



FAR EAST GOLDEN RESOURCES GROUP LIMITED

遠東金源集團有限公司

(incorporated in Bermuda with limited liability)

(Stock Code: 1188)

INTERIM RESULTS FOR THE SIX MONTHS ENDED 30 JUNE 2008

The board of directors (the “Board”) of Far East Golden Resources Group Limited (the “Company”) announces the unaudited condensed consolidated financial statements of the Company and its subsidiaries (the “Group”) for the six months ended 30 June 2008 (the “period”) as follows:

CONDENSED CONSOLIDATED INCOME STATEMENT

FOR THE SIX MONTHS ENDED 30 JUNE 2008

(Expressed in thousands of Hong Kong dollars except per share amount)

		For the six months ended 30 June	
		2008	2007
	Notes	HK\$'000 (Unaudited)	HK\$'000 (Unaudited)
Revenue	3	370,854	450,141
Cost of sales		(350,632)	(429,301)
Gross profit		20,222	20,840
Other income	4	8,912	15,059
Distribution cost and general operating expenses		(73,698)	(49,934)
Operating loss		(44,564)	(14,035)
Finance costs		(3,006)	(2,728)
Loss before income tax		(47,570)	(16,763)
Income tax expense	7	(579)	(2,105)
Loss for the period		(48,149)	(18,868)
Attributable to :			
Equity holders of the Company		(38,629)	(19,246)
Minority interests		(9,520)	378
Loss for the period		(48,149)	(18,868)
Loss per share for loss attributable to the equity holders of the Company during the period			
Loss per share – basic	8	HK (0.77) cent	HK (0.70) cent
Loss per share – diluted	8	N/A	N/A

CONDENSED CONSOLIDATED BALANCE SHEET

AS AT 30 JUNE 2008

(Expressed in thousands of Hong Kong dollars)

		As at 30 June 2008 HK\$'000 (Unaudited)	As at 31 December 2007 HK\$'000 (Audited)
	Notes		
ASSETS AND LIABILITIES			
Non-current assets			
Property, plant and equipment		66,397	53,724
Land use rights		5,648	5,333
Interest in an associate		9,120	8,542
Rental, utilities and other deposits		394	466
		81,559	68,065
Current assets			
Inventories		130,569	113,774
Trade receivables	10	9,019	17,205
Prepayments, deposits and other receivables		44,061	51,915
Amount due from an associate		3,420	2,723
Amounts due from related parties		9,979	1,842
Pledged bank deposits		64,953	76,533
Cash and cash equivalents		286,799	77,337
		548,800	341,329
Current liabilities			
Trade payables	11	51,084	41,071
Accruals and other payables		215,874	208,505
Amounts due to related parties		39,949	47,367
Borrowings		51,382	54,318
Bills payable		112,209	124,423
Provisions		7,828	7,828
Tax payable		39	3,284
		478,365	486,796
Net current assets/(liabilities)		70,435	(145,467)
Net assets/(liabilities)		151,994	(77,402)
EQUITY			
Equity attributable to the Company's equity holders			
Share capital	12	548,265	272,400
Reserves		(413,790)	(375,810)
		134,475	(103,410)
Minority interests		17,519	26,008
Total equity/(capital deficiency)		151,994	(77,402)

NOTES TO THE FINANCIAL STATEMENTS

(Expressed in Hong Kong dollars unless otherwise stated)

1. BASIS OF PREPARATION

The interim financial statements of the Company and its subsidiaries, (collectively referred to as the “Group”) have been prepared in accordance with the disclosure requirements of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “Listing Rules”) and the Hong Kong Accounting Standard (the “HKAS”) 34 “Interim Financial Reporting” issued by the Hong Kong Institute of Certified Public Accountants (the “HKICPA”).

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

2. PRINCIPAL ACCOUNTING POLICIES

The interim financial statements have been prepared on the historical costs basis.

The accounting policies used in the interim financial statements are consistent with those of the annual financial statements of the Group for the year ended 31 December 2007 except as described below.

In the current interim period, the Group has applied the following new standards, amendments and interpretations (collectively referred to as “new HKFRSs”) issued by the HKICPA, which are effective for current accounting period.

HK(IFRIC) -Int 11	HKFRS 2 “Group and treasury share transactions”
HK(IFRIC) -Int 12	Service concession arrangements
HK(IFRIC) -Int 14	HKAS 19 – The limit on a defined benefit asset, minimum funding requirements and their interaction

The adoption of the new HKFRSs has had no material effect on how the results and financial position for the current or prior accounting periods have been prepared and presented. Accordingly, no prior period adjustment is required.

The Group has not early adopted the following HKFRSs that have been issued but are not yet effective. The directors of the Company are currently assessing the impact of these HKFRSs but are not yet in a position to state whether they would have material financial impact on the Group’s interim financial statements.

HKAS 1 (Revised)	Presentation of financial statements ¹
HKAS 23 (Revised)	Borrowing costs ¹
HKAS 27 (Revised)	Consolidated and separate financial statements ²
HKAS 1 (Revised) (Amendments)	Presentation of financial statements - Puttable financial instruments and obligations arising on liquidation ¹
HKAS 32 (Amendments)	Financial Instruments: presentation - Puttable financial instruments and obligations arising on liquidation ¹
HKAS 39 (Amendments)	Financial Instruments: recognition and measurement – Puttable financial instruments and obligations arising on liquidation ¹
HKFRS 2 (Amendments)	Vesting conditions and cancellations ¹
HKFRS 3 (Revised)	Business combinations ²
HKFRS 7 (Amendments)	Financial instruments: disclosures – Puttable financial instruments and obligations arising on liquidation ¹
HKFRS 8	Operating segments ¹
HK(IFRIC) – Int 2 (Amendments)	Members' shares in co-operative entities and similar instruments ¹
HK(IFRIC) – Int 13	Customer loyalty programmes ³
HK(IFRIC) – Int 15	Agreements for the Construction of Real Estate ¹
HK(IFRIC) – Int 16	Hedges of a Net Investment in a Foreign Operation ⁴

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

² Effective for annual periods beginning on or after 1 July 2009

³ Effective for annual periods beginning on or after 1 July 2008

⁴ Effective for annual periods beginning on or after 1 October 2008

3. REVENUE

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

	For the six months ended 30 June	
	2008	2007
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Sale of motor vehicles and provision of repair services	369,946	449,739
Sale of properties	506	67
Revenues from games, rides and other amusement facilities	402	335
	370,854	450,141

4. OTHER INCOME

	For the six months ended 30 June	
	2008	2007
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Interest income	4,480	737
Gain on disposal of a subsidiary	–	6,272
Gain on disposal of land use right	–	5,104
Miscellaneous	4,430	2,946
	<u>8,912</u>	<u>15,059</u>

5. SEGMENT INFORMATION

5.1 Primary reporting format – business segments

The Group is organised into four main business segments, namely sales and repair of motor vehicles, sales of properties, operation of indoor game centres and manufacture and sale of automobile axles.

	Six months ended 30 June 2008				
	Sale and repair of motor vehicles	Sale of properties	Operation of indoor game centres	Manufacture and sales of automobile axles	Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
Revenue					
Sales to external customers	<u>369,946</u>	<u>506</u>	<u>402</u>	<u>–</u>	<u>370,854</u>
Segment results	<u>(2,351)</u>	<u>(13,519)</u>	<u>(17)</u>	<u>–</u>	<u>(15,887)</u>
Unallocated income and expense, net					(28,677)
Finance costs					<u>(3,006)</u>
Loss before income tax					(47,570)
Income tax expense					<u>(579)</u>
Loss for the period					<u><u>(48,149)</u></u>

	Six months ended 30 June 2007				
	Sale and repair of motor vehicles <i>HK\$'000</i> (Unaudited)	Sale of properties <i>HK\$'000</i> (Unaudited)	Operation of indoor game centres <i>HK\$'000</i> (Unaudited)	Manufacture and sales of automobile axles <i>HK\$'000</i> (Unaudited)	Total <i>HK\$'000</i> (Unaudited)
Revenue					
Sales to external customers	<u>449,739</u>	<u>67</u>	<u>335</u>	<u>–</u>	<u>450,141</u>
Segment results	<u>(14,827)</u>	<u>1,554</u>	<u>(545)</u>	<u>(50)</u>	<u>(13,868)</u>
Unallocated income and expense, net					(167)
Finance costs					<u>(2,728)</u>
Loss before income tax					(16,763)
Income tax expense					<u>(2,105)</u>
Loss for the period					<u><u>(18,868)</u></u>

5.2 Secondary reporting format – geographical segments

Over 90% of the Group's revenue was derived in the PRC. In this regard, no separate analysis of segment information by geographical segment is presented.

6. LOSS BEFORE INCOME TAX

Loss before income tax is arrived after charging:

	For the six months ended 30 June	
	2008	2007
	<i>HK\$'000</i>	<i>HK\$'000</i>
	(Unaudited)	(Unaudited)
Staff cost (including directors' emoluments)	17,529	11,619
Depreciation of property, plant and equipment	5,070	3,689
Interests on bank and other loans wholly repayable within five years	3,006	2,728

7. INCOME TAX EXPENSES

No provision for Hong Kong profits tax has been made as the Group did not generate any assessable profits arising in Hong Kong during the period (2007: Nil). Tax on overseas profits has been calculated on the estimated assessable profit for the period at the rates of taxation prevailing in the countries in which the Group operates.

	For the six months	
	ended 30 June	
	2008	2007
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Current tax		
– Overseas tax for the period	579	2,105

8. LOSS PER SHARE

The calculation of basic loss per share is based on the loss attributable to equity holders of HK\$38,629,000 (2007: HK\$19,246,000) and on the weighted average of 5,015,040,978 (2007 (Restated): 2,740,479,270) ordinary shares in issue during the period.

Diluted loss per share was not presented because the impact of the exercise of the share options was anti-dilutive.

9. INTERIM DIVIDEND

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

10. TRADE RECEIVABLES

As at 30 June 2008, the aging analysis of the trade receivables (net of impairment) of the Group was as follows:

	30 June 2008 (Unaudited) HK\$'000	31 December 2007 (Audited) HK\$'000
1 to 3 months	6,110	13,849
Over 3 months	2,909	3,356
	<u>9,019</u>	<u>17,205</u>

11. TRADE PAYABLES

As at 30 June 2008, the aging analysis of the trade payable of the Group was as follows:

	30 June 2008 (Unaudited) HK\$'000	31 December 2007 (Audited) HK\$'000
1 to 3 months	35,158	30,231
Over 3 months	15,926	10,840
	<u>51,084</u>	<u>41,071</u>

12. SHARE CAPITAL

	30 June 2008 (Unaudited)		31 December 2007 (Audited)	
	Number of shares	Amount HK\$'000	Number of shares	Amount HK\$'000
<i>Authorised:</i>				
Ordinary shares of HK\$0.10 each	<u>30,000,000,000</u>	<u>3,000,000</u>	<u>3,000,000,000</u>	<u>300,000</u>
<i>Issued and fully paid:</i>				
Ordinary shares of HK\$0.10 each	<u>5,482,654,464</u>	<u>548,265</u>	<u>2,724,003,232</u>	<u>272,400</u>

On 1 February 2008, the Company completed the rights issue of 2,724,003,232 right shares. In addition, during the period, the directors and employees of the Company and other eligible participants had exercised share options granted by the Company and the number of issued ordinary shares of the Company was increased by 34,648,000.

13. COMMITMENT AND CONTINGENCY

13.1 Commitments

As at 30 June 2008, the Group has capital commitment of approximately HK\$4,500,000 contracted but not provided for the acquisition of the entire equity interest in a company incorporated in the PRC. Details of the acquisition have been set out in note 15.1.

Save as disclosed above, there was no material changes to the Group's commitments during the period.

13.2 Contingency

Save as disclosed in the note 14 (Legal Proceedings) below, the Group had no material contingent liabilities at 30 June 2008.

14. LEGAL PROCEEDINGS

- (1) On 1 December 2003, the PRC joint venture partner ("Shanghai Partner") of Shanghai Whimsy Amusement Co., Ltd. ("Shanghai JV"), commenced proceedings against Shanghai JV alleging claims for guaranteed profits of approximately HK\$454,000 (the "Guaranteed Profits"). A provision had been made in the financial statements in the year ended 31 December 2004 in respect of the Guaranteed Profits. According to the judgement delivered by the Shanghai No.2 Intermediate People's Court ("Shanghai Court") in favour of the Shanghai Partner, the Shanghai Court ordered to freeze the bank accounts of Shanghai JV for the payment of the Guaranteed Profit.
- (2) On 4 November 2004, the PRC joint venture partner ("Wuxi Partner") of Wuxi Whimsy Amusement Co. ("Wuxi JV") commenced proceedings against Wuxi JV alleging claims of legal fee of approximately HK\$94,000, together with the cancellation of the JV agreement and the liquidation of Wuxi JV. The proceedings were discontinued by the Wuxi Partner in 2006.

- (3) In 2005, Zhong Shi Television Purchasing Limited (中視電視購物有限公司) (“Zhong Shi” or the “Plaintiff”), a customer of Ningbo Phoenix Automobile Distribution and Services Co., Ltd., a wholly owned subsidiary of the Company (“Ningbo Phoenix”), commenced legal proceedings against Ningbo Phoenix at Beijing No. 1 Intermediate People’s Court (the “Beijing Court”). The Plaintiff alleged the Ningbo Phoenix was in breach of its obligations under a cooperation agreement and a supply agreement, both were entered into between the Plaintiff and Ningbo Phoenix on 5 July 2004 (collectively, the “2004 Agreements”). According to the 2004 Agreements, Ningbo Phoenix would supply MG Rover motor vehicles to the Plaintiff for three years, in the event that there were any material changes in the circumstances during the said period, the 2004 Agreements would be terminated and Ningbo Phoenix would repurchase the unsold motor vehicles from the Plaintiff and pay for the interests that should have been accrued on the sums intended for the purchase of the unsold motor vehicles. In May 2005, the manufacturer of MG Rover in England declared bankruptcy and the sales of MG Rover in the PRC were seriously affected accordingly. The Plaintiff considered that there was a material change in the circumstances and requested Ningbo Phoenix to terminate the 2004 Agreements and repurchase the unsold motor vehicles together with payment for the interests in accordance with the terms of the 2004 Agreements. Ningbo Phoenix refused such request and the Plaintiff commenced legal proceedings against Ningbo Phoenix and applied for the freezing of cash in the sum of RMB13,370,000 and other assets of Ningbo Phoenix, and sought the following orders from the Beijing Court:

1. the termination of the 2004 Agreements;
2. Ningbo Phoenix to repurchase 24 MG Rover motor vehicles at the price of RMB10,320,000;
3. Ningbo Phoenix to compensate the Plaintiff interests accrued in the sum of RMB3,050,000 arising from the funding of the purchase of 118 MG Rover motor vehicles; and
4. Ningbo Phoenix to be held liable for the expenses incurred in relation to this claim.

Zhong Shi also commenced another legal proceedings against Guangzhou Shenfei Automobile Sales and Services Co., Ltd. (“Guangzhou Shenfei”), a subsidiary of the Company (together with Ningbo Phoenix, the “Defendants”) in the Beijing Court alleging that the Defendants were in breach of their obligations under a motor vehicles sales agreement and a sales services agreement both dated 11 January 2005 (the “2005 Sales Agreements”). According to the 2005 Sales Agreements, Guangzhou Shenfei agreed to repurchase 94 MG Rover motor vehicles during the period between 11 January 2005 and 28 February 2005 (the “Repurchase”), otherwise, Guangzhou Shenfei would be liable for liquidated damages of RMB7,520,000 (the “Liquidated Damages”). On the same date, Ningbo Phoenix also entered into a guarantee agreement (the “2005 Guarantee Agreement”) in favour of the Plaintiff to guarantee the performance of Guangzhou Shenfei’s

obligations under the Repurchase and the payment of the Liquidated Damages. The Plaintiff alleged that the Defendants failed to perform the 2005 Sales Agreements and the 2005 Guarantee Agreement and applied for the freezing of the Defendants' bank accounts and assets including: two bank accounts of Ningbo Phoenix and one bank account of Guangzhou Shenfei; 51% equity interest in Shanghai Yitong Automobile Sales Co., Ltd.; 51% equity interest in Shanghai Yitong Automobile Services Co., Ltd.; 51% equity interest in Shanghai Jiaoyun-Shengfei Automobile Sales and Service Co., Ltd.; 51% equity interest in Guangzhou Shenfei; 51% equity interest in Shanghai Huanya Zhongjin International Trade Co., Ltd. and 50% equity interest in Ningbo Huadu Real Estate Co., Ltd., all of which were held by Ningbo Phoenix, and also sought the following orders from the Beijing Court:

1. the performance of the 2005 Sales Agreements and the 2005 Guarantee Agreement;
2. Guangzhou Shenfei to purchase from the Plaintiff 94 MG Rover motor vehicles at the price of RMB40,420,000;
3. Guangzhou Shenfei to pay to the Plaintiff the Liquidated Damages of RMB7,520,000;
4. Ningbo Phoenix be held liable for the orders sought above; and
5. the Defendants be held liable for the expenses incurred in relation to this claim.

In December 2005, the Beijing Court delivered judgement in favour of the Plaintiff on the above cases and the Defendants appealed on the said judgement. In relation to the case involving the 2004 Agreements, the Beijing Superior People's Court (北京市高级人民法院) dismissed the appeal on 1 June 2006, upheld the judgement of the Beijing Court and ordered:

1. the discharge of the 2004 Agreements;
2. Ningbo Phoenix to repurchase 24 MG Rover 75 Model motor vehicles at the consideration of RMB10,320,000; and
3. Ningbo Phoenix to pay the interest accrued from 28 July 2005 up to the payment date to the Plaintiff.

In relation to the case involving the 2005 Agreements, the Beijing Superior People's Court (北京市高级人民法院) dismissed the appeal on 1 June 2006, upheld the judgement of the Beijing Court and ordered:

1. the performance of the 2005 Sales Agreements;

2. Guangzhou Shenfei to purchase 94 MG Rover 75 Model motor vehicles at the consideration of RMB40,420,000;
 3. Guangzhou Shenfei to pay the Liquidated Damages of RMB7,520,000 to the Plaintiff;
 4. Ningbo Phoenix be liable for the obligations of Guangzhou Shenfei regarding payment of purchase price of the 94 MG Rover motor vehicles and the Liquidated Damages; and
 5. the costs of RMB249,710 and the assets preservation fees of RMB240,220 be paid by Guangzhou Shenfei and Ningbo Phoenix in equal shares.
- (4) On 7 March 2006, Ningbo Phoenix commenced legal proceedings against Zhong Shi at Shanghai No. 1 Intermediate People's Court (上海市第一中級人民法院) ("Shanghai Court"). Ningbo Phoenix alleged that Zhong Shi was in breach of its obligations under the cooperation agreement dated 5 July 2004 entered into between Ningbo Phoenix and Zhong Shi and claimed for compensation of loss from Zhong Shi in the sum of RMB17,564,080. In response to Ningbo Phoenix's application for preservation of assets of Zhong Shi pending appeal, the Shanghai Court granted a civil award to freeze the cash and assets held by Zhong Shi, including 41 MG Rover 75 model motor vehicles. On 19 April 2006, the Shanghai Court ruled in favour of Zhong Shi in relation to its opposition based on the ground of inappropriate jurisdiction and transferred the case to the Beijing Court for handling. On 23 August 2006, the appeal by Ningbo Phoenix on the ruling of Shanghai Court in relation to inappropriate jurisdiction was dismissed by Shanghai City Superior People's Court (上海市高級人民法院).
- On 17 April 2007, the Beijing Court opened a court session for the case for Ningbo Phoenix as the Plaintiff, commenced legal proceedings against Zhong Shi at Beijing Court that Ningbo Phoenix alleged that Zhong Shi was in breach of its obligations under the 2004 Agreements and claimed for compensation of loss from Zhong Shi in the sum of RMB17,564,000. In August 2007, the Beijing Court delivered judgement in favour of Zhong Shi and the allegation of Ningbo Phoenix was overridden. The Beijing Court has ordered Ningbo Phoenix to pay court costs of RMB97,000 and asset preservation fees of RMB88,000.
- (5) On 7 December 2005, Shenzhen Shin Dai Dong Air-Conditioning Limited (深圳市新大東空調有限公司) commenced arbitration proceedings against Guangzhou Shenfei for payment of purchase of goods amounting to RMB279,242 and liquidated damages of RMB13,962 at the Guangzhou Arbitration Commission ("GAC"). The hearing was held on 13 March 2006 and an award was made in favour of Shenzhen Shin Dai Dong Air-Conditioning Limited and Guangzhou Shenfei was ordered to pay the said purchase consideration and liquidated damages. On 22 December 2006, the Guangzhou City Liwen District People's Court (廣州市荔灣區人民法院) granted a civil award to freeze, attach and seize assets of Guangzhou Shenfei in the amount of RMB293,204.

- (6) On 21 November 2005, Xin Xing Construction Company (新興建築工程公司) commenced arbitration proceedings against Guangzhou Shenfei for payment of a fee of RMB4,156,299 pursuant to a construction agreement at the GAC. The hearing was held on 9 May 2006 and award has been made in favour of the plaintiff of RMB3,030,769.
- (7) On 17 January 2006, Shanghai Mei Shu Design Co. (上海美術設計公司), commenced legal proceedings against Guangzhou Shenfei for payment of project fee of RMB3,948,269. Judgement in favour of Shanghai Mei Shu Design Co. was delivered on 9 April 2006. Guangzhou Shenfei appealed to the Court of Second Instance and the hearing was held on 14 July 2006. Final judgement was delivered on 18 August 2006 to uphold previous judgement.
- (8) On 17 January 2006, Shanghai Long Bok Construction Development Co., Ltd. (上海龍博建設發展有限公司), commenced legal proceedings against Guangzhou Shenfei for payment of project fee of RMB1,130,056. On 14 April 2006, judgement in favour of Shanghai Long Bok Construction Development Co., Ltd. in the amount of RMB812,000 was delivered. Guangzhou Shenfei appealed to the Court of Second Instance and the hearing was held on 14 July 2006. Final judgement was delivered on 18 August 2006 to uphold previous judgement.
- (9) On 6 March 2006, Industrial Bank, Guangzhou Branch (興業銀行廣州分行) (the “Bank”), commenced two legal proceedings against Guangzhou Shenfei and six guarantors in relation to Guangzhou Shenfei’s failure to repay a loan in the sum of RMB15,000,000. The Bank sought an order that:
1. Guangzhou Shenfei to repay the loan in the sum of RMB15,000,000 together with interests accrued thereon;
 2. the six guarantors (including Ningbo Phoenix) be liable for the obligations of Guangzhou Shenfei under the loan arrangement; and
 3. Guangzhou Shenfei and the six guarantors be liable for all costs and expenses incurred in relation to the proceedings and the assets preservation fee.

The Guangdong Province Guangzhou City Intermediate People’s Court (廣東省廣州市中級人民法院) granted a civil award on 31 March 2006 to freeze the bank accounts and assets of Guangzhou Shenfei and the six guarantors, each in an amount of RMB15,000,000 and also to attach and seize their assets of an equivalent value.

The two proceedings were heard together on 31 July 2006. Judgements in favour of the Bank were delivered on 22 August 2006 (the “Judgement”), details as follows:

1. Guangzhou Shenfei to repay the loan in the sum of RMB15,000,000 together with interest accrued thereon;
2. The six guarantors (including Ningbo Phoenix) be liable for the obligations of Guangzhou Shenfei under the loan arrangement; and
3. Guangzhou Shenfei and the six guarantors be liable for all costs and expenses incurred in relation to the proceedings and the assets preservation fee.

On 12 December 2007, the Guangdong Province Superior People’s Court (廣東省高級人民法院) issued a designated execution order (指定執行決定書) and authorized Yang Jiang City Jiang Cheng District People’s Court (陽江市江城區人民法院) to execute the Judgements of the Guangdong Province Guangzhou City Intermediate People’s Court.

On the 18 February 2008, the Yang Jiang City Jiang Cheng District People’s Court ordered Guangzhou Shenfei and the six guarantors to:

1. report their current financial position; and
2. to fulfill their obligations in connection with the Judgements.

Guangzhou Shenfei and the six guarantors have reported their financial information and no further action has been taken by to Yang Jiang City Jiang Cheng District People’s Court up to the date of this report.

- (10) On 14 March 2006, Guangzhou City Liwan District Shareholding Economic Association (廣州市荔灣區中南街海南股份經濟聯合社) as plaintiff, commenced legal proceedings against Guangzhou Shenfei in relation to a tenancy agreement at the Guangzhou City Liwan District People’s Court (廣州市荔灣區人民法院). On 28 March 2006, the court granted a civil award that the assets of Guangzhou Shenfei in the sum of RMB2,500,000 be attached, seized and frozen. The court also handed down judgement in favour of the plaintiff on 6 June 2006 and ordered:

1. the discharge of the tenancy agreement made between the parties;
2. Guangzhou Shenfei to deliver vacant possession of the land in dispute to the plaintiff;
3. possession of the buildings erected on the land in dispute be delivered to the plaintiff;

4. Guangzhou Shenfei to pay (i) the outstanding rent for the period from 15 September 2005 to the date of delivery of possession (at the rate of RMB216,512 per month); (ii) damages on the outstanding rent (from 15 September 2005 to the date of full repayment at 1% of the outstanding rent per day, subject to a maximum amount equivalent to the outstanding rent); and (iii) the court costs in the sum of RMB30,608 and claim preservation fees in the sum of RMB13,020.

Guangzhou Shenfei appealed to the Guangzhou Intermediate People's Court (廣州中級人民法院) and the hearing was held on 13 September 2006. Final judgement was made on 8 October 2007 as follows:

1. Discharge of the tenancy agreement made between the parties;
 2. Guangzhou Shenfei to pay the outstanding rent for the period from 15 September 2006 to the date of delivery of possession (at the rate of RMB216,512 per month);
 3. Guangzhou Shenfei to pay the damages on the outstanding rent (from 15 September 2006 to the date of full repayment at 1% of the outstanding rent per day, subject to a maximum amount equivalent to the outstanding rent);
 4. Guangzhou Shenfei to deliver vacant possession of the land in dispute to the plaintiff;
 5. Guangzhou Shenfei to pay the claim preservation fees in the sum of RMB39,506.
- (11) On 14 April 2005, Zhenjiang Dong Lian Storage Company Limited (鎮江東聯倉儲設備有限公司) as plaintiff, commenced legal proceedings against Guangzhou Shenfei for payment of a sum of RMB132,540 being fees for services rendered and RMB9,100 of overdue interests in relation to a services agreement at Jiangsu Province Zhenjiang City Jingkou District People's Court (江蘇省鎮江市京口區人民法院). The court ruled in favour of the plaintiff and assets in the sum of RMB148,000 of Guangzhou Shenfei have been attached, seized and frozen.
- (12) On 21 February 2006, Shandong Yantai Da Cheng Company (山東煙台大成公司), commenced legal proceedings against Guangzhou Shenfei for payment of a sum of RMB1,000,000 and overdue penalties of RMB76,650 in relation to a sale and purchase of motor vehicles. On 27 February 2006, Shandong Province Yantai Zhifu District People's Court (山東省煙台市芝罘區人民法院) ordered that the deposit of RMB1,000,000 in the bank account of Guangzhou Shenfei be frozen or other assets of equivalent value be attached, seized and frozen pending hearing.

The obligations and the expected outflows of economic benefits in respect of the above legal proceedings have been provided for in the financial statements.

15. POST BALANCE SHEET EVENTS

- 15.1 On 23 May 2008, the Group entered into a share transfer agreement to acquire the entire equity interest in Jilin Shengshi Mining Limited (“Jilin Shengshi”), a limited liability company established in the PRC at the consideration of RMB4,000,000 in cash. The acquisition of Jilin Shengshi was completed on 8 August 2008. Following the acquisition, Jilin Shengshi became a wholly owned subsidiary of the Group. Details of this acquisition are disclosed in the Company’s announcements dated 25 May 2008 and 8 August 2008.
- 15.2 On 11 July 2008, the Group entered into an agreement to inject RMB39,000,000 in cash to Beijing Century Wanyeyuan Bio-Engineering Co., Ltd. (“Beijing Century”), a limited liability company established in the PRC. The capital injection in Beijing Century was completed on 18 September 2008. Following the capital injection, the Group owned 65% of the equity interest in Beijing Century and Beijing Century became a non-wholly owned subsidiary of the Group. Details of this capital injection are disclosed in the Company’s circular dated 28 July 2008 and announcement dated 18 September 2008.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

Overview

The principal business of the Group during the period include dealership of motor vehicles and provision of repair services, properties development, operation of indoor family entertainment game centers and manufacturing and selling automobile axles in the PRC.

During the period, the Group experienced a very challenging, if not difficult, business environment over its original core businesses.

The Group’s turnover and loss attributable to shareholders for the first six months of 2008 amounted to HK\$370.85 million (2007: HK\$450.14 million) and HK\$38.63 million (2007: HK\$19.25 million) respectively. As compared to the corresponding period in 2007, the turnover decreased by 17.61% while the loss increased by 100.71%. The increase in loss was mainly due to the increase of general operating expenses from HK\$58.24 million to HK\$62.83 million and reflecting the value of HK\$14.45 million in relation to the share options granted in February 2008.

(a) *Dealership of motor vehicles and provision of repair services*

In 2008, the Group operated five sales outlets and five repair centers in Shanghai and Ningbo. For the first six months of 2008, the turnover and the loss in the segment of sale and repair of motor vehicles were HK\$369.95 million (2007: HK\$449.74 million) and HK\$2.35 million (2007: HK\$14.83 million) respectively.

(b) *Property development*

The Group undertakes property development in Ningbo. The development project comprises of a residential project in Ningbo, the PRC with a site area of approximately 10,300 square meters and saleable floor area of approximately 2,051.39 square meters in 2008. The project was completed at the end of 2005. During the period, it sold a total of approximately 243.98 square meters (2007: 50.04 square meters) floor area. Due to the increase of general operating expenses, even the turnover increased from HK\$67,000 to HK\$506,000, the loss for the year increased to HK\$13.52 million (2007 gain: HK\$1.55 million).

(c) *Games center*

The Group continued to operate two indoor family entertainment game centers in the PRC. This business recorded turnover HK\$402,000 (2007: HK\$335,000) and a loss of HK\$17,000 (2007: HK\$545,000) in the first half of 2008. The Group has no intention to commit more resources to this business line as the prospects for operating indoor game center in the PRC is gloomy in the highly competitive environment in the market.

(d) *Automobile axles*

The Group's 51% owned sino-foreign equity joint venture (the "JV") established in the PRC, Shenyang Liaohua Automobile Axles Company Ltd, has suspended operations since the mid of 2004 as a result of re-allocation of plant. The Chinese joint venture partner proposed a substantial expansion of the JV, the Group reviewed and considered the proposal and took the view that the expansion of the JV is not in the best interests of the Group. Since the suspension is not likely to be resumed in the near future and for the sake of prudence, the Group made full provision for the abandoned assets and thus reduced the losses from the operation of this business from HK\$0.05 million in 2007 to HK\$0 in June 2008.

PROSPECTS

The Board is committed to enhance the overall performance of the Group in a prudent and selective manner and has been actively re-evaluating its existing operations. The strategies to be adopted by the Group include downsizing or, if suitable opportunities arise, existing and divesting its loss-making or less profitable operations, continuing to explore investment opportunities with high growth potentials and re-deploying more resources to the newly developed businesses with relatively more promising prospects such as the environmental and natural resources related sectors.

On 23 May 2008, the Group entered into a share transfer agreement to acquire the entire equity interest in Jilin Shengshi Mining Limited (“Jilin Shengshi” and its subsidiary, “Jilin Shengshi Group”) at the consideration of RMB4,000,000 in cash. The acquisition of Jilin Shengshi was completed on 8 August 2008. The Jilin Shengshi Group is principally engaged in the mining of natural resources business. Given the scarcity of, and the increasing demand for, natural mineral resources globally, the Board is optimistic about the prospects of natural mineral resources business.

On 11 July 2008, the Group has entered into an agreement to inject RMB39,000,000 in cash to Beijing Century Wanyeyuan Bio-Engineering Co., Ltd. (“Beijing Century” and its subsidiary, “Beijing Century Group”). The capital injection in Beijing Century was completed on 18 September 2008. The Beijing Century Group is principally engaged in the research and development in the field of bioorganic fertilizer and environmental protected related business and products. With the steady growth of the global population, on-going reduction in arable land, and progressive rise in living standards globally, the demand for fertilizers and environmental protected products is expected to increase significantly

USE OF PROCEEDS DURING THE PERIOD

The Group adopts a prudent approach for cash management and investment on uncommitted funds.

The proceeds raised and utilised or remain unutilised as at 30 June 2008 are stated as follows:–

Date of announcement	Event	Net proceeds raised	Proposed use of the net proceeds	Actual use of the net proceeds during the period
6 July 2007	Placing of an aggregate of 241,860,000 new Shares	Approximately HK\$62 million	Depending on market conditions and availability of investment opportunities, the net proceeds are intended for pursuing acquisition opportunities or, if no suitable acquisition opportunities could be identified, as general working capital to support the outgoing operations of the Group	The net proceeds have been partially utilized as follows: – approximately HK\$35 million for general working capital purpose – approximately HK\$27 million has not been utilized and is expected to be used for the purpose as originally proposed and disclosed in the announcement of the Company relating to the Placing
4 February 2008	Rights Issue of an aggregate of 2,724,003,232 Rights Shares	Approximately HK\$266 million	The net proceeds are intended for, as to 10% for debt reduction, 20% for general working capital of the Group and 70% for future possible investment or acquisition projects or (if none of such projects could be materialized) for general working capital of the Group	The net proceeds have been partially utilized as follows: – approximately HK\$8 million for general working capital of the Group – approximately HK\$16 million for repayment of loan; and – approximately HK\$242 million has not been utilized and is expected to be used for the purpose as originally proposed and disclosed in the announcements of the Company relating to the Rights Issue

LIQUIDITY AND FINANCIAL RESOURCES

As at 30 June 2008, net current assets of the Group were approximately HK\$70.44 million (31 December 2007 net current liabilities: HK\$145.47 million). The pledged bank deposits were approximately HK\$64.95 million (31 December 2007: HK\$76.53 million) while the cash and cash equivalents amount to HK\$286.80 million (31 December 2007: HK\$77.34 million). The Group has outstanding borrowings of approximately HK\$163.59 million (31 December 2007: 178.74 million) comprising (i) bills payable of HK\$112.21 million (31 December 2007: 124.42 million) (ii) secured bank loans of HK\$44.63 million (31 December 2007: HK\$48.00 million) and (iii) other loans of HK\$6.75 million (31 December 2007: 6.32 million). The bank borrowings are basically on floating interest rate basis.

HUMAN RESOURCES AND REMUNERATION POLICIES

The Group had a total of approximately 582 employees as at 30 June 2008. It has been the Group's policy to ensure that the pay levels of its employees are reviewed and rewarded on a performance related basis within the general framework of the Group's salary and bonus system. The Group has participated in a mandatory provident fund scheme for its employees based in Hong Kong. Shares options may also be granted to employees and other eligible persons of the Group to incentives and/or reward for their contributions to the Group.

PLEDGE OF GROUP ASSETS

As at 30 June 2008, certain of the Group's assets with a net book value of approximately HK\$4.35 million (31 December 2007: HK\$3.59 million) and bank deposits of HK\$64.95 million (31 December 2007: HK\$76.53 million) were pledged to secure the general banking facilities granted to the Group.

EXPOSURE TO FLUCTUATIONS IN EXCHANGE RATES AND ANY RELATED HEDGES

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

MATERIAL ACQUISITIONS AND DISPOSALS

There were no new business or material acquisitions and disposals during the six months period ended 30 June 2008.

SUBSEQUENT EVENT

Refer to Note 15 to the Financial Statements.

PURCHASE, SALES OR REDEMPTION OF SECURITIES

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

COMPLIANCE WITH THE CODE ON CORPORATE GOVERNANCE PRACTICES

The Board is committed to raising the standard of corporate governance within the Group in order to enhance the transparency in disclosure of material information. The Company has complied with the Code on Corporate Governance Practices (the “Code”), as set out in Appendix 14 of the Listing Rules throughout the period.

COMPLIANCE WITH THE CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted its own code of conduct regarding securities transactions which are applicable to all directors and to those employees to whom the code is given and whom are informed that they are subject to its provisions on terms no less exacting than the required standard of the Model Code as set out in Appendix 10 of the Listing Rules. The Company, having made specific enquiry of all directors of the Company, confirmed that all directors have complied with the required standard of dealings set out therein throughout the period.

AUDIT COMMITTEE

The Company has established an Audit Committee with terms of reference governing the authority and duties of the Audit Committee. The Audit Committee has reviewed and discussed with management of the Company the accounting principles and practices adopted by the Group, internal controls and financial reporting matter, including a review of the unaudited condensed consolidated financial statements for the six months ended 30 June 2008.

PUBLICATION OF THE INTERIM REPORT

The interim report of the Company for the six months ended 30 June 2008 will be published on the website of the Stock Exchange (www.hkex.com.hk) and the website of the Company (<http://gr1188.etnet.com.hk>) in due course.

By Order of the Board
Hui Wing Sang, Wilson
Director

Hong Kong, 23 September 2008

As at the date of this announcement, the Board comprises five executive directors, namely Mr Yeung Yung (Chairman), Mr Liu Quan (Deputy Chairman), Mr Wang Xiaolin (Chief Executive Officer), Mr Hui Wing Sang, Wilson, Mr. Zhu Shengliang and three independent non-executive directors, namely Mr He Bangjie, Mr Ba Shusong and Mr Ting Kwok Kit, Johnny.