679**	14,166
Interest paid	**(394)**	(1,516)
Conversion of convertible notes	**(207,994)**	(51,344)
Carrying amount at 31 December	**74,119**	262,828

The carrying amount of the convertible notes is approximately equal to its fair value as at 31 December 2009 and 2008.

33. DEFERRED TAXATION — GROUP

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

	Tax losses	Repairs and renovation costs	Impairment loss recognised in respect of roll road operation rights	Accelerated tax depreciation	Fair value gain on available-for-sale investment	Intangible asset	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
At 1 January 2008	1,660	871	3,223	(6,594)	—	(17,671)	(18,511)
Disposal of subsidiaries	—	(889)	(3,291)	—	—	—	(4,180)
Exchange differences	—	58	216	—	—	—	274
(Charged)/credited to consolidated statement of comprehensive income for the year	(694)	(40)	(148)	1,675	—	15,292	16,085
At 31 December 2008	966	—	—	(4,919)	—	(2,379)	(6,332)
(Charged)/credited to consolidated statement of comprehensive income for the year	(629)	—	—	807	—	264	442
Charged directly to equity	—	—	—	—	(46,847)	—	(46,847)
At 31 December 2009	337	—	—	(4,112)	(46,847)	(2,115)	(52,737)

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

	2009	2008
	HK$'000	*HK$'000*
Deferred income tax assets	**337**	966
Deferred income tax liabilities	**(53,074)**	(7,298)
	(52,737)	(6,332)

Deferred income tax assets are recognised for tax losses carried forward to the extent that the realisation of the related tax benefit through future taxable profits is probable. The Group did not recognise deferred income tax assets in respect of losses amounting to approximately HK$23 million (2008: HK$23 million) that can be carried forward against future taxable income. Losses amounting to approximately HK$23 million (2008: HK$23 million) will expire in one to five years from 31 December 2009.

34. PROVISION FOR RESTORATION COSTS — GROUP

	2009	2008
	HK$'000	*HK$'000*
Balance at 1 January	**472**	—
Acquisition of asset group	**—**	475
Exchange differences	**—**	(3)
Balance at 31 December	**472**	472

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

35. COMMITMENTS — GROUP

(a) Operating lease commitments

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

	2009	2008
	HK$'000	*HK$'000*
Not later than 1 year	**2,226**	3,221
Later than 1 year and no later than 5 years	**622**	1,199
Later than 5 years	**—**	8
	2,848	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:

	2009	2008
	HK$'000	*HK$'000*
Property, plant and equipment		
Contracted but not provided for	**5,925**	5,229

36. MAJOR NON-CASH TRANSACTIONS — GROUP

Save as disclosed in the consolidated financial statements, there was no other major non-cash transaction during 2009.

37. SHARE OPTION SCHEME — GROUP

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

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

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

As at 31 December 2009, no option has been granted since the adoption of the Share Option Scheme.

Subsequent to the balance sheet date, a total of 36,000,000 share options have been granted as disclosed in note 40. At the date of this report, the total number of shares available for issue under the Share Option Scheme is 237,025,824 shares which represents 7.60% of the issued share capital of the Company on the date of this report.

38. RETIREMENT BENEFITS SCHEMES — GROUP

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

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

The total cost charged to the consolidated income statement of HK$1,361,000 (2008: HK$1,405,000) represents contributions to these schemes by the Group in respect of the current accounting period.

39. RELATED PARTY TRANSACTIONS — GROUP

The group is controlled by Leading Highway Limited (incorporated in the British Virgin Islands). In addition to the related party transaction disclosed in note 13, the Group has the following transactions were carried out with related parties:

(a) Year end balances

The amounts due from/to related parties and amounts due to directors are unsecured, interest-free and repayable on demand.

(b) Compensation of key management personnel

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

	2009	2008
	HK$'000	*HK$'000*
Short-term employee benefits	**5,323**	2,655

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

40. EVENTS AFTER THE BALANCE SHEET DATE

(a) On 18 February 2010, pursuant to a top-up placement, the Company had issued 334,000,000 new shares at a placing price of HK$0.9 per share. The net proceeds after deduction of related expenses from the placing amounted to approximately HK$297 million, and would be used for potential acquisitions or investments in mineral-related businesses and general working capital. Details of the top-up placement were disclosed in the announcement of the Company dated 9 February 2010.

(b) On 18 January 2010 and 11 February 2010, the Company had granted a total of 9,000,000 share options and 27,000,000 share options to the eligible persons including the directors, at the exercise price of HK$1.164 per share and HK$1.24 per share respectively. Details of the grant of share options were disclosed in the announcement of the Company dated 18 January 2010 and 11 February 2010.

(c) Subsequent to the balance sheet date, Race Master Limited, ("RML"), a wholly-owned subsidiary of the Company, purchased 8,899,111 shares of Brockman Resources Limited ("BRM"), a company listed on the Australian Securities Exchange, for a total consideration of approximately AUD27.5 million (equivalent to approximately HK$190.8 million). As a result, RML holds 27,638,742 shares of BRM, representing approximately 19.9% of the issued ordinary share capital of BRM, as of the date of this report. Details of the transaction were disclosed in the Company's announcement dated 1 March 2010.

41. INTERESTS IN SUBSIDIARIES — COMPANY

	2009	2008
	HK$'000	*HK$'000*
Investments in subsidiaries		
Unlisted shares, at cost	**202,419**	202,419
Less: provision for impairment	**(111,374)**	(111,374)
	91,045	91,045
Amounts due from subsidiaries		
Amounts due from subsidiaries	**1,211,521**	1,084,558
Less: provision for impairment	**(189,544)**	(184,816)
	1,021,977	899,742
Less: current portion	**(11,973)**	(18,888)
Non-current portion	**1,010,004**	880,854

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

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

Movements on the provisions for impairment are as follows:

	2009	2008
	HK$'000	*HK$'000*
At 1 January	**296,190**	18,926
Reversal upon disposal of subsidiaries	**—**	(18,926)
Provision for impairment	**4,728**	296,190
At 31 December	**300,918**	296,190

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

Details of the principal subsidiaries held by the Company at 31 December 2009, except otherwise specified, are as follows:

Name of subsidiary	Country/place of incorporation or establishment	Place of operation	Issued and fully paid share/ registered capital	Interest held by the Company		Principal activities
				Directly	Indirectly	
Perryville Group Limited *(note a)*	BVI	Hong Kong	US$50,000	100%	—	Investment holding
Parklane Limousine Service Limited *(note a)*	Hong Kong	Hong Kong	HK$5,000,000	—	100%	Limousine rental services
Airport Shuttle Services Limited *(note a)*	Hong Kong	Hong Kong	HK$10,000	—	100%	Airport shuttle bus services
Golden Genie Limited	BVI	Hong Kong	US$1	100%	—	Investment holding
Smart Year Investments Limited	BVI	Hong Kong	US$10,000	—	100%	Investment holding
綠春鑫泰礦業有限公司 Luchun Xingtai Mining Company Limited#	PRC	PRC	RMB20,000,000	—	90%	Exploitation, processing and sales of copper ore concentrates
Wah Nam International (HK) Limited	Hong Kong	Hong Kong	HK$1	100%	—	Investment holding
Race Master Limited	BVI	Hong Kong	US$1	100%	—	Investment holding
廣州市百聯汽車租賃有限公司 Guangzhou Parklane Limousine Service Limited#	PRC	PRC	RMB5,000,000	—	100%	Limousine rental services
廣州市栢寧信息諮詢有限公司 Guangzhou Parklane Consultancy Limited#	PRC	PRC	HKD2,000,000	—	100%	Investment holding
百聯汽車租賃（深圳）有限公司 Parklane Limousine Service (Shenzhen) Limited#	PRC	PRC	HKD5,000,000	—	100%	Limousine rental services
北京百聯汽車租賃有限公司 Beijing Parklane Limousine Service Limited#	PRC	PRC	RMB1,000,000	—	100%	Limousine rental services
威信汽車租賃（上海）有限公司 Parklane Limousine Service (Shanghai) Limited#	PRC	PRC	US$1,400,000	—	100%	Limousine rental services

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

Notes:

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

The English name is for identification purpose only.

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

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

42. RESERVES — COMPANY

	Share premium	Convertible notes reserve	Accumulated losses	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Balance at 1 January 2008	58,766	65,167	(22,006)	101,927
Comprehensive Income:				
Loss for the year	—	—	(296,097)	(296,097)
Transactions with equity holders:				
Issue of shares	228,580	—	—	228,580
Transaction costs attributable to issue of shares	(1,211)	—	—	(1,211)
Issue of convertible notes	—	542,770	—	542,770
Issue of shares upon conversion of convertible notes *(Note 32)*	54,338	(20,487)	—	33,851
Total transactions with equity holders	281,707	522,283	—	803,990
Balance at 31 December 2008	340,473	587,450	(318,103)	609,820
Comprehensive Income:				
Loss for the year	—	—	(30,849)	(30,849)
Transactions with equity holders:				
Issue of shares	89,200	—	—	89,200
Transaction costs attributable to issue of shares	(1,173)	—	—	(1,173)
Issue of shares upon conversion of convertible notes *(Note 32)*	525,145	(432,693)	—	92,452
Total transactions with equity holders	613,172	(432,693)	—	180,479
Balance at 31 December 2009	953,645	154,757	(348,952)	759,450

43. LOSS ATTRIBUTABLE TO EQUITY HOLDERS OF THE COMPANY

The loss attributable to equity holders of the Company is dealt with in the financial statements of the Company to the extent of a loss of approximately HK$30,849,000 (2008: HK$296,097,000).

FINANCIAL SUMMARY

	The Group				
	2009	2008	2007	2006	2005
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
RESULTS					
Revenue	**95,374**	142,222	25,380	15,213	29,243
(Loss)/profit before income tax	**(79,396)**	(291,180)	(5,329)	5,011	14,253
Income tax (expense)/credit	**(608)**	8,718	(700)	(1,142)	(2,379)
(Loss)/profit for the year	**(80,004)**	(282,462)	(6,029)	3,869	11,874
Attributable to:					
Equity holders of the Company	**(78,935)**	(296,660)	(5,243)	1,000	5,835
Minority interests	**(1,069)**	14,198	(786)	2,869	6,039
	(80,004)	(282,462)	(6,029)	3,869	11,874
(Loss)/earnings per share					
— Basic (HK cents)	**(3.44)**	(28.06)	(0.77)	0.17	1.14
— Diluted (HK cents)	**N/A**	N/A	N/A	N/A	1.02

	As at 31 December				
	2009	2008	2007	2006	2005
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
ASSETS AND LIABILITIES					
Total assets	**1,465,620**	1,237,562	442,375	144,708	156,399
Total liabilities	**(247,039)**	(379,507)	(156,188)	(3,297)	(13,785)
	1,218,581	858,055	286,187	141,411	142,614
Equity attributable to equity holders of the Company	**1,123,156**	761,552	208,309	60,175	53,315
Minority interests	**95,425**	96,503	77,878	81,236	89,299
Total equity	**1,218,581**	858,055	286,187	141,411	142,614