

The background of the entire page is a photograph of an industrial construction site, possibly a power plant or refinery, with large metal structures and a tall drilling rig. The image is tinted with a dark red color. The logo consists of the Chinese characters '華南' in a stylized white font.

華南

Wah Nam

International Holdings Limited

(Incorporated in Bermuda with limited liability)

Stock Code: 159

10

Interim Report

2010

Interim Report

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
Standard Chartered Bank (Hong Kong) 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)

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30 June 2010

	Note	Six months ended 30 June	
		2010 HK\$'000 (Unaudited)	2009 HK\$'000 (Unaudited)
Revenue	4	55,189	41,988
Direct costs	8	(45,349)	(41,710)
Gross Profit		9,840	278
Other income		295	10,166
Selling and administrative expenses	8	(26,377)	(15,059)
Impairment loss		(153,000)	—
Other losses, net		(210)	(126)
Finance costs	6	(3,286)	(14,940)
Loss before income tax		(172,738)	(19,681)
Income tax (expense)/credit	7	(264)	165
Loss for the period		(173,002)	(19,516)
Other comprehensive income:			
Exchange differences arising on translation of foreign operations		11,403	(1,182)
Change in fair value on available-for-sale investments, net of tax		(35)	9,882
Other comprehensive income for the period, net of tax		11,368	8,700
Total comprehensive loss for the period		(161,634)	(10,816)
Loss for the period attributable to:			
Equity holders of the Company		(157,363)	(18,902)
Minority interest		(15,639)	(614)
		(173,002)	(19,516)
Total comprehensive loss attributable to:			
Equity holders of the Company		(147,045)	(10,088)
Minority interest		(14,589)	(728)
		(161,634)	(10,816)
Loss per share attributable to the equity holders of the Company during the period	9	HK cents	HK cents
— Basic		(5.58)	(1.03)
— Diluted		N/A	N/A

CONDENSED CONSOLIDATED BALANCE SHEET

As at 30 June 2010

	Note	30 June 2010 HK\$'000 (Unaudited)	31 December 2009 HK\$'000 (Audited)
Non-current assets			
Mining right	10	835,671	980,568
Property, plant and equipment	11	83,552	81,726
Goodwill		11,405	11,405
Intangible asset		12,018	12,819
Available-for-sale investments	12	707,689	309,929
Deferred income tax assets		337	337
Other non-current assets		8,997	8,900
		1,659,669	1,405,684
Current assets			
Inventories		8,590	4,516
Trade receivables	13	26,530	21,456
Other receivables, deposits and prepayments		10,781	7,470
Amount due from a related party		1,783	1,139
Financial assets at fair value through profit or loss		3,187	3,397
Restricted cash		5,200	5,200
Cash and cash equivalents		124,434	16,758
		180,505	59,936
Current liabilities			
Trade payables	14	9,195	9,738
Other payables and accrued charges		39,542	44,529
Amounts due to related companies		7,107	1,363
Bank borrowings due within one year	15	43,241	39,258
Obligations under finance leases		2,211	1,965
		101,296	96,853
Net current assets/(liabilities)		79,209	(36,917)
Total assets less current liabilities		1,738,878	1,368,767
Capital and reserves			
Share capital	17	372,944	278,226
Reserves		1,184,842	844,930
Equity attributable to the equity holders of the Company		1,557,786	1,123,156
Minority interest		80,836	95,425
Total equity		1,638,622	1,218,581
Non-current liabilities			
Obligations under finance leases		1,612	1,168
Amount due to a related party		28,745	21,353
Convertible notes	16	—	74,119
Deferred income tax liabilities		69,422	53,074
Provision for restoration costs		477	472
		100,256	150,186
		1,738,878	1,368,767

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2010

	Attributable to equity holders of the Company									
	Share capital HK\$'000	Share premium HK\$'000	Statutory surplus reserve HK\$'000	Convertible notes reserve HK\$'000	Available-for-sale investment reserve HK\$'000	Translation reserve HK\$'000	Accumulated losses HK\$'000	Total HK\$'000	Minority interest HK\$'000	Total HK\$'000
Balance as at 1 January 2009 (audited)	151,534	340,473	225	587,450	–	(8,024)	(310,106)	761,552	96,503	858,055
Comprehensive income										
Loss for the period	–	–	–	–	–	–	(18,902)	(18,902)	(614)	(19,516)
Other comprehensive income										
Exchange differences arising on translation of foreign operation	–	–	–	–	–	(1,068)	–	(1,068)	(114)	(1,182)
Fair value gain on available-for-sale investment	–	–	–	–	9,882	–	–	9,882	–	9,882
Total other comprehensive income for the period	–	–	–	–	9,882	(1,068)	–	8,814	(114)	8,700
Total comprehensive income for the period	–	–	–	–	9,882	(1,068)	(18,902)	(10,088)	(728)	(10,816)
Transactions with equity holders										
Issue of shares (note 17(a))	11,150	89,200	–	–	–	–	–	100,350	–	100,350
Transaction costs attributable to issue of shares (note 17(a))	–	(1,173)	–	–	–	–	–	(1,173)	–	(1,173)
Issue of shares upon conversion of convertible notes (note 16 and note 17(b))	86,423	219,826	–	(147,204)	–	–	–	159,045	–	159,045
Total transactions with equity holders	97,573	307,853	–	(147,204)	–	–	–	258,222	–	258,222
Balance as at 30 June 2009 (unaudited)	249,107	648,326	225	440,246	9,882	(9,092)	(329,008)	1,009,686	95,775	1,105,461

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2010 (Continued)

	Attributable to equity holders of the Company										
	Share capital HK\$'000	Share premium HK\$'000	Statutory surplus reserve HK\$'000	Convertible notes reserve HK\$'000	Available-for-sale investment reserve HK\$'000	Share-based compensation reserve HK\$'000	Translation reserve HK\$'000	Accumulated losses HK\$'000	Total HK\$'000	Minority interest HK\$'000	Total HK\$'000
Balance as at 1 January 2010 (audited)	278,226	953,645	633	154,757	133,644	-	(8,300)	(389,449)	1,123,156	95,425	1,218,581
Comprehensive income											
Loss for the period	-	-	-	-	-	-	-	(157,363)	(157,363)	(15,639)	(173,002)
Other comprehensive income											
Exchange differences arising on translation of foreign operation	-	-	-	-	-	-	10,353	-	10,353	1,050	11,403
Change in fair value on available-for-sale investments (note 12)	-	-	-	-	16,790	-	-	-	16,790	-	16,790
Deferred tax on fair value gain on available-for-sale investment	-	-	-	-	(16,825)	-	-	-	(16,825)	-	(16,825)
Total other comprehensive income for the period	-	-	-	-	(35)	-	10,353	-	10,318	1,050	11,368
Total comprehensive income for the period	-	-	-	-	(35)	-	10,353	(157,363)	(147,045)	(14,589)	(161,634)
Transactions with equity holders											
Issue of shares (note 17(c) and (d))	51,900	454,050	-	-	-	-	-	-	505,950	-	505,950
Transaction costs attributable to issue of shares (note 17(c) and (d))	-	(9,444)	-	-	-	-	-	-	(9,444)	-	(9,444)
Issue of shares upon conversion of convertible notes (note 16 and 17(e))	42,818	188,640	-	(154,757)	-	-	-	-	76,701	-	76,701
Share-based compensation (note 18)	-	-	-	-	-	8,468	-	-	8,468	-	8,468
Total transactions with equity holders	94,718	633,246	-	(154,757)	-	8,468	-	-	581,675	-	581,675
Balance as at 30 June 2010 (unaudited)	372,944	1,586,891	633	-	133,609	8,468	2,053	(546,812)	1,557,786	80,836	1,638,622

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

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 June 2010

	Six months ended 30 June	
	2010 HK\$'000 (Unaudited)	2009 HK\$'000 (Unaudited)
Net cash used in operating activities	(2,537)	(1,238)
Cash flows from investing activities		
Purchase of available-for-sale investments	(380,970)	(126,427)
Purchases of property, plant and equipment	(8,865)	(2,714)
Proceeds from disposal of property, plant and equipment	4	149
Proceeds from disposal of financial assets at fair value through profit or loss	—	153
Interest received	28	16
Net cash used in investing activities	(389,803)	(128,823)
Cash flows from financing activities		
Proceeds from issuance of ordinary shares	505,950	100,350
Proceeds from borrowings	12,000	3,850
Additional finance lease	1,825	1,198
Expenses on issuance of ordinary shares	(9,444)	(1,173)
Repayment of borrowings	(8,017)	(6,512)
Repayment of obligations under finance leases	(1,135)	(1,016)
Interest paid	(600)	(488)
Finance lease charges	(104)	(115)
Net cash generated from financing activities	500,475	96,094
Net increase/(decrease) in cash and cash equivalents	108,135	(33,967)
Cash and cash equivalents at beginning of the period	16,758	59,757
Effects of foreign exchange rate changes	(459)	18
Cash and cash equivalents at end of the period, represented by		
Bank balances and cash	124,434	25,808

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL INFORMATION

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 Company and its subsidiaries (together, "the Group") are mainly involved in provision of limousine rental and airport shuttle bus services and the exploitation, processing and sales of mineral ore concentrates.

These condensed consolidated financial information are presented in Hong Kong dollar ("HK\$"), unless otherwise stated. These condensed consolidated financial information have been approved for issue by the Board of Directors on 19 August 2010.

2. BASIS OF PREPARATION

The condensed consolidated financial information for the six months ended 30 June 2010 has been prepared in accordance with Hong Kong Accounting Standard ("HKAS") 34 "Interim Financial Reporting" issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA"). The condensed consolidated interim financial information should be read in conjunction with the annual financial statements for the year ended 31 December 2009, which have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs").

3. PRINCIPAL ACCOUNTING POLICIES

The condensed consolidated financial statements 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.

Except as described below, the accounting policies applied are consistent with those of the annual financial statements for the year ended 31 December 2009, as described in those annual financial statements.

New and amended standards adopted by the Group

In the current interim period, the Group has applied, for the first time, a number of new and revised standards, amendments and interpretations ("new or revised HKFRSs") issued by the HKICPA, which are effective for the Group's financial year beginning on 1 January 2010.

- HKFRS 3 (Revised) "Business Combinations". 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.
- HKAS 27 (Revised), "Consolidated and Separate Financial Statements". 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 not. Any remaining interest in the entity is re-measured to fair value and a gain or loss is recognised in income statement.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL INFORMATION

- HKFRS 1 (Amendment), "First-time Adoption of HKFRSs". 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". 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.

Improvements to HKFRS – Amendments to existing standards effective from 1 January 2010 adopted by the Group

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

4. 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 six months ended 30 June 2010. An analysis of the Group's revenue for the period is as follows:

	Six months ended 30 June	
	2010 HK\$'000 (unaudited)	2009 HK\$'000 (unaudited)
Income from limousine rental services	44,885	29,899
Income from airport shuttle bus services	6,889	6,568
Sales of copper, lead and zinc ore concentrates	3,415	5,521
	55,189	41,988

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL INFORMATION

5. SEGMENT INFORMATION

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

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

	Six months ended 30 June 2010				
	Limousine rental services <i>HK\$'000</i> (unaudited)	Airport shuttle bus services <i>HK\$'000</i> (unaudited)	Mining operation <i>HK\$'000</i> (unaudited)	Others <i>HK\$'000</i> (unaudited)	Total <i>HK\$'000</i> (unaudited)
Revenue					
Segment revenue from external customers	44,885	6,889	3,415	—	55,189
Results					
Segment results	1,741	588	(156,400)	—	(154,071)
Unallocated income					21
Unallocated expenses					(15,402)
Finance costs					(3,286)
Loss before income tax					(172,738)
Income tax expense					(264)
Loss for the period					(173,002)

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL INFORMATION

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

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

	As at 30 June 2010				
	Limousine rental services <i>HK\$'000</i> (unaudited)	Airport shuttle bus services <i>HK\$'000</i> (unaudited)	Mining operation <i>HK\$'000</i> (unaudited)	Others <i>HK\$'000</i> (unaudited)	Total <i>HK\$'000</i> (unaudited)
Segment assets	105,677	24,034	884,932	710,826	1,725,469
Unallocated assets					114,705
Consolidated total assets					1,840,174

	As at 31 December 2009				
	Limousine rental services <i>HK\$'000</i> (audited)	Airport shuttle bus services <i>HK\$'000</i> (audited)	Mining operation <i>HK\$'000</i> (audited)	Others <i>HK\$'000</i> (audited)	Total <i>HK\$'000</i> (audited)
Segment assets	101,563	20,213	1,024,342	310,117	1,456,235
Unallocated assets					9,385
Consolidated total assets					1,465,620

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL INFORMATION

6. FINANCE COSTS

	Six months ended 30 June	
	2010 HK\$'000 (unaudited)	2009 HK\$'000 (unaudited)
Effective interest expense on convertible notes	2,582	14,337
Interest on bank borrowings wholly repayable within five years	600	488
Interest on obligation under finance leases	104	115
	3,286	14,940

7. INCOME TAX EXPENSE/(CREDIT)

	Six months ended 30 June	
	2010 HK\$'000 (unaudited)	2009 HK\$'000 (unaudited)
Current income tax:		
Hong Kong profits tax	742	508
PRC Enterprise Income Tax	—	65
	742	573
Deferred income tax:		
Origination and reversal of temporary differences	(478)	(738)
	264	(165)

Hong Kong profits tax has been provided at the rate of 16.5% (2009: 16.5%) on the estimated assessable profit for the period.

PRC Enterprise Income Tax has been provided at the prevailing rate of 25% (2009: 25%) on the estimated assessable profit applicable to the Company's subsidiaries established in the PRC.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL INFORMATION

8. EXPENSES BY NATURE

	Six months ended 30 June	
	2010 HK\$'000 (unaudited)	2009 HK\$'000 (unaudited)
Cost of inventories	1,309	4,087
Amortisation of intangible asset (included in direct costs)	801	5,148
Amortisation of mining right (included in direct costs)	1,257	3,025
Depreciation	7,428	6,509
Staff costs (<i>note a</i>)	19,255	13,819
Operating lease rentals in respect of office premises	1,530	1,925
Loss on disposal of property, plant & equipment	170	100
Motor vehicles rental charges	10,410	5,354
Fuel and oil	5,022	3,299
Toll charges	2,266	1,982

(a) Staff costs

	Six months ended 30 June	
	2010 HK\$'000 (unaudited)	2009 HK\$'000 (unaudited)
Directors' emoluments	952	516
Retirement benefit scheme contributions	834	792
Share-based compensation	1,768	—
Other staff costs	15,701	12,511
	19,255	13,819

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL INFORMATION

9. LOSS PER SHARE

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

Diluted loss per share is calculated by adjusting the weighted average number of ordinary shares outstanding to assume conversion of all dilutive potential ordinary shares. The company has two categories of dilutive potential ordinary shares: convertible notes and share options.

	Six months ended 30 June	
	2010 (unaudited)	2009 (unaudited)
Loss attributable to the equity holders of the Company (<i>HK\$ thousands</i>)	(157,363)	(18,902)
<u>Number of shares</u>		
Weighted average number of ordinary shares for the purpose of calculating the basic loss per share (<i>thousands</i>)	2,823,328	1,843,320
Adjustment of share options (<i>thousands</i>)	2,703	N/A
Weighted average number of ordinary shares for the purpose of calculating the diluted loss per share (<i>thousands</i>)	2,826,031	1,843,320
Basic loss per share attributable to the equity holders of the Company (<i>HK cents per share</i>)	(5.58)	(1.03)
Diluted loss per share attributable to the equity holders of the Company (<i>HK cents per share</i>)	N/A	N/A

For the periods ended 30 June 2010 and 30 June 2009, the effect of assumed conversion of the convertible notes and share options of the Company was anti-dilutive.

10. MINING RIGHT

	2010 <i>HK\$'000</i> (unaudited)	2009 <i>HK\$'000</i> (unaudited)
Balance as at 1 January	980,568	987,005
Amortisation during the period	(2,847)	(3,025)
Impairment loss	(153,000)	—
Exchange differences	10,950	(1,177)
Balance as at 30 June	835,671	982,803

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL INFORMATION

11. MOVEMENTS IN PROPERTY, PLANT AND EQUIPMENT

During the six months ended 30 June 2010, the Group acquired motor vehicles and equipment at a cost of approximately HK\$8,865,000 (30 June 2009: HK\$2,714,000).

12. AVAILABLE-FOR-SALE INVESTMENTS

During the period, the Group acquired available-for-sale investments of approximately HK\$381 million (30 June 2009: HK\$126 million). The increase in fair value of available-for-sale investments during the period amounted to approximately HK\$17 million (30 June 2009: HK\$20 million).

13. TRADE RECEIVABLES

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.

The aged analysis of the trade receivables, based on invoice date as at the balance date is as follows:

	2010 HK\$'000 (unaudited)	2009 HK\$'000 (audited)
0 – 30 days	10,761	7,091
31 – 60 days	7,906	9,234
61 – 90 days	4,929	3,761
Over 90 days	2,934	1,370
	26,530	21,456

14. TRADE PAYABLES

The aged analysis of trade payables of the Group is as follows:

	2010 HK\$'000 (unaudited)	2009 HK\$'000 (audited)
0 – 30 days	4,561	5,056
31 – 60 days	1,702	1,126
61 – 90 days	415	478
Over 90 days	2,517	3,078
	9,195	9,738

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL INFORMATION

15. BANK BORROWINGS

During the six months ended 30 June 2010, the Group obtained new bank loans amounting to HK\$12,000,000 (30 June 2009: HK\$3,850,000). The loans carry interest at variable market rate of 1.75% over 1 month HIBOR per annum and are repayable on demand. The proceeds were used to finance the acquisition of property, plant and equipment.

The Group has undrawn banking facilities of HK\$23,159,000 as at 30 June 2010 (31 December 2009: HK\$17,142,000).

As at 30 June 2010, 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\$75,200,000 and HK\$50,000,000 respectively (31 December 2009: HK\$63,200,000 and HK\$50,000,000 respectively).

16. CONVERTIBLE NOTES

Convertible Note I

On 13 June 2007, the Company entered into a Sale and Purchase Agreement (the "S&P Agreement") with Parklane International 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 part, into ordinary shares of the Company at any time between the date of issue of the convertible notes and their maturity on 22 October 2012 at the conversion price of HK\$0.42 per share subject to anti-dilutive adjustments. On 10 September 2008, the conversion price of the convertible note has been adjusted from HK\$0.42 per share to HK\$0.405 per share as a result of the completion of a placing. 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 maturity date.

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

In May 2009, the holder of the convertible notes of the Company has converted the remaining HK\$49,650,000 convertible notes into approximately 122,592,000 new ordinary shares of the Company. There was no Convertible note I outstanding as at 31 December 2009 and 30 June 2010.

Convertible Note II

On 30 January 2008, the Company entered into a sale and purchase agreement as amended by a supplemental deed date 27 June 2008 pursuant to which the Company conditionally agreed to acquire and the vendors conditionally agreed to dispose of the entire issued share capital of the Smart Year Investment Limited, a company legally and beneficially owned as to 90% equity interest in Luchun Xingtai, for a total consideration of HK\$650,000,000. 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. The acquisition was completed on 19 September 2008.

The convertible notes entitle the holders to convert them, in whole or in part, into ordinary shares of the Company at any time between the date of issue of the convertible notes and their maturity on 19 September 2013 at the conversion price of HK\$0.30 per share subject to anti-dilutive adjustments. On 8 February 2010, the conversion price of the convertible notes has been adjusted from HK\$0.30 per share to HK\$0.29 per share as a result of the completion of a placing. 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 maturity date. The Company does not have the right to redeem the convertible notes prior to 19 September 2013.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL INFORMATION

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

In April 2010, the holder of the convertible notes of the Company has converted the remaining HK\$124,171,400 convertible notes into approximately 428,177,000 new ordinary shares of the Company. There was no Convertible note II outstanding as at 30 June 2010.

The fair value of convertible notes is approximate to its carrying amount as at 30 June 2010 and 31 December 2009.

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

	2010 HK\$'000 (unaudited)	2009 HK\$'000 (unaudited)
Carrying amount as at 1 January	74,119	262,828
Interest expenses	2,582	14,337
Interest paid/payable during the period	—	(396)
Conversion of convertible notes	(76,701)	(159,045)
Carrying amount as at 30 June	—	117,724

17. SHARE CAPITAL

	Number of shares '000 (unaudited)	Share capital HK\$'000 (unaudited)
Ordinary shares of HK\$0.10 each		
Authorised		
As at 1 January 2009, 30 June 2009, 1 January 2010 and 30 June 2010	4,000,000	400,000
Issued and fully paid		
As at 1 January 2009	1,515,342	151,534
Placing of new shares (<i>note a</i>)	111,500	11,150
Conversion of convertible notes (<i>note b</i>)	864,232	86,423
As at 30 June 2009	2,491,074	249,107
As at 1 January 2010	2,782,258	278,226
Placing of new shares (<i>note c and d</i>)	519,000	51,900
Conversion of convertible notes (<i>note e</i>)	428,177	42,818
As at 30 June 2010	3,729,435	372,944

Notes:

- (a) Pursuant to a placing and subscription agreement executed on 17 June 2009, a total of 111,500,000 ordinary shares were issued at an issue price of HK\$0.90 per share, raising net proceeds of approximately HK\$99.18 million. The new shares rank *pari passu* in all respects with the existing shares.
- (b) During the six months ended 30 June 2009, convertible notes with a principal amount of HK\$49,650,000 and HK\$222,492,000 were converted into shares of HK\$0.10 each in the Company at the conversion price of HK\$0.405 per share and HK\$0.30 per share respectively. Accordingly, a total of 122,592,592 and 741,640,000 ordinary shares of HK\$0.10 per share were issued respectively.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL INFORMATION

- (c) Pursuant to a placing and subscription agreement executed on 9 February 2010, a total of 334,000,000 ordinary shares were issued at an issue price of HK\$0.90 per share, raising net proceeds of approximately HK\$297 million. The new shares rank pari passu in all respects with the existing shares.
- (d) Pursuant to a placing and subscription agreement executed on 17 June 2010, a total of 185,000,000 ordinary shares were issued at an issue price of HK\$1.10 per share, raising net proceeds of approximately HK\$199 million. The new shares rank pari passu in all respects with the existing shares.
- (e) During the six months ended 30 June 2010, convertible notes of aggregate principal amount of HK\$124,171,400 were converted into ordinary shares of HK\$0.10 each of the Company at the conversion price of HK\$0.29 per share. Accordingly, a total of 428,177,241 ordinary shares were issued.

18. SHARE OPTION SCHEME

The share option scheme (the "Share Option Scheme") of the Company was adopted by the Company pursuant to the written resolutions of the sole shareholder passed on 14 August 2002.

The fair value of the share options granted is recognised as an expense, with a corresponding adjustment to share-based compensation reserve over the vesting period. At the end of each reporting period, the Company revises its estimates of the number of options that are expected to vest. The impact of the revision to original estimates, if any, is recognised in profit and loss, with a corresponding adjustment to equity.

On 18 January 2010 and 11 February 2010, the Company granted 9,000,000 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. Each share option gives the holder the right to subscribe one ordinary share of the Company. None of the options has been exercised or cancelled during current period.

Details of specific categories of options are as follows:

Option type	Date of grant	Vesting period	Number of share options	Exercise period	Exercise price (HK\$)
2010A	18 January 2010	18 January 2010 — 17 January 2011	4,500,000	18 January 2011 — 17 January 2014	1.164
	18 January 2010	18 January 2010 — 17 January 2012	2,250,000	18 January 2012 — 17 January 2014	1.164
	18 January 2010	18 January 2010 — 17 January 2013	2,250,000	18 January 2013 — 17 January 2014	1.164
2010B	11 February 2010	11 February 2010 — 10 February 2011	27,000,000	11 February 2011 — 10 February 2014	1.240

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL INFORMATION

The following table discloses movements of the Company's share options during the period:

	Option type	Outstanding as at 1 January 2010	Granted during period	Outstanding as at 30 June 2010
Directors				
Chan Kam Kwan, Jason	2010A	—	1,500,000	1,500,000
Lau Kwok Kuen, Eddie	2010A	—	1,000,000	1,000,000
Uwe Henke Von Parpart	2010A	—	1,000,000	1,000,000
Yip Kwok Cheung, Danny	2010A	—	1,000,000	1,000,000
Sub-total		—	4,500,000	4,500,000
Employees	2010A	—	4,500,000	4,500,000
Consultants	2010B	—	27,000,000	27,000,000
Total		—	36,000,000	36,000,000

These fair values were calculated using the Binomial model prepared by Vigers Appraisal & Consulting Limited. The inputs into the model were as follows:

	2010A	2010B
Exercise price	HK\$1.164	HK\$1.24
Volatility	83%	82%
Expected option life	4 years	4 years
Annual risk-free rate	1.46%	1.502%
Expected Dividend yield	0%	0%

The Company recognised the total expense of HK\$8,467,826 for the period ended 30 June 2010 in relation to share options granted by the Company.

As at the date of this report, the total number of shares available for issue under the share option scheme is 354,443,548 shares which represents 9.50% of the issued share capital of the company on the date of this report.

19. COMMITMENTS

(a) Operating lease commitments

As at 30 June 2010, 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:

	30 June 2010 HK\$'000 (unaudited)	31 December 2009 HK\$'000 (audited)
Not later than 1 year	7,816	2,226
Later than 1 year and no later than 5 years	775	622
	8,591	2,848

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

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL INFORMATION

(b) Capital commitments

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

	30 June 2010 HK\$'000 (unaudited)	31 December 2009 HK\$'000 (audited)
Property, plant and equipment Contracted but not provided for	6,626	5,925

20. PLEDGE OF ASSETS

At 30 June 2010, the Group has pledged the motor vehicles with a carrying value of approximately HK\$20,541,000 (31 December 2009: HK\$23,438,000) to secure the general banking facilities granted to a subsidiary of the Group.

21. RELATED PARTY TRANSACTIONS

In addition to the transactions and balances disclosed elsewhere in these unaudited condensed consolidated financial information, the following transactions were carried out with related parties:

(a) Period/year-end balances

The amounts due from/to related parties included as current assets or current liabilities are unsecured, interest-free and repayable on demand. For the amount due to a related party classified as non-current liability is unsecured, interest-free and is not repayable within the next twelve months.

(b) Compensation of key management personnel

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

	Six months ended 30 June	
	2010 HK\$'000 (unaudited)	2009 HK\$'000 (unaudited)
Short-term employee benefits	3,102	1,763
Share-based compensation	1,668	—
	4,770	1,763

INTERIM DIVIDEND

The Board of Directors does not recommend the payment of an interim dividend for the six months ended 30 June 2010 (2009: nil).

MANAGEMENT DISCUSSION AND ANALYSIS

Business and Financial Review

The consolidated revenue of the Group for the six months ended 30 June 2010 increased by 31.4% to approximately HK\$55.2 million as compared to the corresponding period last year, of which approximately HK\$51.8 million (2009: HK\$36.5 million) was contributed by the provision of limousine rental and airport shuttle bus services and approximately HK\$3.4 million (2009: HK\$5.5 million) was contributed by the sales of copper ore concentrates. As at 30 June 2010, the Group's net asset value amounted to HK\$1,638.6 million (2009: HK\$1,218.6 million) and cash and bank balances, including restricted cash, amounted to HK\$129.6 million (2009: HK\$22.0 million).

Loss attributable to equity holders of the Company increased to HK\$157.4 million as compared to HK\$18.9 million for the same period recorded in 2009 mainly due to the impairment loss on the valuation of mining right. Basic loss per share is HK\$5.58 cents (2009: HK\$1.03 cents).

An impairment loss on the valuation of mining right is recorded during the period amounted to approximately HK\$153.0 million. The management has been closely monitoring the trend of copper price, both spot and the long-term price projections from the experts in the commodity sector. We have also been closely monitoring the recent global economic development and its impact towards copper price. The Directors had discussions on the future long-term copper price that were used in our valuation model. Based on the latest statistics and relevant information available to the directors, contrary to our previous optimistic expectation, we saw that since our last reporting period, the global economic outlook has not been improving as expected and there is still high degree of uncertainty to the recovery of the general economy which may possibly affect the volatility of the copper price. The Directors reckoned that the Company needed to take a more conservative approach in valuing our own mine. An impairment was therefore made to the fair value of our mine as a result of the adjustment of the long-term copper price projection. Such impairment loss, however, did not have any impact on the operating cash flow of the Group.

Provision of limousine rental and airport shuttle bus services

The limousine rental and airport shuttle bus services segments are operated by Parklane Limousine Service Limited and Airport Shuttle Services Limited, both operations are wholly owned by Perryville Group Limited (collectively the "Perryville Group").

The financial performance of Perryville Group, which marked the results of our limousine rental and airport shuttle bus operations, contributed approximately 93.8% of the overall revenue of the Group. Recorded revenue for the period amounted to HK\$51.8 million (2009: HK\$36.5 million) and an increment of 42.0% is noted. The segment reported an operating profit, before amortisation of intangible asset, of HK\$3.1 million, representing an increase of 110.6% over the corresponding period last year. The increase of segment revenue is attributed by the surging demand for limousine rental services in both Hong Kong and the PRC. Significant growth in travel industry in Hong Kong and the PRC region is the major driver of our revenue increase from this business segment. We consider the trend of the business results in line with the growth of the industry.

During the period, increase in the demand for limousine services is brought by the Shanghai World Expo. There recorded a higher growth rate for our business in Shanghai than the other cities. The Group believes that the World Expo effect will continuously benefit our business for the second half of the year.

The Group continues to provide limousine rental services in the PRC and we expect a steady growth from this sector. Nevertheless, the limousine business in Beijing will gradually phase out and resources will be reallocated to focus on more profitable locations such as Shanghai, Guangzhou and Shenzhen.

Mining Operation

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 Xingtai").

During the period, Luchun Xingtai has contributed revenue of approximately HK\$3.4 million (2009: HK\$5.5 million), and the loss before amortisation and impairment of mining right was approximately HK\$2.1 million (2009: HK\$3.1 million). The production volume of copper ore concentrates was approximately 125 metal tonnes (2009: 116 metal tonnes) and sales of the copper ore concentrates was approximately 74 metal tonnes (2009: 173 metal tonnes).

The cost of sales of the mining segment mainly includes mining, processing and refining cost, ore transportation costs and waste disposal costs.

Total expenditure associated with the mining operation during the period amounted to approximately HK\$5.6 million (2009: HK\$8.6 million).

We have put majority of our focus at Luchun Xingtai operation for further exploration, hence we have not been operating at a full capacity. We will gradually increase our production capacity once we have achieved a satisfactory result from our further exploration activities. During the period, the expenditure associated with the mining exploration activities amounted to approximately RMB0.4 million and the total accumulative expenditure incurred for exploration activities was approximately RMB1.0 million since September 2009.

UPDATE OF RESERVES

The table below sets out the details of the Company's reserves for the period ended 30 June 2010.

Damajianshan Mine Ore Reserve Summary – 31 December 2007 by BDASIA									
JORC Reserve Category	Ore Tonnage (kt)	Grades				Contained Metals			
		Cu %	As %	Pb %	Ag g/t	Cu kt	As kt	Pb kt	Ag t
Proved	4,648	1.49	5.70	1.28	42.6	69.3	265	59.7	198
Probable	3,150	1.42	6.28	1.49	47.9	44.6	198	47.1	151
Total	7,798	1.46	5.94	1.37	44.8	113.9	463	106.8	349

Saved as disclosed in Appendix VII of the circular dated 30 June 2008, the Company's ore reserves as at this date are estimated to contain 7.798 million tonnes of copper ore, contained in within the Damajianshan copper mine site in China. There were no significant changes to our ore reserves in the Damajianshan mine since the date of the last ore reserve statement published as our production has not gone fully underway.

The mining of 22,364 tonnes of copper ore is recorded from Damajianshan mine during the period, representing a decrease of 7.89% compared to the corresponding period last year. As the Company focused more on exploration activities during the period, more resources has been allocated to this aspect, hence lower production is resulted. The Damajianshan mine has in aggregate consumed only approximately 154,000 tonnes out of 7.798 million tonnes of its ore reserves thus derived in no significant changes to our reserves.

Significant Investments

During the period, the Group has further acquired equity stakes in Brockman Resources Limited (“BRM”), a company listed on the Australian Securities Exchange (“ASX”). We have also added a new investment in Australian iron ore sector through an off-market shares subscription and on-market purchases of the shares of FerrAus Limited (“FRS”). FRS is a company listed on the ASX. FRS is principally engaged in the exploration and development of iron ore and manganese.

As at 30 June 2010, the Group has acquired 27,833,505 shares of BRM, representing approximately 19.67% of the total issued share capital of BRM and the market value of such investment as at 30 June 2010 amounted to approximately HK\$551.2 million.

During the period, the Group has acquired in aggregate 30,201,575 shares of FRS, representing approximately 14.90% of issued FRS shares as at 30 June 2010. The market value of such investment as at 30 June 2010 amounted to approximately HK\$156.5 million.

The change in fair value on available-for-sale investments, together with the corresponding exchange loss due to depreciation of Australia dollar, of approximately HK\$16.8 million was recorded in the available-for-sale investment reserve during the six-month period ended 30 June 2010 for the investments in BRM and FRS as described above.

Going forward, the Group will continue to focus its resources in the mining business. While continuing the activities in our existing mine in Yunan, we will seek for potential acquisition opportunities, both in the PRC and overseas. We are aiming at becoming one of the globally competitive mining companies.

The management will consider various debt and equity financing options from time to time to build up an optimal capital structure for the Group and strengthen our capital base.

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 period, the Group has raised net proceeds of approximately HK\$496 million through placements of new shares. The current ratio as at 30 June 2010 measures at 1.78 times compared to 0.62 times as reported as at 31 December 2009. The gearing ratio as at 30 June 2010 (long term debts over equity and long term debts) is measured at 0.02 as compared to 0.07 recorded as at 31 December 2009. As at 30 June 2010, the Group has total bank and other borrowings amounted to approximately HK\$47.1 million, all of which are secured, approximately HK\$45.5 million was due within one year and the balance of HK\$1.6 million was due in more than one year. All of the borrowings are denominated in Hong Kong dollars.

During the period, the Group did not engage in the use of any financial instruments for hedging purposes, and there was no hedging instrument outstanding as at 30 June 2010.

CAPITAL STRUCTURE

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

- (a) Pursuant to placing and subscription agreement executed on 9 February 2010, a total of 334,000,000 ordinary shares were issued at an issued price of HK\$0.90 per share, raising net proceed of approximately HK\$297 million.
- (b) Pursuant to placing and subscription agreement executed on 17 June 2010, a total of 185,000,000 ordinary shares were issued at an issued price of HK\$1.11 per share, raising net proceed of approximately HK\$199 million.
- (c) During the period, convertible notes of aggregate principal amounts of HK\$124,171,400 were converted into ordinary shares of the Company at the conversion price of HK\$0.29 per share. Accordingly, a total of 428,177,241 ordinary shares of the Company were issued. As of the date of this report, all convertible notes issued by the Group have been converted and there are no further convertible notes outstanding.

CHARGES OF ASSETS

As at 30 June 2010, motor vehicles with an aggregate carrying value of HK\$20,541,000 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 concentrate price risk

The Group's revenue and results of the mining business during the period, and the fair value of the Group's mining rights were affected by fluctuations in the copper concentrate price. All of our mining products were sold at the market price. 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 fluctuation of copper concentrate price.

(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 period, no financial instrument was used for hedging purpose.

CONTINGENT LIABILITIES

The Group has no contingent liabilities as at 30 June 2010.

STAFF AND REMUNERATION

As at 30 June 2010, the Group employed 385 full time employees (31 December 2009: 552), of which approximately 264 employees 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.

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

As at 30 June 2010, the interests and short positions of the directors and chief executives and their respective associates in the shares, underlying shares and debentures of the Company and its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO") as recorded in the register maintained by the Company pursuant to Section 352 of the SFO, or which were otherwise required to be notified to the Company and the Stock Exchange, pursuant to the Model Code for Securities Transactions by Directors of the Listed Companies were as follows:

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

Name of Director	Capacity	Number of issued ordinary shares held	Percentage of the issued share capital of the Company
Luk Kin Peter Joseph	Controlled Corporation (<i>Note</i>)	199,456,276	5.35%

Note: The 96,008,000 shares are held by Equity Valley Investments Limited, a company incorporated in the British Virgin Islands (the "BVI") with limited liability, and the entire issued share capital of which is wholly owned by Mr. Luk Kin Peter Joseph ("Mr. Luk") and 103,448,276 shares are held by Prideful Future Investments Limited, a company incorporated in the BVI 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 and in note 18, none of the Directors and chief executives, nor their associates had any interests or short positions in any shares, underlying shares or debentures of the Company or any of its associated corporations as at 30 June 2010.

ARRANGEMENTS TO PURCHASE SHARES OR DEBENTURES

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

SUBSTANTIAL SHAREHOLDERS

As at 30 June 2010, 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 of HK\$0.10 each of the Company

Name of shareholder	Capacity	Number of issued ordinary shares held	Percentage of the issued share capital of the Company
Leading Highway Limited (<i>Note 1</i>)	Beneficial owner	445,500,000	11.95%
Cheng Yung Pun (<i>Note 1</i>)	Interest held by controlled corporations	445,500,000	11.95%
Shimmer Expert Investments Limited (<i>Note 2</i>)	Beneficial owner	279,548,000	7.50%
Groom High Investments Limited (<i>Note 2</i>)	Interest held by controlled corporations	279,548,000	7.50%
Zhang Li (<i>Note 2</i>)	Interest held by controlled corporations	279,548,000	7.50%
Villas Green investments Limited (<i>Note 3</i>)	Beneficial owner	257,760,000	6.91%
Chong Yee Kwan (<i>Note 3</i>)	Interest held by controlled corporations	257,760,000	6.91%
Smartpath Investments Limited (<i>Note 4</i>)	Beneficial owner	204,752,000	5.49%
Tan Lini (<i>Note 4</i>)	Interest held by controlled corporations	204,752,000	5.49%

Notes:

1. The 445,500,000 shares of the Company are held by Leading Highway Limited, which is wholly owned by Cheng Yung Pun.
2. The 279,548,000 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.
3. The 257,760,000 shares of the Company are held by Villas Green Investments Limited, which is wholly owned by Chong Yee Kwan.
4. The 204,752,000 shares of the Company are held by Smartpath Investments Limited, which is wholly owned by Tan Lini.

Other than as disclosed above, the Company has not been notified of any other relevant interests or short positions in the issued share capital of the Company as at 30 June 2010.

PURCHASE, REDEMPTION OR SALE OF LISTED SECURITIES

During the six months ended 30 June 2010, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the listed securities of the Company.

COMPLIANCE OF THE CODE ON CORPORATE GOVERNANCE PRACTICES

The Company has complied with its own code on corporate governance practices which incorporates all 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 (the “Listing Rules”) throughout the six months ended 30 June 2010, except with the following deviation:

Code Provision A.2.1

There was no separation of the role of chairman (the “Chairman”) and chief executive officer (the “CEO”). Mr. Luk Kin Peter Joseph has been appointed as the Chairman of the Company on 16 February 2009 and has assumed the role of both the Chairman and the CEO of the Company. 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 of the role of the Chairman or the CEO when necessary.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the “Model Code”) as set out in Appendix 10 of the Listing Rules as its own code of conduct regarding securities transactions by directors of the Company. Having made specific enquiry to all directors of the Company, all directors confirmed that they have complied with the required standard set out in the Model Code throughout the six months ended 30 June 2010.

AUDIT COMMITTEE

The Audit Committee comprises of three independent non-executive directors, Messrs. Lau Kwok Kuen, Eddie, Uwe Henke Von Parpart and Yip Kwok Cheung, Danny. Mr. Lau Kwok Kuen, Eddie is the Chairman of the Audit Committee. The Audit Committee has adopted the terms of reference which are in line with the CGP Code. The Audit Committee has reviewed the Group’s interim results for the six months ended 30 June 2010.

By Order of the Board
Luk Kin Peter Joseph
Chairman

19 August 2010, Hong Kong