# 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 2009

The board (the "Board") of directors (the "Directors") of Far East Golden Resources Group Limited (the "Company") is pleased to announce the unaudited condensed consolidated financial statements of the Company and its subsidiaries (the "Group") for the six months ended 30 June 2009 (the "period") as follows:

## CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

*For the six months ended 30 June 2009*

| | Notes | Six months ended 30 June<br>**2009**<br>***HK$'000***<br>**(Unaudited)** | <br>2008<br>*HK$'000*<br>(Unaudited) |
|---|---|---|---|
| **Continuing operations** | | | |
| **Revenue** | *3* | **8,061** | 402 |
| Cost of sales | | **(2,184)** | (65) |
| **Gross profit** | | **5,877** | 337 |
| Other income | *4* | **1,306** | 3,125 |
| Distribution costs and general operating expenses | | **(54,029)** | (32,442) |
| **Loss before income tax** | *6* | **(46,846)** | (28,980) |
| Income tax expense | *7* | **(943)** | – |
| **Loss for the period from continuing operations** | | **(47,789)** | (28,980) |
| **Discontinued operations** | | | |
| Loss for the period from discontinued operations | *8* | **–** | (19,169) |
| Loss for the period | | **(47,789)** | (48,149) |

| | Notes | Six months ended 30 June **2009** **HK$'000** **(Unaudited)** | 2008 *HK$'000* (Unaudited) |
|---|---|---|---|
| **Other comprehensive income/(loss)** | | | |
| Exchange differences on translation of financial statements of subsidiaries | | **166** | (8,515) |
| **Other comprehensive income/(loss) for the period** | | **166** | (8,515) |
| **Total comprehensive loss for the period** | | **(47,623)** | (56,664) |
| **Loss for the period attributable to :** | | | |
| Equity holders of the Company | | **(47,945)** | (38,629) |
| Minority interests | | **156** | (9,520) |
| | | **(47,789)** | (48,149) |
| **Total comprehensive loss attributable to:** | | | |
| Equity holders of the Company | | **(47,820)** | (47,058) |
| Minority interests | | **197** | (9,606) |
| | | **(47,623)** | (56,664) |
| **Loss per share for loss attributable to the equity holders of the Company during the period** | *9* | | |
| **From continuing and discontinued operations** | | | |
| **Loss per share – basic** | | **HK(0.87) cent** | HK (0.77) cent |
| **Loss per share – diluted** | | **N/A** | N/A |
| **From continuing operations** | | | |
| **Loss per share – basic** | | **HK(0.87) cent** | HK (0.57) cent |
| **Loss per share – diluted** | | **N/A** | N/A |

## CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

*As at 30 June 2009*

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

# NOTES TO THE INTERIM FINANCIAL STATEMENTS

*For the six months ended 30 June 2009*

## 1. BASIS OF PREPARATION

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

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

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

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

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

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

***HKAS 1 (Revised 2007) – Presentation of financial statements***

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

### *Adoption of new or amended HKFRSs*

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

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

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

[2] Effective for transfer received on or after 1 July 2009

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

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

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

## 3. REVENUE

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

| | **Six months ended 30 June** | | | | | |
|---|---|---|---|---|---|---|
| | **Continuing operations** | | **Discontinued operations** | | **Consolidated** | |
| | **2009** | 2008 | **2009** | 2008 | **2009** | 2008 |
| | ***HK$'000*** | *HK$'000* | ***HK$'000*** | *HK$'000* | ***HK$'000*** | *HK$'000* |
| | **(Unaudited)** | (Unaudited) | **(Unaudited)** | (Unaudited) | **(Unaudited)** | (Unaudited) |
| Sales of motor vehicles | **–** | – | **–** | 335,171 | **–** | 335,171 |
| Repair and maintenance of motor vehicles | **–** | – | **–** | 34,775 | **–** | 34,775 |
| Sales of properties held for sale | **–** | – | **–** | 506 | **–** | 506 |
| Revenues from operation of indoor games centres | **563** | 402 | **–** | – | **563** | 402 |
| Sales of bioorganic fertilizer | **7,498** | – | **–** | – | **7,498** | – |
| | **8,061** | 402 | **–** | 370,452 | **8,061** | 370,854 |

## 4. OTHER INCOME

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

## 5. SEGMENT INFORMATION

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

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

– Operation of indoor game centres;

– Manufacture and sales of automobile axles;

– Environmental products and related business; and

– Natural resources business.

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

– Sales and repair of motor vehicles; and

– Sales of properties.

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

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

## 6. LOSS BEFORE INCOME TAX

Loss before income tax is arrived after charging:

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

## 7. INCOME TAX EXPENSE

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

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

## 8. LOSS FOR THE PERIOD FROM DISCONTINUED OPERATIONS

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

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

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

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

## 9. LOSS PER SHARE

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

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

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

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

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

**10. INTERIM DIVIDEND**

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

**11. PROPERTY, PLANT AND EQUIPMENTS**

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

**12. TRADE RECEIVABLES**

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

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

## 13. TRADE PAYABLES

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

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

## 14. SHARE CAPITAL

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

## 15. CAPITAL COMMITMENT

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

16. **POST BALANCE SHEET EVENTS**

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

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

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

# MANAGEMENT DISCUSSION AND ANALYSIS

## BUSINESS REVIEW

### Overview

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

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

### *(a) Environmental products and related business*

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

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

### *(b) Natural resources business*

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

### *(c) Game centers*

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

*(d) Automobile axles*

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

*(e) U.S. Automobile business*

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

**Prospects**

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

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

## LIQUIDITY AND FINANCIAL RESOURCES

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

## HUMAN RESOURCES AND REMUNERATION POLICIES

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

## CHARGES OF GROUP ASSETS

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

## EXPOSURE TO FLUCTUATIONS IN EXCHANGE RATES AND ANY RELATED HEDGES

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

## LOAN AGREEMENT

On 29 June 2009 (U.S. time), the Company entered into a loan agreement ("Loan Agreement") with HKMI in respect of the advancement of a loan ("Loan") in the principal amount of US$9 million (equivalent to HK$70.2 million) by the Company to HKMI. The Loan is secured against the entire ownership interest of the sole member of HKMI. Repayment is entitled on demand and the Loan does not carry any interest. The purpose of the Loan is to provide initial general working capital to HKMI. The Directors believe that the granting of the Loan will not cause significant financial impact on the Group but will pave the way for future co-operation with HKMI in the development of the Group's business in the U.S. automobile industry.

## MATERIAL ACQUISITIONS AND DISPOSALS

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

## SUBSEQUENT EVENT

Please refer to Note 16 of the Interim 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

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

**(i) Code Provision A 2.1**

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

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

**(ii) Code Provision E 1.2**

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

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

## COMPLIANCE WITH THE MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

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

## AUDIT COMMITTEE

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

## PUBLICATION OF THE INTERIM REPORT

The interim report of the Company for the six months ended 30 June 2009 will be published on the website of The Stock Exchange of Hong Kong Limited (www.hkex.com.hk) and the website of the Company (http://gr1188.etnet.com.hk) in due course.

By Order of the Board
**Yeung Yung**
*Chairman*

Hong Kong, 22 September 2009

*As at the date of this announcement, the Board comprises six executive Directors, namely Dr Yeung Yung (Chairman and Chief Executive Officer), Mr Liu Quan (Deputy Chairman), Mr Hui Wing Sang, Wilson, Dr Zhu Shengliang, Dr Wang Chuantao and Dr Hou Junwen and three independent non-executive Directors, namely Mr He Bangjie, Mr Wong Lee Hing and Mr Ting Kwok Kit, Johnny.*