

**New Times Group Holdings Limited**

**新時代集團控股有限公司**

(Incorporated in Bermuda with limited liability)

Stock Code: 166

**NEW TIMES**  
Interim Report  
**2008 GROUP**

## CORPORATION INFORMATION

### BOARD OF DIRECTORS

#### Executive Directors

Mr. Tse On Kin (Chairman)  
Mr. Cheng Kam Chiu, Stewart  
Mr. Cheng Chi Him  
Mr. Li Guoping

#### Non-executive Directors

Mr. Pei Cheng Ming, Michael  
Mr. Wong Man Kong, Peter  
Mr. Chan Chi Yuen

#### Independent Non-executive Directors

Mr. Fung Chi Kin  
Mr. Qian Zhi Hui  
Mr. Chiu Wai On

### AUDIT COMMITTEE

Mr. Chiu Wai On (Chairman)  
Mr. Fung Chi Kin  
Mr. Qian Zhi Hui

### REMUNERATION COMMITTEE

Mr. Fung Chi Kin (Chairman)  
Mr. Qian Zhi Hui  
Mr. Chiu Wai On

### COMPANY SECRETARY AND QUALIFIED ACCOUNTANT

Mr. Yu Wing Cheung

### AUDITOR

CCIF CPA Limited

### LEGAL ADVISER

#### On Hong Kong law

Cheung Tong & Rosa

#### On Bermuda law

Conyers Dill & Perman

### PRINCIPAL BANKERS

Bank of China (Hong Kong) Limited

### HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS

Unit 2003-06 Shui On Centre  
6-8 Harbour Road  
Wanchai  
Hong Kong

### REGISTERED OFFICE

Clarendon House  
2 Church Street  
Hamilton HM 11  
Bermuda

### PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

The Bank of Bermuda Limited  
Bank of Bermuda Building  
6 Front Street  
Hamilton HM 11  
Bermuda

### HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

Tricor Tengis Limited  
26/F Tesbury Centre  
28 Queen's Road East  
Hong Kong

### STOCK CODE

00166

## CONSOLIDATED INCOME STATEMENT (UNAUDITED)

For the six months ended 30 June 2008

(Expressed in Hong Kong dollars)

	Notes	Six months ended 30 June	
		2008 \$'000	2007 \$'000
Turnover	2	<b>20,592</b>	117,661
Cost of sales		<b>(19,552)</b>	(111,995)
Gross profit		<b>1,040</b>	5,666
Other revenue, net income and other operating income		<b>6,485</b>	511
Gain on disposal of subsidiaries	14	<b>4,800</b>	–
Valuation loss on investment properties		<b>(11,241)</b>	–
Equity settled share-based payment expenses		–	(12,838)
Administrative expenses		<b>(13,131)</b>	(3,747)
Other operating expenses		<b>(1,687)</b>	(2,531)
Loss from operations		<b>(13,734)</b>	(12,939)
Finance costs	3	<b>(785)</b>	(341)
Loss before taxation	4	<b>(14,519)</b>	(13,280)
Income tax	5	<b>(242)</b>	(804)
Loss for the period		<b>(14,761)</b>	(14,084)
Attributable to equity shareholders of the Company		<b>(14,761)</b>	(14,084)
Dividends	6	–	–
<b>Loss per share attributable to the equity holders of the Company</b>			
– Basic	7	<b>(1.90 cents)</b>	(2.42 cents)
– Diluted	7	<b>N/A</b>	N/A

The notes on pages 6 to 21 form part of this interim financial report.

## CONSOLIDATED BALANCE SHEET (UNAUDITED)

As at 30 June 2008

(Expressed in Hong Kong dollars)

	Notes	As at 30 June 2008 (Unaudited) \$'000	As at 31 December 2007 (Audited) \$'000
<b>NON-CURRENT ASSETS</b>			
Fixed assets			
– Investment properties		67,082	73,585
– Other property, plant and equipment		4,994	1,785
Goodwill		–	–
Interest in a jointly controlled entity		–	–
		<b>72,076</b>	75,370
<b>CURRENT ASSETS</b>			
Inventories		–	162,598
Trade and other receivables	8	59,846	73,788
Loan receivables, unsecured		–	–
Deposit paid for potential investment		54,600	54,600
Cash and cash equivalents	9	162,214	160,195
		<b>276,660</b>	451,181
<b>CURRENT LIABILITIES</b>			
Trade and other payables	10	5,089	156,573
Other borrowing	11	–	10,700
Obligations under finance leases		11	13
Tax payable		1,477	2,936
		<b>(6,577)</b>	(170,222)
<b>NET CURRENT ASSETS</b>		<b>270,083</b>	280,959
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>		<b>342,159</b>	356,329
<b>NON-CURRENT LIABILITIES</b>			
Obligations under finance leases		31	35
Deferred tax liabilities		1,286	1,286
		<b>(1,317)</b>	(1,321)
<b>NET ASSETS</b>		<b>340,842</b>	355,008
<b>CAPITAL AND RESERVES</b>			
Share capital	12	78,197	77,764
Reserves		262,645	277,244
<b>TOTAL EQUITY</b>		<b>340,842</b>	355,008

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The notes on pages 6 to 21 form part of this interim financial report.

## CONSOLIDATED STATEMENT OF CHANGE IN EQUITY (UNAUDITED)

For the six months ended 30 June 2008

(Expressed in Hong Kong dollars)

	Share capital \$'000	Share premium \$'000	Employee share-based compensation reserve \$'000	Capital reserve \$'000	Exchange fluctuation reserve \$'000	Accumulated losses \$'000	Total reserves \$'000	Total equity \$'000
At 1 January 2008	77,764	353,001	11,554	9,585	3,759	(100,655)	277,244	355,008
Exchange difference on translation of financial statements of a subsidiary	-	-	-	-	845	-	845	845
Disposal of subsidiaries (note 14)	-	-	-	-	(2,849)	-	(2,849)	(2,849)
Shares issued under share option scheme	433	3,450	(1,284)	-	-	-	2,166	2,599
Loss for the period	-	-	-	-	-	(14,761)	(14,761)	(14,761)
<b>At 30 June 2008</b>	<b>78,197</b>	<b>356,451</b>	<b>10,270</b>	<b>9,585</b>	<b>1,755</b>	<b>(115,416)</b>	<b>262,645</b>	<b>340,842</b>
At 1 January 2007	55,631	119,078	-	9,585	903	(40,918)	88,648	144,279
Exchange difference on translation of financial statements of a subsidiary	-	-	-	-	(236)	-	(236)	(236)
Shares issued under placement, net of issuance costs	11,000	75,883	-	-	-	-	75,883	86,883
Equity settled share-based transactions	-	-	12,838	-	-	-	12,838	12,838
Loss for the period	-	-	-	-	-	(14,084)	(14,084)	(14,084)
<b>At 30 June 2007</b>	<b>66,631</b>	<b>194,961</b>	<b>12,838</b>	<b>9,585</b>	<b>667</b>	<b>(55,002)</b>	<b>163,049</b>	<b>229,680</b>

The notes on pages 6 to 21 form part of this interim financial report.

## CONDENSED CONSOLIDATED CASH FLOW STATEMENT (UNAUDITED)

For the six months ended 30 June 2008

(Expressed in Hong Kong dollars)

	Six months ended 30 June	
	2008	2007
	\$'000	\$'000
Net cash used in operating activities	<b>(9,464)</b>	(16,736)
Net cash generated from/(used in) investing activities	<b>9,508</b>	(116)
Net cash generated from financing activities	<b>2,086</b>	76,631
Increase in cash and cash equivalents	<b>2,130</b>	59,779
Effect of foreign exchange rate changes	<b>(111)</b>	(236)
Cash and cash equivalents at 1 January	<b>160,195</b>	14,754
Cash and cash equivalents at 30 June	<b>162,214</b>	74,297

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The notes on pages 6 to 21 form part of this interim financial report.



## NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT

For the six months ended 30 June 2008

(Expressed in Hong Kong dollars)

### 1. BASIS OF PREPARATION

The interim financial report has been prepared in accordance with the applicable disclosure provisions of the Rules Governing the Listing of Securities ("Listing Rules") on The Stock Exchange of Hong Kong Limited ("Stock Exchange"), including compliance with Hong Kong Accounting Standard ("HKAS") 34 "Interim Financial Reporting" issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"). It was authorized for issuance on 23 September 2008.

The preparation of an interim financial report in conformity with HKAS 34 requires management to make judgments, estimates and assumptions that affect the application of policies and the reported amounts of assets and liabilities, income and expenses on a year to date basis. Actual results may differ from these estimates.

This interim financial report contains condensed consolidated financial statements and selected explanatory notes. The notes include an explanation of events and transactions that are significant to an understanding of the changes in financial position and performance of the Group since the annual financial statements for the year ended 31 December 2007. This condensed consolidated interim financial statements and notes thereon do not include all of the information required for full set of financial statements prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs"). HKFRSs include all applicable HKFRS, HKAS and related interpretations.

The interim financial report has been prepared in accordance with the same accounting policies adopted in the annual financial statements for the year ended 31 December 2007.

The HKICPA has issued a number of new and revised HKFRSs that are effective or available for early adoption for accounting periods beginning on or after 1 January 2008. The board of directors believes that the adoption of these new and revised HKFRSs will not have a material impact on the Group's financial position or result of operations.



## **NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT** *(Continued)*

For the six months ended 30 June 2008

(Expressed in Hong Kong dollars)

### **1. BASIS OF PREPARATION** *(Continued)*

The HKFRSs that will be effective or are available for voluntary early adoption in the annual financial statements for the year ending 31 December 2008 may be affected by the issue of additional interpretation(s) or other changes announced by the HKICPA subsequent to the date of issuance of this interim financial report. Therefore the policies that will be applied in the Group's annual financial statements for that period cannot be determined with certainty at the date of issuance of this interim financial report.

The interim financial report is unaudited, but has been reviewed by CCIF CPA Limited in accordance with Hong Kong Standard on Review Engagements 2410 "Review of interim financial information performed by the independent auditor of the entity" issued by the HKICPA.

The financial information relating to the financial year ended 31 December 2007 that is included in the interim financial report as being previously reported information does not constitute the Company's statutory financial statements for that financial year but is derived from those financial statements. The statutory financial statements for the year ended 31 December 2007 are available from the Company's registered office. The auditors have expressed an unqualified opinion on those financial statements in their report dated 25 April 2008.

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### **2. SEGMENT REPORTING**

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 relevant to the Group's internal financial reporting.

#### **Business segments**

For management purposes, the Group is organised into three operating divisions, namely trading of non-ferrous metal, property investment and development and provision of financial services.



## NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT (Continued)

For the six months ended 30 June 2008

(Expressed in Hong Kong dollars)

### 2. SEGMENT REPORTING (Continued)

An analysis of the Group's turnover and operating loss by business segments for the period is as follow:

	Trading of non-ferrous metal		Property investment and development		Financial services		Total	
	2008 \$'000	2007 \$'000	2008 \$'000	2007 \$'000	2008 \$'000	2007 \$'000	2008 \$'000	2007 \$'000
<b>For the six months ended 30 June</b>								
<b>Revenue</b>								
External sales	20,397	116,467	-	1,194	195	-	20,592	117,661
Segment result	(869)	2,376	(6,506)	(2,172)	711	(144)	(6,664)	60
Unallocated corporate expenses							(8,166)	(13,432)
Interest income							1,096	433
Loss from operations							(13,734)	(12,939)
Finance costs							(785)	(341)
Loss before taxation							(14,519)	(13,280)
Income tax							(242)	(804)
Loss for the period							(14,761)	(14,084)

## NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT (Continued)

For the six months ended 30 June 2008

(Expressed in Hong Kong dollars)

### 2. SEGMENT REPORTING (Continued)

#### Geographical segments

In presenting information on the basis of geographical segments, segment revenue is based on the geographical location of customers. Segment assets and capital expenditure are based on the geographical location of the assets.

	Hong Kong		Mainland China		Total	
	2008	2007	2008	2007	2008	2007
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
<b>For the six months ended 30 June</b>						
Revenue:						
External sales	20,592	116,468	-	1,193	20,592	117,661
	<b>As at 30 June 2008</b>	<b>As at 31 December 2007</b>	<b>As at 30 June 2008</b>	<b>As at 31 December 2007</b>	<b>As at 30 June 2008</b>	<b>As at 31 December 2007</b>
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Segment assets	281,654	277,501	67,082	249,050	348,736	526,551
Capital expenditure	3,794	1,811	-	46	3,794	1,857

### 3. FINANCE COSTS

	Six months ended 30 June	
	2008	2007
	\$'000	\$'000
Interest on bank borrowing wholly repayable within five years	-	255
Interest on other borrowing wholly repayable within five years	700	-
Interest on amount due to a securities dealer	84	86
Finance charge on obligations under finance lease	1	-
	<b>785</b>	<b>341</b>

## NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT (Continued)

For the six months ended 30 June 2008

(Expressed in Hong Kong dollars)

### 4. LOSS BEFORE TAXATION

Loss before taxation is arrived at after charging/(crediting):

	Six months ended 30 June	
	2008	2007
	\$'000	\$'000
Cost of inventories	19,540	111,995
Depreciation	539	4
Staff cost (including directors' emoluments)		
– Wages, salaries and other benefits	4,159	1,005
– Contributions to defined contribution retirement scheme	52	20
– Share-based payment expenses	–	12,838
Operating lease charges for the leasing of property	2,465	543
Impairment loss on trade receivables	–	720
Rental income from investment properties		
less direct outgoings of HK\$Nil (For the six months ended 30 June 2007: HK\$208,000)	–	(985)
Interest income	(1,096)	(433)
Exchange gains, net	(4,706)	(73)

### 5. INCOME TAX

	Six months ended 30 June	
	2008	2007
	\$'000	\$'000
Hong Kong		
Provision for the period	141	466
PRC Enterprise Income Tax		
Provision for the period	101	338
	242	804

## NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT (Continued)

For the six months ended 30 June 2008

(Expressed in Hong Kong dollars)

### 5. INCOME TAX (Continued)

The provision for Hong Kong Profits Tax for 2008 is calculated at 16.5% (2007: 17.5%) on the estimated assessable profits for the period. Taxation for subsidiaries outside Hong Kong is charged at the appropriate current rates of taxation ruling in the relevant jurisdictions.

### 6. DIVIDENDS

The directors do not recommend any payment of interim dividend for the six months ended 30 June 2008 (For the six months ended 30 June 2007: Nil)

### 7. LOSS PER SHARE

The calculation of basic loss per share was based on the unaudited consolidated loss attributable to shareholders of HK\$14,761,000 (For the six months ended 30 June 2007: HK\$14,084,000) and the weighted average number of 778,233,222 (As at 30 June 2007: 582,161,384) ordinary shares in issue during the period.

	Number of shares	
	Six months ended 30 June	
	2008	2007
Issued ordinary shares at 1 January	<b>777,638,030</b>	556,305,030
Effect of shares issued under placement	–	25,856,354
Effect of share options exercised	<b>595,192</b>	–
Weighted average number of ordinary shares at 30 June	<b>778,233,222</b>	582,161,384

Diluted loss per share for the six months ended 30 June 2008 and 2007 have not been disclosed as the potential ordinary shares outstanding during the period had an anti-dilutive effect on the basic loss per share for the current and prior period.

## NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT (Continued)

For the six months ended 30 June 2008

(Expressed in Hong Kong dollars)

### 8. TRADE AND OTHER RECEIVABLES

Trade and other receivables comprise:

	<b>As at 30 June 2008 \$'000</b>	As at 31 December 2007 \$'000
Trade receivables	<b>4,651</b>	42,443
Other receivables	<b>30,354</b>	36,348
Less: allowance for doubtful debts	<b>(8,722)</b>	(8,722)
	<b>26,283</b>	70,069
Prepayment and deposits	<b>33,563</b>	3,719
	<b>59,846</b>	73,788

All of the trade and other receivables other than those for which an impairment allowance has been made are expected to be recovered within one year.

Included in trade and other receivables are trade receivables net of allowance for doubtful debts of HK\$4,651,000 (As at 31 December 2007: HK\$4,651,000) with the following age analysis as of the balance sheet date:

	<b>As at 30 June 2008 \$'000</b>	As at 31 December 2007 \$'000
Less than 90 days	–	37,792

Trade debtors are due within 90 days from the date of billing.

## NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT (Continued)

For the six months ended 30 June 2008

(Expressed in Hong Kong dollars)

### 9. CASH AND CASH EQUIVALENTS

	As at 30 June 2008 \$'000	As at 31 December 2007 \$'000
Deposits with banks	146,400	–
Cash at bank and on hand	15,814	160,195
Cash and cash equivalents in the consolidated balance sheet and the consolidated cash flow statement	<b>162,214</b>	160,195

### 10. TRADE AND OTHER PAYABLES

Trade and other payables comprise:

	As at 30 June 2008 \$'000	As at 31 December 2007 \$'000
Trade payables (note a)	–	61,061
Other payables and accruals	4,859	18,248
Deposits received (note b)	–	76,814
Due to directors	230	450
Financial liabilities measured at amortised cost	<b>5,089</b>	156,573

All of the trade and other payables (including amounts due to directors) are expected to be settled or recognized as income within one year or are repayable on demand.

## NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT (Continued)

For the six months ended 30 June 2008

(Expressed in Hong Kong dollars)

### 10. TRADE AND OTHER PAYABLES (Continued)

Notes:

- (a) The following is an ageing analysis of trade payables as at the balance sheet date:

	As at 30 June 2008 \$'000	As at 31 December 2007 \$'000
Less than 90 days	–	61,061

- (b) The balance represented deposits received on properties sold prior to the date of revenue recognition and formed part of the assets being disposed of upon the disposal of Smart Wave Limited ("Smart Wave") on 30 June 2008 as set out in note 14.

### 11. OTHER BORROWING

The other borrowing of HK\$10,700,000 as at 31 December 2007, which was due for repayment on that date, was obtained by Smart Wave from an independent third party and bore interest at 5.85% per annum. Up to 30 June 2008, the balance remained outstanding and compound interest was charged at 7.61% to 8.78% per annum on the outstanding balance. Upon the disposal of Smart Wave on 30 June 2008 as set out in note 14, the Group had no other borrowing as at 30 June 2008.

### 12. SHARE CAPITAL

	As at 30 June 2008		As at 31 December 2007	
	Number of shares '000	Amount \$'000	Number of shares '000	Amount \$'000
<b>Authorised</b>				
Ordinary shares of HK\$0.10 each	20,000,000	2,000,000	20,000,000	2,000,000
<b>Ordinary shares issued and fully paid:</b>				
At 1 January	777,638	77,764	556,305	55,631
Shares issued under placement	–	–	217,000	21,700
Shares issued under share option scheme	4,333	433	4,333	433
At 30 June 2008/31 December 2007	781,971	78,197	777,638	77,764

## NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT (Continued)

For the six months ended 30 June 2008

(Expressed in Hong Kong dollars)

### 13. RESERVES The Company

	Share capital \$'000	Share premium \$'000	Employee share-based compensation reserve \$'000	Contributed surplus \$'000	Accumulated losses \$'000	Total reserves \$'000	Total equity \$'000
At 1 January 2008	77,764	353,001	11,554	122,864	(200,771)	286,648	364,412
Shares issued under share option scheme	433	3,450	(1,284)	-	-	2,166	2,599
Loss for the period	-	-	-	-	(9,513)	(9,513)	(9,513)
At 30 June 2008	78,197	356,451	10,270	122,864	(210,284)	279,301	357,498
At 1 January 2007	55,631	119,078	-	122,864	(228,944)	12,998	68,629
Equity settled share-based transactions	-	-	12,838	-	-	12,838	12,838
Shares issued under placement, net of issuance costs	11,000	75,883	-	-	-	75,883	86,883
Loss for the period	-	-	-	-	(13,800)	(13,800)	(13,800)
At 30 June 2007	66,631	194,961	12,838	122,864	(242,744)	87,919	154,550

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## **NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT** *(Continued)*

For the six months ended 30 June 2008

(Expressed in Hong Kong dollars)

### **13. RESERVES** *(Continued)*

On 8 May 2007, 43,330,000 share options were granted for a nominal consideration to certain directors, employees and persons or entity that provides support or advisory, consultancy, professional or other services to the Group under the Company's share option scheme. The options give the holder the right to subscribe for ordinary shares of HK\$0.1 each of the Company. The options vest from the date of grant and are exercisable within a period of 5 years. The exercise price is HK\$0.60. 4,330,000 options were exercised during the six months ended 30 June 2008.

### **14. DISPOSAL OF SUBSIDIARIES**

On 21 April 2008, the Company entered into a conditional sale and purchase agreement with an independent third party, Rich Fast Holdings Limited ("Rich Fast"), for the disposal of the entire issued share capital together with shareholders' loan of Smart Wave for an aggregate consideration of HK\$12,250,000 (the "Smart Wave Disposal"). Smart Wave holds through a wholly owned subsidiary, Weiqiu Industrial (Shenzhen) Company Limited, the completed property held for sale located in Shenzhen, PRC.

Upon signing of the agreement, the Company received a deposit of HK\$2,000,000 from Rich Fast. The balance of the consideration were received on 30 June 2008.

The Smart Wave Disposal constituted, under the Listing Rules, a major disposal, the details of which were set out in the circular issued by the Company on 29 May 2008. The Smart Wave Disposal had been approved in the special general meeting of the shareholders held on 16 June 2008 and became effective on 30 June 2008.

## NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT (Continued)

For the six months ended 30 June 2008

(Expressed in Hong Kong dollars)

### 14. DISPOSAL OF SUBSIDIARIES (Continued)

Details of the net assets/(liabilities) disposed of in respect of the Smart Wave Disposal are summarised below:

	'000
Property, plant and equipment	42
Inventories	152,512
Other receivables	33,669
Cash and cash equivalents	44
Trade and other payables	(198,343)
Other borrowing	(11,389)
	(23,465)
Assignment of amounts due from the subsidiaries	33,764
Exchange fluctuation reserve realised	(2,849)
Gain on disposal of subsidiaries	4,800
Total consideration – satisfied by cash	12,250
Cash consideration received	12,250
Cash and cash equivalents disposed of	(44)
Net cash inflow arising from Smart Wave Disposal	12,206

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## NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT (Continued)

For the six months ended 30 June 2008

(Expressed in Hong Kong dollars)

### 15. COMMITMENTS

#### (a) Capital commitments

Capital commitments not provided for in the financial statement are as follows:

	<b>As at 30 June 2008 \$'000</b>	As at 31 December 2007 \$'000
Contracted for		
– Acquisition of property, plant and equipment	<b>294</b>	2,885
– Further cost for potential investment	<b>10,257,400</b>	10,257,400
	<b>10,257,694</b>	10,260,285

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Pursuant to the conditional framework agreement on 10 October 2007, the intended contract on 31 October 2007, the supplemental agreement on 11 November 2007, the second supplemental agreement on 26 March 2008 and the third supplemental agreement on 30 August 2008 entered into with two independent third parties (the "Vendors"), the Company agreed to acquire from the Vendors the entire issued share capital of High Luck Group Limited which in turn at completion of acquisition, will be the beneficial and registered owner of 60% interest in each of the Tartagal Concession and the Morillo Concession of the exploration permits and potential exploitation permits for oil and developments of hydrocarbons granted by the Government of Argentina in the province of Salta in northern Argentina for a total consideration of HK\$10,312 million. The Company expects that the acquisition will be completed on or before 28 November 2008.

## NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT (Continued)

For the six months ended 30 June 2008

(Expressed in Hong Kong dollars)

### 15. COMMITMENTS (Continued)

#### (b) Commitments under operating leases

The Group had commitments for future minimum lease payments under non-cancellable operating leases payable as follows:

	As at 30 June 2008 \$'000	As at 31 December 2007 \$'000
Within one year	4,939	4,674
In the second to fifth year, inclusive	6,294	8,328
	<b>11,233</b>	13,002

The Group leases its office under an operating lease arrangement. The lease for properties is negotiated for a term of three years.

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### 16. MATERIAL RELATED PARTY TRANSACTIONS

(a) The Group has not entered into any material related party transactions during the current and prior period.

#### (b) Key management personnel remuneration

Remuneration for key management personnel, including amount paid to the Company's director, is as follows:

	Six months ended 30 June	
	2008 \$'000	2007 \$'000
Short-term employee benefits	2,347	1,005
Post-employment benefits	24	20
Equity compensation benefits	–	6,419
	<b>2,371</b>	7,444

## NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT *(Continued)*

For the six months ended 30 June 2008

(Expressed in Hong Kong dollars)

### 17. FINANCIAL GUARANTEE

During the year 2007, the Group had given a joint corporate guarantee to a bank in connection with bank facilities granted by the bank to Wandi Estate Development Company Limited ("Wandi"), an independent third party. At 31 December 2007, such facilities were drawn down by Wandi, to the extent of RMB35,000,000 (equivalent to HK\$37,450,000). The maximum liability of the Group under the guarantee issued represents the amount drawn down by Wandi of RMB35,000,000 (equivalent to HK\$37,450,000). No recognition was made because the fair value of guarantee was insignificant and that the directors did not consider it is probable that a claim would be made against the Group under the guarantee.

On 6 March 2008, the Group's completed property held for sale was foreclosed by Beijing First Intermediate Peoples Court (北京市第一中級人民法院) as a result of the default in progress repayment of a bank loan by Wandi. According to the management of the Group, Wandi is now negotiating with the creditor bank for the settlement of the default payment.

20 | Upon the disposal of Smart Wave on 30 June 2008 as set out in note 14, the Group had no financial guarantee given as at 30 June 2008.

### 18. EVENTS AFTER THE BALANCE SHEET DATE

On 17 July 2008, Smart Win International Limited ("Smart Win"), a jointly controlled entity of the Group, entered into a legally binding memorandum of understanding ("Memorandum of Understanding") with Empire Energy International Corporation ("Empire Energy"), Great South Land Minerals Ltd ("GSLM") and Mr. Malcolm Bendall, a major shareholder and president of Empire Energy, in respect of the formation of a proposed joint venture to be principally engaged in oil and gas exploration business.

The Memorandum of Understanding sets out the terms under which, in consideration of Smart Win granting Empire Energy a loan of up to AUD5,000,000 (equivalent to approximately HK\$38,000,000) (the "Loan"), Empire Energy will grant to Smart Win an option to enter into a joint venture agreement (the "JV Agreement") with GSLM for the exploration and development of any oil and gas resources within special exploration licence 13/98 ("SEL 13/98") located in Tasmania, Australia (the "Project"). GSLM holds SEL 13/98 until September 2009 and will proceed with an application for a further extension of the licence period. If entered into, GSLM will contribute the exploration and development rights in relation to SEL 13/98 as its investment in the Joint Venture.



## **NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT** *(Continued)*

For the six months ended 30 June 2008

(Expressed in Hong Kong dollars)

### **18. EVENTS AFTER THE BALANCE SHEET DATE** *(Continued)*

Smart Win holds the irrevocable options and may (i) enter into a JV agreement with a funding commitment of AUD\$40,000,000 (equivalent to approximately HK\$304,000,000) and the Loan will be converted as part of the issued share capital of the JV or (ii) opt out the JV agreement and request Empire Energy, Mr. Malcolm Bendall and GSLM jointly and severally repay the Loan.

Empire Energy's obligation to repay the Loan is secured by (i) a deposit of the pledge (the "Pledge") under a pledge and security agreement into a collateral account for the benefit of Smart Win; and (ii) a guarantee from Mr. Malcolm Bendall. The Pledge represents the 32,000,000 issued and outstanding shares of Class A common stock with a par value of US\$0.01 per share, of Empire Energy to be held by the trustees for the benefit of Smart Win in accordance with the pledge and the security agreement.

The pledge and security agreement was entered into on 7 August 2008 between Smart Win and Empire Energy with Mr. Malcolm Bendall and Zions First National Bank. Zions First National Bank appointed as the trustees.

## MANAGEMENT DISCUSSION AND ANALYSIS

### GENERAL OVERVIEW

For the six months ended 30 June 2008, the Group's turnover was HK\$20,592,000 (For the six months ended 30 June 2007: 117,661,000) representing a decrease of 82% as compared to corresponding period in 2007. During the period under review, the Group recorded a loss attributable to shareholders of approximately HK\$14,761,000 (For the six months ended 30 June 2007: HK\$14,084,000). The increase in loss is mainly resulted from decrease in fair value of investment properties and increase in due diligence expenses for professionals and consultants.

### REVIEW OF BUSINESS

#### Non-ferrous metal trading business

During the period under review, demand for non-ferrous metal slowdown due to the tightened monetary policy in China. The Group's non-ferrous metal trading business recorded a turnover of approximately HK\$20,397,000 (For the six months ended 30 June 2007: HK\$116,467,000) with a gross profit of approximately HK\$845,000 (For the six months ended 30 June 2007: HK\$4,472,000).

#### Investment and financial services

22 | During the period under review, the Group entered a sub-underwriting agreement with an independent third party to subscribe certain listed investments. Commission derived from sub-underwriting participation amounted to HK\$684,000 (For the six months ended 30 June 2007: Nil) and all listed investments were subsequently disposed and a profit of approximately HK\$195,000 (For the six months ended 30 June 2007: Nil) was recorded for the period.

#### Property Investments

No rental income was record from the Group properties in Beijing within the period under review (For the six months ended 30 June 2007: HK\$1,194,000). Management of the Group is seeking opportunity to dispose the properties so as to release capital for investment in natural resources industry. During the period under review, fair value of investment properties decreased by HK\$6,503,000 (For the six months ended 30 June 2007: Nil).

#### Disposal of subsidiaries

During the period under review, the Group disposed the entire equity interest in Smart Wave Limited and its subsidiary, which engaged in property development business, to an independent third party. The disposal was completed in June 2008 and recorded a gain of approximately HK\$4,800,000. The assets and liabilities of the Group decreased and generated cash flow approximately HK\$12,206,000 to the Group. Save as above, the disposal did not have any material impact on the Group's net assets and results.

## MANAGEMENT DISCUSSION AND ANALYSIS *(Continued)*

### FUTURE PROSPECTS

The Group's strategy is to focus on its business development in natural resources industry and is seeking investment opportunities from time to time to broaden the Group's sources of income.

On 10 October 2007, 31 October 2007, 12 November 2007, 26 March 2008 and 30 August 2008, the Company entered into a conditional framework agreement, an intended contract, a supplemental agreement, the second supplemental and the third supplemental agreement to acquire from two independent third parties 100% equity interest in High Luck Group Limited which, at completion of the acquisition, will be the beneficial and registered owner of 60% interest in the exploration and potential exploitation concession granted by the Government of Argentina in Tartagal and Morillo, a surface area of approximately 7,065 square kilometers and 3,518 square kilometers respectively, in the province of Salta in northern Argentina. Some initial due diligence exercises were conducted on the above acquisition. However, due to the size of the data obtained in the past few months and the extensiveness of the areas covered by the Concessions, it has taken Netherland, Sewell & Associates, Inc., the Technical Adviser of Tartagal and Morillo concessions, much longer time to process and analyze the information than they expected. The Company expects that the acquisition will be completed on or before 28 November 2008.

In July 2008, Smart Win International Limited ("Smart Win"), a 50/50 joint venture company between the Company and Genesis Energy Holdings Limited (Stock code 00702) entered into a legally binding Memorandum of Understanding with Empire Energy International Corporation ("Empire Energy"), a company incorporated in Nevada and an over-the-counter listed company in the United States of America, and Great South Land Minerals Limited ("GSLM"), a company incorporated in Australia and a wholly owned subsidiary of Empire Energy in respect of formation of a proposed joint venture for the exploration and development of any oil and gas resources within special exploration licence 13/98 ("SEL 13/98") located in Tasmania, Australia. Empire Energy recently estimates that the 14 identified structures on SEL 13/98 may hold undiscovered prospective petroleum resources of between 535 million and 2.29 billion barrels. After completion of drilling the first test well, Smart Win will conduct due diligence to access the potential resources and all aspect related the proposed joint venture so as to decide whether to enter a joint venture agreement with Empire Energy and GSLM.

In the view of the continued economic growth and accelerated industrialization and urbanization in certain parts of the world as well as the development of the global economy, petroleum and other natural resources will have its sustained demand. The consumption of petroleum and natural gas has been a global trend and the price of petroleum and its related products have been rising over the years. The Directors believe that the new business strategy will generate reasonable returns in the future. The Group will continue to seek for potential opportunities in oil and natural gas exploitation and related business to strengthen the earning stream and Shareholders' return.



## **MANAGEMENT DISCUSSION AND ANALYSIS** *(Continued)*

### **CAPITAL STRUCTURE, LIQUIDITY AND FINANCIAL RESOURCES**

As at 30 June 2008, the total equity of the Group was HK\$340,842,000 (As at 31 December 2007: HK\$355,008,000) and the net asset value per share was HK\$0.44 (As at 31 December 2007: HK\$0.46). The debt ratio, calculated by total liabilities divided by total assets, was 2.26% as at 30 June 2008 (As at 31 December 2007: 32.58%). Decrease in debt ratio is resulted from disposal of a PRC subsidiary within the period under review.

As at 30 June 2008, working capital, calculated by current assets minus current liabilities, was HK\$270,083,000. (As at 31 December 2007: HK\$280,959,000).

As at 30 June 2008, the Group had available bank balances and cash of HK\$162,214,000 (As at 31 December 2007: HK\$160,195,000). Bank balances and cash held are mainly denominated in Hong Kong dollars.

As at 30 June 2008, the gearing ratio, calculated on the basis of interest bearing borrowings to total equity, was zero (As at 31 December 2007: 0.03).

- 24 | The significant balance of working capital and the zero gearing ratio as at 30 June 2008 representing the Company had healthy and satisfactory liquidity and gearing positions, respectively.

### **CONTINGENT LIABILITY**

Details of the Company's contingent liabilities are set out in note 17 to the financial statements.

### **CHARGE ON ASSETS**

As at 30 June 2008 and 31 December 2007, the Group had not charged any of its assets.

### **CAPITAL INVESTMENTS AND COMMITMENTS**

Details of the Company's capital commitments are set out in note 15 to the financial statements.

### **FOREIGN EXCHANGE AND INTEREST RATE EXPOSURE**

Revenue and incurred costs of the Group are mainly denominated in Hong Kong Dollar and Renminbi. Management of the Company will closely monitor the fluctuation in this currency and take appropriate actions when condition arises. As at 30 June 2008, the Group does not currently have any hedging activities against its foreign exchange exposure nor does adopt any formal hedging policies.

## MANAGEMENT DISCUSSION AND ANALYSIS (Continued)

### EMPLOYMENT, TRAINING AND REMUNERATION POLICY

As at 30 June 2008, the Group's operations engaged a total of about 17 staffs and workers. The remuneration policy of the Group's employees are reviewed and approved by the executive directors based on individual experience and qualifications as well as the job responsibilities and market conditions at the relevant time. Discretionary bonus is linked to the profit performance of the Group as well as individual performance. Benefits include staff accommodation, medical schemes and Mandatory Provident Fund Scheme for Hong Kong employees, and state-sponsored retirement plans for employees in the People's Republic of China.

### OTHER INFORMATION

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

As at 30 June 2008, the interests and short positions of the directors and or their 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 under Section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO and the Model Code for the Securities Transactions by Directors of Listed Companies were as follows:

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#### Long positions of Directors' interests in shares of the Company

Name of Director	Number of ordinary shares of the Company held			Approximate percentage of the total issued share capital
	Interest in shares	Interest in underlying shares under derivatives/ share options	Total interests	
Mr. Tse On Kin	4,333,000	–	4,333,000	0.55%

## **OTHER INFORMATION** *(Continued)*

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

Save as disclosed above, as at 30 June 2008, none of the directors or their associates had any personal, family, corporate or other interests in the securities of the Company or any of 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 under Section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO and the Model Code for the Securities Transactions by Directors of Listed Companies.

#### **Directors' Rights to Acquire Shares or Debentures**

At no time during the period under review were rights to acquire benefits by means of the acquisition of shares in or debentures of the Company granted to any director or their respective spouse or children under 18 years of age, or were any such rights exercised by them; or was the Company or any of its subsidiaries a party to any arrangement to enable the directors to acquire such rights in any other body corporate.

#### 26 | **Share Option Scheme**

The Company operates a share option scheme (the "Scheme") for the purpose of providing incentives and rewards to eligible participants who contribute to the success of the Group's operations.

On 8 May 2007, 43,330,000 share options were granted under the Scheme to certain directors, employees and persons or entity that provides support or advisory, consultancy, professional or other services to the Group. The exercise price of the share options is HK\$0.60 per share and the closing price of the Company's shares on the date of grant was HK\$0.56.

## OTHER INFORMATION (Continued)

### DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS AND SHORT POSITIONS IN THE SHARES, UNDERLYING SHARES AND DEBENTURES OF THE COMPANY OR ANY ASSOCIATED CORPORATION (Continued)

#### Share Option Scheme (Continued)

The following share options were outstanding as at 30 June 2008:

Category of grantees	Date of grant	Exercisable period	Exercise price	Balance at beginning of the period	Granted during the period	Exercised during the period	Number of share options		Lapsed during the period	Balance at the end of the period
							Transfer (to)/from	other category during the period (Note 1)		
<b>Directors -</b>										
Mr. Tse On Kin	8.5.2007	8.5.2007-7.5.2012	HK\$0.60	4,333,000	-	4,333,000			-	-
Mr. Wu Jian Feng	8.5.2007	8.5.2007-7.5.2012	HK\$0.60	4,333,000	-	-	(4,333,000)		-	-
Mr. Zhang Cheng Jie	8.5.2007	8.5.2007-7.5.2012	HK\$0.60	4,333,000	-	-	(4,333,000)		-	-
				12,999,000	-	4,333,000	(8,666,000)		-	-
<b>Other employees in aggregate</b>	8.5.2007	8.5.2007-7.5.2012	HK\$0.60	8,666,000	-	-			-	8,666,000
<b>Consultants participants in aggregate</b>	8.5.2007	8.5.2007-7.5.2012	HK\$0.60	17,332,000	-	-	8,666,000		-	25,998,000
				38,997,000	-	4,333,000	-		-	34,664,000

Note:

- (1) During the interim period, 4,333,000 options were exercised by Mr. Tse On Kin and 8,666,000 options, granted to Mr. Wu Jian Feng and Mr. Zhang Cheng Jie of 4,333,000 each, resigned executive director on 5 February 2008 and the outstanding options of 8,666,000 are classified under the category of consultants.

#### Directors' Interests in Contracts

No director had a significant beneficial interest, either directly or indirectly, in any contract of significance to the business of the Group to which the Company or any of its subsidiaries was a party during the period under review.

## OTHER INFORMATION *(Continued)*

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

#### **Discloseable Interests and Short Positions of Shareholders under the SFO**

As at 30 June 2008, according to the register kept by the Company pursuant to section 336 of SFO, and so far as is known to any directors of chief executive of the Company, the following persons had, or were deemed or taken to have, an interest or short position in the shares or underlying shares which would fall to be disclosed to the Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO or will be directly or indirectly interested in 5% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any other members of the Group:

Name of Shareholders	Capital and Nature of Interest	Number of Ordinary share held	Percentage of the Company's issued share capital
Chow Tai Fook Enterprises Limited	Directly beneficially owned	29,370,000	3.76%
Max Sun Enterprises Limited	Directly beneficially owned	165,259,530	21.13%
Chow Tai Fook Nominee Limited (i)	In-directly beneficially owned	165,259,530	21.13%
Cheng Yu Tung (ii)	In-directly beneficially owned	194,629,530	24.89%
Kistefos Investment A.S. (iii)	Directly beneficially owned	62,400,000	7.98%
Wong Cheung Yiu (iv)	Directly beneficially owned	4,388,987,047	561.27%
Chan Koon Wa (v)	Directly beneficially owned	2,191,203,428	280.22%

Note:

- (i) 165,259,530 ordinary shares in the Company were held by Max Sun Enterprises Limited, a company which is wholly owned by Chow Tai Fook Nominee Limited.
- (ii) So far as is known to the Directors, Chow Tai Fook Enterprises Limited and Chow Tai Fook Nominee Limited are wholly-owned by Dato' Dr. Cheng Yu Tung.
- (iii) So far as is known to the Directors, Kistefos Investment A.S. is wholly owned by A.S. Kistefos Traesliberi, in which Christen Sveaas has an 85% beneficial interest.

## **OTHER INFORMATION** *(Continued)*

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

#### **Discloseable Interests and Short Positions of Shareholders under the SFO** *(Continued)*

- (iv) Being the total number of Shares and the total number of shares that, subject to certain conversion restrictions, may be converted upon exercise of the conversion rights under convertible note(s) for the amount of HK\$6,400,379,165 to be issued as consideration for the acquisition of rights in oil fields, the particulars of which has been disclosed in the Company announcements dated 25 October 2007, 14 November 2007, 2 May 2008 and 1 September 2008 respectively.
- (v) Being the total number of shares and the total number of shares that, subject to certain conversion restrictions, may be converted upon exercise of the conversion rights under convertible note(s) for the amount of HK\$3,195,391,697 to be issued as consideration for the acquisition of rights in oil fields, the particulars of which has been disclosed in the Company announcements dated 25 October 2007, 14 November 2007, 2 May 2008 and 1 September 2008 respectively.

Save as disclosed above, the directors are not aware of any person had or were deemed or taken to have, an interest or short position in the shares or underlying shares which would fall to be disclosed to the Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO or will be directly or indirectly interested in 5% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any other members of the Group.

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#### **Purchase, Redemption or Sale of Listed Securities of the Company**

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

#### **Code of Corporate Governance Practices**

In the opinion of the directors, the Company had complied with the Code Provisions on Corporate Governance (the "Code Provision(s)") as set out in Appendix 14 of the Listing Rules throughout the six months ended 30 June 2008, except for the following deviations:

##### **Code Provision A.2.1**

This code stipulates that the role of Chairman and Chief Executive Officer should be separate and should not be performed by the same individual.

The Company does not at present have any office with the title "Chief Executive Officer".

## **OTHER INFORMATION** *(Continued)*

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

#### **Code of Corporate Governance Practices** *(Continued)*

##### **Code provisions A.4.1**

This code stipulates that non-executive directors should be appointed for a specific term, subject to re-election.

The non-executive and independent non-executive directors of the Company are not appointed for a specific term but they are subject to retirement by rotation and re-election at the general meeting of the Company.

#### **Review by independent auditor**

The 2008 interim report is unaudited, but have been reviewed by the Company's auditors, CCIF CPA Limited, in accordance with Hong Kong Standard on Review Engagements 2410, "Review of interim financial information performed by the independent auditor of the entity" issued by the Hong Kong Institute of Certified Public Accountants.

#### **Audit Committee**

30 | The 2008 interim report is unaudited, but has been reviewed by the Audit Committee which comprises of three independent non-executive directors of the Company, namely Mr. Chiu Wai On, Mr. Fung Chi Kin and Mr. Qian Zhi Hui. The Audit Committee was established in accordance with the requirements of the Code, for the purposes of reviewing and providing supervision over the Group's financial reporting process and internal controls.

#### **Remuneration Committee**

The Remuneration Committee, comprising three independent non-executive directors of the Company, namely Mr. Fung Chi Kin, Mr. Qian Zhi Hui and Mr. Chiu Wai On, the committee is primarily responsible for reviewing and making recommendations to the Board on the remuneration packages of all executive directors and senior management.

#### **Model Code on Securities Transactions by Directors**

The Company has adopted the Model Code as code of conduct regarding securities transactions by directors on terms no less exacting than the required standard set out in Appendix 10 to the Listing Rules. Having made specific enquiry of all directors, all directors confirmed they have complied with the required standard set out in the Model Code and the code of conduct regarding securities transactions by directors adopted by the Company.

BY THE ORDER OF THE BOARD

**Cheng Kam Chiu, Stewart**

*Executive Director*

Hong Kong, 23 September 2008