BIO-DYNAMIC GROUP LIMITED
生 物 動 力 集 團 有 限 公 司

Formerly known as “Wealthmark International (Holdings) Limited 和寶國際控股有限公司”

(Incorporated in the Cayman Islands with limited liability) Stock code: 039

ANNUAL REPORT 2008

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CORPORATE INFORMATION

EXECUTIVE DIRECTORS
Mr. LO Peter, *Chairman*
Mr. LI Wentao, *Chief Executive Officer*
Mr. SUN David Lee
Mr. ZHAO Difei
Mr. LI Jian Quan
Mr. LU Gui Pin

NON-EXECUTIVE DIRECTOR
Mr. YEUNG Ting-Lap Derek Emory

INDEPENDENT NON-EXECUTIVE DIRECTORS
Dr. LOKE Yu *
Dr. LEUNG Kwan-Kwok *
Mr. ZUCHOWSKI Sam *

* *Audit Committee Members*

COMPANY SECRETARY
Ms. CHAN So Fong

AUDITORS
Ernst & Young

LEGAL ADVISERS
Herbert Smith

PRINCIPAL BANKERS
The Hongkong and Shanghai Banking Corporation Limited
China Construction Bank Corporation

HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS
2116 Hutchison House
10 Harcourt Road
Hong Kong

REGISTERED OFFICE
PO Box 309GT
Ugland House
South Church Street
George Town, Grand Cayman
Cayman Islands

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE
Butterfield Fulcrum Group (Cayman) Limited
Butterfield House, 68 Fort Street
PO Box 705
George Town, Grand Cayman
Cayman Islands

HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE
Tricor Tengis Limited
26th Floor, Tesbury Centre
28 Queen's Road East, Wanchai
Hong Kong

WEBSITE
www.irasia.com/listco/hk/biodynamic/index.htm

Stock Code: 39

CHAIRMAN'S STATEMENT

Dear Shareholders,

The slack of demand and shrinking exports of processing industry and the problems in the dairy market in year 2008 make our decision to dispose of handbag and dairy businesses seem correct. The move to ethanol market was based on a view that the Company has competitive advantages in the ethanol industry.

There are three major markets for ethanol: (i) consumable (as raw material of Chinese baijiu), (ii) fuel (as fuel additive) and (iii) industrial (for chemical and medicinal sector). Our Group will focus on consumable and fuel sector.

Making of a majority of Chinese baijiu is a blending of base liquor, ethanol and water. In the view that the China government will require all baijiu to label its raw materials in the ingredient list, the use of different raw materials becomes a competitive factor. Our "Ice Land" brand ethanol is recognised by the market as one of the super premium grade ethanol. Its production is controlled by international renowned controlling systems and its quality is higher than government standard of premium grade. Ethanol's upstream industries are agricultural products, equipment and technology while its downstream industries are alcoholic beverages whose market is very similar to beer industry in which many of our executives have solid experience in both production and sales.

China decided to develop fuel ethanol industry with aims to reduce the dependence of oil import and to solve "Three Agricultural Issues". Stone Age ended not because stone were unavailable, and thus Oil Age shall not ended because oil becomes unavailable. New energy will definitely be found. Reducing the consumption of oil now is to get in return more time and more resources to find out a better replacement. Brazil uses sugarcane as feedstock to produce ethanol because she is the largest sugar producing country, her per capita production is 163 kilograms and global average is 25 kilograms while China's average is only 11 kilograms. USA uses corn as feedstock because she is the largest corn exporting country, her per capita production exceeds 1000 kilograms, global average is 120 kilograms and China's average is 110 kilograms. The data declines the feasibility of producing ethanol in China with neither sugarcane nor corn. Other starch feedstock such as cassava is technical and commercial feasible. However, the supply of cassava is limited in China and import is needed. Increase in demand will lead to rising price and there is no trade-off of importing cassava instead of importing oil. The problems of using cellulosic materials are their high production and logistic costs.

Beets are basically suitable for growing in the whole north part of China (including Northeast, North and Northwest China) and the production cost is lower than corn. Our concept is for the locals to develop the lands that are not suitable for grains as beet growing bases and the enterprises to produce ethanol so as to reduce the oil consumption rate. Recently, China government prepares to implement a reform on farmland use right which will accelerate the development of large agricultural product bases. Farmers exchange their farmland use right for capital and labour force for wages. Enterprises invest to develop agricultural products and downstream products for return. This is an important policy because agricultural sector is one of the most potential sectors in China now. During the last 30 years, China government gradually released some market potentials to increase productivity, such as increase the infrastructure investment, privatise the enterprises and establish free real estate market. These changes made the economic growth geared up to higher levels. Current global recession resulted from financial tsunami is a testing of China's sustainability of economic growth. In order to maintain moderate economic growth, 4,000 billion investments is planned to increase domestic demand so as to cover for the decrease in exports. However, if the investments are for the increase of infrastructure and tax reduction and cannot identify the locked market potentials, the multiplier effect will be smaller. In return, China's tax rates or inflation rates will be accelerated in the future.

CHAIRMAN'S STATEMENT

The Group's current development plan is to enter into the consumable ethanol market with our ethanol products in Harbin and the fuel ethanol market with the beetroot technology. Due to China's restrictions on foreign investments in fuel ethanol industry, our role becomes a technology provider. The completion of Harbin production facility has been delayed due to high construction cost in the first half of 2008 and the winter weather. Construction has been completed and prepared for testing. While waiting for the commencement of the production, we are assessing the feasibility and opportunity of entering into China's alcoholic beverage markets.

Lo Peter
Chairman

Hong Kong, 23 April 2009

MANAGEMENT DISCUSSION AND ANALYSIS

REVIEW

Following the disposal of the handbag and dairy businesses in the prior financial year, the Group has transformed to focus its development on the ethanol business. As the Group's Harbin production facility has not commenced operation during the year, the Group recorded a turnover of approximately HK$3.8 million for the year ended 31 December 2008. Loss attributable to equity holders of the Company was approximately HK$104.9 million (2007: HK$34.8 million). The significant increase in loss for the year was mainly attributable to (i) the impairment of intangible assets of approximately HK$64.6 million (2007: Nil), (ii) the impairment of goodwill of approximately HK$2.3 million (2007: Nil), (iii) the impairment of property, plant and equipment of approximately HK$9.7 million (2007: Nil), (iv) the recognition of share option expenses of approximately HK$17.4 million (2007: HK$15.3 million) and (v) the amortisation of intangible assets of approximately HK$5.5 million (2007: HK$2.7 million).

Loss per share for the year was HK18.54 cents (2007: HK7.8 cents).

The Group has completed the construction of a 60,000 tonne production facility in Harbin for its ethanol business during the year and is now waiting for the manufacturing permit. The new Harbin production facility has a land area of approximately 180,000 square metres and a total gross floor area of approximately 58,653 square metres. Upon obtaining the permit, the Group will commence the production of premium grade consumable ethanol, industrial ethanol, and other food and feed ingredients such as fusel oil and Distiller's Dried Grains with Solubles (DDGS). In view of current ethanol market conditions, an impairment of intangible assets of approximately HK$64.6 million and an impairment of goodwill of approximately HK$2.3 million were made during the year.

During the year, the management suspended the production of Yinchuan production facility due to its small production scale and high energy cost in the zone where the facility located. The Group is currently considering various plans for the idle assets. As no definite plan has been formed as at the date of this report, an impairment of property, plant and equipment in respect of Yinchuan production facility of approximately HK$9.7 million was made during the year.

PROSPECTS

Wild swings in commodity markets and a great deal of manufactured hysteria over the food versus fuel debate have created challenging conditions for ethanol producers. However, with growing energy security and environmental concerns, biofuel production will remain important in China in the near future. The Group is considering the development of alcoholic beverage products, the downstream products of ethanol, by building on the new ethanol production facility. The management believes that the Group will be able to obtain sufficient finance for its working capital and future developments.

LIQUIDITY, FINANCIAL RESOURCES AND CAPITAL STRUCTURE

During the year, the issued share capital of the Company increased by 7,007,000 shares to 573,007,000 shares due to exercise of share options by various directors and employees. Apart from options to subscribe for shares in the Company, there were no other capital instruments in issue.

As at 31 December 2008, the Group has equity attributable to equity holders of the Company of approximately HK$215.7 million (2007: HK$289.6 million). Non-current assets and net current liabilities of the Group as at 31 December 2008 amounted to approximately HK$468.0 million (2007: HK$394.0 million) and approximately HK$169.7 million (2007: HK$5.6 million), respectively. In order to strengthen the capital base of the Group and to improve the Group's financial position, immediate liquidity and cash flows, and otherwise to sustain the Group as a going concern, the directors of the Company have taken the following measures:

(a) The Group is negotiating with certain bankers to obtain additional banking facilities;
(b) The Group is considering to dispose of certain of its operations and properties;
(c) The Group has obtained financial support from its ultimate holding company and fellow subsidiaries; and
(d) The directors of the Company are considering various alternatives to strengthen the capital base of the Company through fund raising exercises.

As at 31 December 2008, the Group's bank and cash balances amounted to approximately HK$3.7 million (2007: HK$32.9 million), which were denominated in Hong Kong dollars and Renminbi. In order to finance the construction cost of Harbin production facility, the Group increased its borrowings during the year. As at 31 December 2008, the Group's total borrowings amounted to approximately HK$78.9 million (2007: HK$32.0 million), representing a rise of 146.5% when compared to prior year. The Group's borrowings included an amount due to a minority shareholder of a subsidiary of approximately HK$34.1 million (2007: HK$32.0 million), short term borrowings of approximately HK$26.2 million (2007: Nil) and a bank loan of approximately HK$18.6 million (2007: Nil). All of the borrowings are denominated in Renminbi. The amount due to a minority shareholder of a subsidiary is unsecured, interest-free and has no fixed terms of repayment. The short term borrowings and the bank loan are unsecured, bear fixed interest rates and are repayable within one year. The gearing ratio of the Group as at 31 December 2008, calculated as net debt divided by equity attributable to equity holders of the Company plus net debt, was 45% (2007: 5%).

The Group did not use financial instruments for financial hedging purposes during the year.

The Group's business transactions, assets and liabilities are principally denominated in Renminbi and Hong Kong dollars. Fluctuations in Renminbi may impact the Group's results and net asset value as the Company's consolidated financial statements are presented in Hong Kong dollars. The Group's treasury policy is to manage its foreign currency exposure only when its potential financial impact is material to the Group. The Group will continue to monitor its foreign exchange position and, if necessary, utilise hedging tools, if available, to manage its foreign currency exposure.

CHARGE ON ASSETS

As at 31 December 2008, there was no charge on the Group's assets (2007: Nil).

CONTINGENT LIABILITIES

As at 31 December 2008, the Group had no material contingent liabilities (2007: Nil).

EMPLOYEE AND REMUNERATION POLICY

As at 31 December 2008, the Group had approximately 228 (2007: 148) employees in Hong Kong and the PRC with total staff costs amounted to approximately HK$28.6 million (2007: HK$41.2 million). Remuneration of employees is offered at competitive standards, generally structured with reference to market terms and individual qualifications. The Company has adopted a share option scheme and the purpose of which is to provide incentives to participants for their contribution to the Group, and to enable the Group to recruit and retain quality employees to serve the Group on a long-term basis.

CORPORATE GOVERNANCE REPORT

The Company has always recognised the importance of shareholders' transparency and accountability. It is the belief of the board that shareholders can maximise their benefits from good corporate governance.

The Company has complied with the Code on Corporate Governance Practices (the "Code") as set out in Appendix 14 of The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") throughout the year ended 31 December 2008.

BOARD OF DIRECTORS

The board is responsible for the leadership and control of the Company and oversees the Group's businesses, strategic decisions and performances. Daily operations and execution are delegated to management. All directors give sufficient time and attention to the Group's affairs. The board believes that the balance between executive and non-executive directors is reasonable and adequate to provide checks and balances that safeguard the interests of shareholders and the Group.

At 31 December 2008, the board of the Company comprised six executive directors, namely, Mr. Lo Peter, Mr. Li Wentao, Mr. Sun David Lee, Mr. Zhao Difei, Mr. Li Jian Quan and Mr. Lu Gui Pin; one non-executive director, namely, Mr. Yeung Ting-Lap Derek Emory; and three independent non-executive directors, namely, Dr. Loke Yu, Dr. Leung Kwan-Kwok and Mr. Zuchowski Sam.

The non-executive director provides the Group with a wide range of expertise and experience. His participation in board meetings brings independent judgment on issues relating to the Group's strategy, performance, conflicts of interest and management process, to ensure that the interests of all shareholders are taken into account. The independent non-executive directors ensure the board accounts for the interests of all shareholders and that all issues are considered in an objective manner. The Company has received annual confirmation of independence from the three independent non-executive directors and as at the date of this report still considers them to be independent.

The board members have no financial, business, family or other material/relevant relationships with each other. Such balanced board composition is formed to ensure strong independence exists across the board and has around one-third in number of its members comprising independent non-executive directors.

BOARD MEETINGS

For the year ended 31 December 2008, there were four full board meetings held by the Company to discuss the Group's development strategies, investment projects and the operational and financial performance of the Group. The attendance of the directors at the board meeting is as follows:

	Number of attendance
Executive directors	
Mr. Lo Peter	4/4
Mr. Li Wentao	1/4
Mr. Sun David Lee	4/4
Mr. Zhao Difei	1/4
Mr. Li Jian Quan	1/4
Mr. Lu Gui Pin	1/4

	Number of attendance
Non-executive director	
Mr. Yeung Ting-Lap Derek Emory	1/4
Independent non-executive directors	
Dr. Loke Yu	4/4
Dr. Leung Kwan-Kwok	3/4
Mr. Zuchowski Sam	4/4

The Company Secretary assists the Chairman in preparing the agenda for meetings and ensures that all applicable rules and regulations are followed. She also keeps detailed minutes of each meeting, which are available to all directors. A draft of the minutes is circulated to all directors for comment and approval as soon as practicable after the meeting.

All directors have access to relevant and timely information, and they can ask for further information or retain independent professional advisors if necessary. They also have unrestricted access to the advice and service of the Company Secretary, who is responsible for providing directors with board papers and related materials and ensuring that board procedures are followed.

Should a potential conflict of interest involving a substantial shareholder or director arise, the matter is discussed in an actual meeting, as opposed to being dealt with by written resolution. Independent non-executive directors with no conflict of interest are present at meetings dealing with conflict issues. Board committees, including the Audit, Remuneration and Nomination Committees, all follow the applicable practices and procedures used in board meetings for committee meetings.

CHAIRMAN AND CHIEF EXECUTIVE OFFICER

The positions of the Chairman and the Chief Executive Officer are held by separate individuals so as to maintain an effective segregation of duties. Mr. Lo Peter is the Chairman of the Company and provides leadership to the board to ensure that the board works effectively and all important issues are discussed in a timely manner. Mr. Li Wentao is the Chief Executive Officer of the Company and is responsible for supervising the implementation of the Group's strategic plans.

DIRECTORS' TERMS OF APPOINTMENTS AND RE-ELECTION

In accordance with article 116 of the Company's articles of association, one-third of the directors, including the non-executive directors, shall retire from office by rotation at each annual general meeting. The non-executive directors and independent non-executive directors are appointed for a period of three years.

Article 99 of the Company's articles of association provides that directors appointed either to fill a casual vacancy or as an addition to the Board shall hold office only until the next following general meeting after their appointment, and shall be subject to re-election by the shareholders.

CORPORATE GOVERNANCE REPORT

DIRECTORS' SECURITIES TRANSACTIONS

The Group has adopted a code on ethics and securities transactions, which incorporates a code of conduct regarding directors' securities transactions on terms no less exacting than the required standard set out in the Model Code for Securities Transactions by Directors of Listed Issuers of the Listing Rules. Specified employees who are likely to be in possession of unpublished price-sensitive information of the Group are also subject to the compliance with the code. Based on specific enquiry of the Company's directors, the directors have complied with the required standard set out in the code on ethics and securities transactions throughout the year.

DIRECTORS' AND AUDITORS' RESPONSIBILITIES FOR ACCOUNTS

The board is responsible for presenting a clear, balanced assessment of the Group's performance and prospects. It is also responsible for preparing accounts that give a true and fair view of the Group's financial position on a going-concern basis and other price-sensitive announcements and financial disclosures. Management provides the board with the relevant information it needs to discharge these responsibilities.

The responsibilities of the auditors to the shareholders are set out in the Independent Auditors' Report on pages 22 and 23.

REMUNERATION COMMITTEE

The Remuneration Committee was established on 15 September 2005 with written terms of reference in compliance with the Code. It is responsible for formulating and recommending remuneration policy to the board and determining the remuneration of executive directors and members of senior management. Meetings of the Remuneration Committee shall be held at least once a year. At 31 December 2008, the Remuneration Committee comprised one executive director, Mr. Lo Peter, and two independent non-executive directors, Mr. Zuchowski Sam and Dr. Loke Yu. Mr. Zuchowski Sam is the chairman of the committee. For the year ended 31 December 2008, one meeting was held by Remuneration Committee and all members had attended the meeting.

NOMINATION COMMITTEE

The Nomination Committee was established on 15 September 2005 with written terms of reference in compliance with the Code. It is responsible for making recommendations to the board on nominations, appointment of directors and board succession. The Nomination Committee selects candidates for directorship with reference to the candidate's professional knowledge, industry experience, personal ethics and integrity, and time commitments. During the selection process, the Committee may consider referrals or engage external recruitment professionals when necessary. Meetings of the Nomination Committee are held as and when required. At 31 December 2008, the Nomination Committee comprised one executive director, Mr. Lo Peter, and two independent non-executive directors, Mr. Zuchowski Sam and Dr. Loke Yu. Mr. Zuchowski Sam is the chairman of the committee. For the year ended 31 December 2008, there was no meeting held by Nomination Committee as there was no board vacancies.

AUDIT COMMITTEE

The Company has had an Audit Committee since 2001. The Audit Committee is responsible for reviewing the Group's financial reporting, internal controls and making recommendations to the board. At 31 December 2008, the Audit Committee comprised three independent non-executive directors, Dr. Loke Yu, Dr. Leung Kwan-Kwok and Mr. Zuchowski Sam. Dr. Loke Yu is the chairman of the committee.

For the year ended 31 December 2008, there were three meetings held by the Audit Committee to (i) review with external auditors the external audit findings, the accounting principles and practices adopted by the Group, and Listing Rules and statutory compliance, (ii) discuss auditing and financial reporting matters for the annual report for 2007 and interim report for 2008 before recommending them to the board for approval, (iii) review the Group's internal control system, and (iv) consider the change of the Group's external auditors. The attendance is as follows:

	Number of attendance
Dr. Loke Yu	3/3
Dr. Leung Kwan-Kwok	3/3
Mr. Zuchowski Sam	2/3

AUDITORS' REMUNERATION

During the year, the remuneration paid/payable to the Company's auditors, amounted to HK$850,000 for audit services and HK$10,000 for tax services.

INTERNAL CONTROL

The board has overall responsibility for maintaining sound and effective internal controls to safeguard the Group's assets and shareholders' interests. The board conducts regular reviews of the Group's internal control system. The board assesses the effectiveness of internal controls by considering reviews performed by the Audit Committee, executive management and both internal and external auditors. The board believes that the present internal control system is adequate and effective.

The internal audit department follows a risk-and-control based approach. The department performs regular financial and operational reviews of the Group and its subsidiaries, as well as other reviews as required. Summaries of major audit findings and control weaknesses, if any, are reviewed by the Audit Committee. The internal audit department monitors the follow-up actions agreed upon in response to its recommendations.

COMMUNICATION WITH SHAREHOLDERS

The Group follows a policy of disclosing relevant information to shareholders in a timely manner. Annual and interim reports offer comprehensive operational and financial performance information to shareholders and the annual general meeting ("AGM") provides a forum for shareholders to exchange views directly with the board. The Company regards the AGM as an important event and all directors, senior management and external auditors make an effort to attend the AGM of the Company to address shareholders' queries. All the shareholders of the Company are given a minimum of 20 days' notice of the date and venue of the AGM of the Company. The Company supports the Code's principle to encourage shareholders' participation. The Company has also complied with the requirements concerning voting by poll under the Listing Rules. Details of the poll voting procedures and the rights of shareholders to demand a poll are included in circulars to shareholders despatched by the Company where applicable.

DIRECTORS' AND SENIOR MANAGEMENT'S BIOGRAPHIES

The directors and senior management of the Company as at the date of this report are as follows:

DIRECTORS

Mr. LO Peter, aged 53, was appointed an executive director and the chairman of the Company in May 2005. He is responsible for the overall strategic development of the Group. Mr. Lo is currently a director of China Enterprise Capital Limited, an independent non-executive director of Ajisen (China) Holdings Limited and Uni-President China Holdings Ltd., companies currently listed on the Main Board of the Stock Exchange. Mr. Lo was the independent non-executive director of Lonking Holdings Limited from February 2005 to May 2008. He was the chief executive officer and executive director of Harbin Brewery Group Limited, a company formerly listed on the Main Board of the Stock Exchange, from 1998 to 2004. He held senior management positions in the Hong Kong offices of several international companies and has more than 20 years' experience in doing business in the PRC. Mr. Lo received a Bachelor of Science (Economics) Degree in Mathematical Economics and Econometrics from the London School of Economics and Political Science in 1982. He received the "Directors of the Year 2004" award from The Hong Kong Institute of Directors. Mr. Lo is a member of the People's Consultative Conference of Harbin City.

Mr. LI Wentao, aged 53, was appointed an executive director of the Company in May 2006 and the chief executive officer in September 2007. He is currently responsible for supervising the implementation of the Group's strategic plans. Mr. Li joined the Group as a non-executive director in September 2005. Prior to joining the Group, Mr. Li was a director and the chairman of Harbin Brewery Group Limited ("HB Group"). Mr. Li graduated from the Light Industrial Institute of Tianjin majoring in machine and facilities for light industry. Following his graduation in 1982, he joined Harbin Brewery Factory ("HBF") in 1982, and HB Group in 1995. He was appointed as the general manager of Harbin Brewing Company Limited in 1996. He is a senior engineer with more than 20 years' experience in the brewery industry gained from working for HBF and HB Group. He has been awarded a series of awards including the National Light Industrial Labourer Model, one of the Ten Most Outstanding Young Persons in Heilongjiang Province, one of the Ten Best Enterprise Operators in Harbin City and the National "First of May" Labour Medal. He was also one of the representatives of the 11th Harbin City People's Congress.

Mr. SUN David Lee, aged 43, was appointed an executive director of the Company in May 2005. He has served as the chief executive officer of the Company from May 2005 to September 2007. Mr. Sun is currently responsible for the international affairs of the Company. He is a director of CEC Management Limited and an executive director of Nubrands Group Holdings Limited, a company currently listed on the Main Board of the Stock Exchange. Prior to helping form CEC Management Limited, he was the Managing Director and General Counsel of Pacific Alliance Group Limited. Mr. Sun was the Director for Strategy and Business Development Asia at InBev. Prior to his position at InBev, he was a consultant in the Corporate Finance and Strategy Practice of McKinsey & Company, Inc. in Hong Kong. Mr. Sun holds a Juris Doctor from the University of Illinois College of Law and a Bachelor of Art degree from Cornell University, United States of America.

Mr. ZHAO Difei, aged 46, was appointed an executive director of the Company in July 2007. He was the technology controller of Harbin Brewery Group Limited, in charge of the brewing technology department and quality control department. He graduated from the Light Industrial Institute of Dalian majoring in industrial fermentation and holds a Master Degree in food engineering. Mr. Zhao has more than 20 years' experience in the brewing industry.

DIRECTORS' AND SENIOR MANAGEMENT'S BIOGRAPHIES

Mr. LI Jian Quan, aged 50, was appointed an executive director of the Company in July 2007. He has over 10 years' experience in human resources management and has devoted to scientific research since 1994. Mr. Li graduated from the University of International Business and Economics in Beijing, majoring in International Business.

Mr. LU Gui Pin, aged 53, was appointed an executive director of the Company in July 2007. He was the general manager of Ningxia Western Bright Industrial Base Company Limited from 2002 to 2006 and was the general manager of Shenzhen Securities Times Huaiyuan Advertisement Company from 1997 to 2002. Mr. Lu graduated from the Jilin University majoring in Chinese Studies.

Mr. YEUNG Ting-Lap Derek Emory, aged 36, was appointed a non-executive director of the Company in May 2005. He is currently the chief executive officer and co-founder of She Communications Limited ("she.com"), a leading Hong Kong based women's lifestyle communications company. Mr. Yeung is also a non-executive director of Nubrands Group Holdings Limited, a company currently listed on the Main Board of the Stock Exchange. Prior to founding she.com, Mr. Yeung was an associate with Telecom Venture Group Limited and a consultant with Arthur Andersen & Company both in Boston and Hong Kong. Mr. Yeung holds a Bachelor Degree in Applied Mathematics and Economics from Brown University and a Master Degree in Business Administration and Accounting from Northeastern University, both in the United States of America. Mr. Yeung is a certified public accountant and a member of the American Institute of Certified Public Accountants.

Dr. LOKE Yu alias LOKE Hoi Lam, aged 59, was appointed an independent non-executive director and the chairman of the audit committee of the Company in June 2005. He has over 35 years of experience in accounting and auditing for private and public companies, financial consultancy and corporate management. He holds a Master of Business Administration Degree from Universiti Teknologi Malaysia and a Doctor of Business Administration Degree from University of South Australia. Dr. Loke is a fellow of The Institute of Chartered Accountants in England and Wales; Hong Kong Institute of Certified Public Accountants; and The Hong Kong Institute of Directors. He is also an Associate member of The Institute of Chartered Secretaries and Administrators and a member of Malaysian Institute of Accountants. He is currently the Chairman of MHL Consulting Limited and serves as an independent non-executive director of several companies currently listed on the Stock Exchange.

Dr. LEUNG Kwan-Kwok, aged 57, was appointed an independent non-executive director of the Company in May 2005. He is a director of the Social Capital and Impact Assessment Research Unit and the Associate Professor of Department of Applied Social Studies in the City University of Hong Kong. Since 1991, he has been offering consultancy/professional services to the government, public utilities, voluntary agencies, media, and private enterprises in Hong Kong.

Mr. ZUCHOWSKI Sam, aged 61, was appointed an independent non-executive director of the Company in May 2005. He has considerable experience in investment banking and other direct investments where he has held positions with Merrill Lynch International, Inc., First Pacific U.S. Securities (Aust.) Ltd and Capitalcorp Ltd. He was a director of a number of companies listed on the Main Board of the Stock Exchange. Mr. Zuchowski obtained a Bachelor Degree in Law from the University of Melbourne, Australia.

DIRECTORS' AND SENIOR MANAGEMENT'S BIOGRAPHIES

SENIOR MANAGEMENT

Ms. CHAN So Fong, aged 35, is the chief financial officer, qualified accountant and company secretary of the Company. She joined the Group in August 2005. Ms. Chan has extensive experience in auditing and financial management. She had worked in Ernst & Young. She is a fellow member of The Association of Chartered Certified Accountants and an associate member of the Hong Kong Institute of Certified Public Accountants. Ms. Chan holds a Bachelor Degree in Business Administration with major in Professional Accountancy from The Chinese University of Hong Kong.

Mr. WANG Ming Yan, aged 48, is the regional controller of the Group. He joined the Group in July 2007. He was the general manager of Harbin Brewing Company Limited. Mr. Wang is a senior engineer with more than 20 years' experience in the brewery industry. Mr. Wang graduated from the Light Industrial Institute of Harbin.

Mr. WANG Wenjie, aged 55, is the financial controller of the Group. He joined the Group in July 2007. He was the financial controller of Harbin Brewery Group Limited. Mr. Wang has over 30 years of accounting experience. Mr. Wang graduated from the Industrial University of Harbin majoring in accounting.

REPORT OF THE DIRECTORS

The directors present their report and the audited financial statements of the Company and the Group for the year ended 31 December 2008.

CHANGE OF COMPANY NAME

Pursuant to a special resolution passed at the annual general meeting of the Company held on 8 May 2008 and approved by the Registrars of Companies of Cayman Islands and Hong Kong, the name of the Company was changed from "Wealthmark International (Holdings) Limited" to "BIO-DYNAMIC GROUP LIMITED". The Chinese translation of the Company name for identification purposes was changed from "和寶國際控股有限公司" to "生物動力集團有限公司".

PRINCIPAL ACTIVITIES

The principal activity of the Company is investment holding. Details of the principal activities of the subsidiaries are set out in note 19 to the financial statements. There were no significant changes in the nature of the Group's principal activities during the year.

RESULTS AND DIVIDENDS

The Group's loss for the year ended 31 December 2008 and the state of affairs of the Company and the Group at that date are set out in the financial statements on pages 24 to 79.

The directors do not recommend the payment of any dividend in respect of the year.

SUMMARY FINANCIAL INFORMATION

A summary of the published results and assets, liabilities and minority interests of the Group for the last five financial years, as extracted from the audited financial statements and restated/reclassified as appropriate, is set out on page 80. This summary does not form part of the audited financial statements.

PROPERTY, PLANT AND EQUIPMENT

Details of movements in the property, plant and equipment of the Group during the year are set out in note 15 to the financial statements.

SHARE CAPITAL AND SHARE OPTIONS

Details of movements in the Company's share capital and share options during the year are set out in notes 27 and 28 to the financial statements.

PRE-EMPTIVE RIGHTS

There are no provisions for pre-emptive rights under the Company's articles of association or the laws of the Cayman Islands which would oblige the Company to offer new shares on a pro rata basis to existing shareholders.

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 year.

RESERVES

Details of movements in the reserves of the Company and the Group during the year are set out in note 29 to the financial statements and in the consolidated statement of changes in equity, respectively.

DISTRIBUTABLE RESERVES

At 31 December 2008, the Company's reserves available for distribution amounted to approximately HK$204,981,000, representing the share premium account of the Company of approximately HK$369,232,000 less the accumulated losses as at 31 December 2008 of approximately HK$164,251,000. Under the Companies Law, Cap. 22 (as amended) of the Cayman Islands, the share premium account of the Company is distributable to the shareholders of the Company provided that immediately following the date on which the dividend is proposed to be distributed, the Company will be in a position to pay off its debts as they fall due in the ordinary course of business. The share premium account may also be distributed in the form of fully paid bonus shares.

MAJOR CUSTOMERS AND SUPPLIERS

In the year under review, sales to the Group's five largest customers accounted for 99.6% of the total sales for the year and sales to the largest customer included therein amounted to 43.5%. Purchases from the Group's five largest suppliers accounted for 100% of the total purchases for the year and purchases from the largest supplier included therein amounted to 86.1%.

None of the directors of the Company or any of their associates or any shareholders (which, to the best knowledge of the directors, own more than 5% of the Company's issued share capital) had any beneficial interest in the Group's five largest customers and suppliers.

DIRECTORS

The directors of the Company during the year were:

Executive directors

Mr. Lo Peter
Mr. Li Wentao
Mr. Sun David Lee
Mr. Zhao Difei
Mr. Li Jian Quan
Mr. Lu Gui Pin

Non-executive director

Mr. Yeung Ting-Lap Derek Emory

Independent non-executive directors

Dr. Loke Yu
Dr. Leung Kwan-Kwok
Mr. Zuchowski Sam

REPORT OF THE DIRECTORS

In accordance with article 116 of the Company's articles of association, Mr. Zhao Difei, Mr. Li Jian Quan, Mr. Lu Gui Pin and Dr. Leung Kwan-Kwok will retire by rotation and, being eligible, will offer themselves for re-election at the forthcoming annual general meeting. The non-executive directors and independent non-executive directors are appointed for a period of three years.

The Company has received annual confirmations of independence from Dr. Loke Yu, Dr. Leung Kwan-Kwok and Mr. Zuchowski Sam, and as at the date of this report still considers them to be independent.

DIRECTORS' AND SENIOR MANAGEMENT'S BIOGRAPHIES

Biographical details of the directors of the Company and the senior management of the Group are set out on pages 11 to 13 of the annual report.

DIRECTORS' SERVICE CONTRACTS

No director proposed for re-election at the forthcoming annual general meeting has a service contract with the Company which is not determinable by the Company within one year without payment of compensation, other than statutory compensation.

DIRECTORS' REMUNERATION

The directors' fees are subject to shareholders' approval at general meetings. Other emoluments are determined by the Company's board of directors with reference to directors' duties, responsibilities and performance and the results of the Group.

DIRECTORS' INTERESTS IN CONTRACTS

No director had a material interest, either directly or indirectly, in any contract of significance to the business of the Group to which the Company, its holding company, or any of its subsidiaries or fellow subsidiaries was a party during the year.

DIRECTORS' INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES

At 31 December 2008, the interests and short positions of the directors in the share capital and underlying shares of the Company or its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")), as recorded in the register required to be kept by the Company pursuant to Section 352 of the SFO, or as otherwise notified to the Company and The Stock Exchange of Hong Kong Limited (the "Stock Exchange") pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers, were as follows:

Long positions in ordinary shares of the Company:

	Number of shares held, capacity and nature of interest			
Name of director	Directly beneficially owned	Through spouse	Total	Percentage of the Company's issued share capital
Mr. Lo Peter	4,160,000	–	4,160,000	0.73
Mr. Li Wentao	950,000	–	950,000	0.17
Mr. Sun David Lee	–	230,000	230,000	0.04
Mr. Zhao Difei	1,500,000	–	1,500,000	0.26
Mr. Li Jian Quan	6,040,000	–	6,040,000	1.05
Mr. Lu Gui Pin	7,920,000	–	7,920,000	1.38
	20,570,000	230,000	20,800,000	3.63

Long positions in share options of the Company:

Name of Director	Number of options directly beneficially owned
Mr. Lo Peter	3,320,000
Mr. Li Wentao	4,050,000
Mr. Sun David Lee	3,320,000
Mr. Zhao Difei	3,000,000
Mr. Li Jian Quan	4,500,000
Mr. Lu Gui Pin	2,400,000
	20,590,000

Save as disclosed above, as at 31 December 2008, none of the directors had registered an interest or short position in the shares, underlying shares of the Company or any of its associated corporations that was required to be recorded pursuant to Section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers.

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

Save as disclosed in the section "Share option scheme" below, at no time during the year 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 spouses or children under 18 years of age, or were any such rights exercised by them; or was the Company, its holding company, or any of its subsidiaries or fellow subsidiaries a party to any arrangement to enable the directors to acquire such rights in any other body corporate.

SUBSTANTIAL SHAREHOLDERS' AND OTHER PERSONS' INTERESTS IN SHARES AND UNDERLYING SHARES

At 31 December 2008, the following interests of 5% or more of the issued share capital of the Company were recorded in the register of interests required to be kept by the Company pursuant to Section 336 of the SFO:

Long positions:

Name	Capacity and nature of interest	Number of ordinary shares held	Percentage of the Company's issued share capital
China Enterprise Capital Limited *(note)*	Interest of controlled corporations	323,960,000	56.54
Orientelite Investments Limited *(note)*	Beneficial owner	195,000,000	34.03
	Interest of a controlled corporation	128,960,000	22.51
CEC Agricapital Group Limited	Beneficial owner	128,960,000	22.51

Note:

Orientelite Investments Limited is wholly owned by China Enterprise Capital Limited and CEC Agricapital Group Limited is wholly owned by Orientelite Investments Limited. Hence China Enterprise Capital Limited is deemed to have an interest in the shares in which Orientelite Investments Limited and CEC Agricapital Group Limited are interested under the SFO.

Save as disclosed above, as at 31 December 2008, no person, other than the directors of the Company, whose interests are set out in the section "Directors' interests and short positions in shares and underlying shares" above, had registered an interest or short position in the shares or underlying shares of the Company that was required to be recorded pursuant to Section 336 of the SFO.

SHARE OPTION SCHEME

The Company operates a share option scheme (the "Scheme") for the purpose of providing incentives and rewards to eligible participants for their contribution to, and continuing efforts to promote the interests of, the Group. Further details of the Scheme are disclosed in note 28 to the financial statements.

The following table discloses movements in the Company's share options outstanding during the year:

Name or category of participant	Number of share options: At 1 January 2008	Granted during the year	Cancelled during the year	Exercised during the year	At 31 December 2008	Date of grant of share options*	Exercise period of share options	Exercise price of share options** HK$ per share	Price of the Company's shares at grant date HK$ per share
Directors									
Mr. Lo Peter	1,660,000	–	(1,660,000)	–	–	7-6-07	7-6-08 to 6-6-17	1.97	1.97
	1,660,000	–	(1,660,000)	–	–	7-6-07	7-6-09 to 6-6-17	1.97	1.97
	–	1,660,000	–	–	1,660,000	31-10-08	31-10-08 to 30-10-11	0.288	0.28
	–	1,660,000	–	–	1,660,000	31-10-08	31-10-09 to 30-10-12	0.288	0.28
	3,320,000	3,320,000	(3,320,000)	–	3,320,000				
Mr. Li Wentao	1,660,000	–	(1,660,000)	–	–	7-6-07	7-6-08 to 6-6-17	1.97	1.97
	1,660,000	–	(1,660,000)	–	–	7-6-07	7-6-09 to 6-6-17	1.97	1.97
	–	2,500,000	–	(950,000)	1,550,000	31-10-08	31-10-08 to 30-10-11	0.288	0.28
	–	2,500,000	–	–	2,500,000	31-10-08	31-10-09 to 30-10-12	0.288	0.28
	3,320,000	5,000,000	(3,320,000)	(950,000)	4,050,000				
Mr. Sun David Lee	1,660,000	–	(1,660,000)	–	–	7-6-07	7-6-08 to 6-6-17	1.97	1.97
	1,660,000	–	(1,660,000)	–	–	7-6-07	7-6-09 to 6-6-17	1.97	1.97
	–	1,660,000	–	–	1,660,000	31-10-08	31-10-08 to 30-10-11	0.288	0.28
	–	1,660,000	–	–	1,660,000	31-10-08	31-10-09 to 30-10-12	0.288	0.28
	3,320,000	3,320,000	(3,320,000)	–	3,320,000				
Mr. Zhao Difei	1,660,000	–	(1,660,000)	–	–	26-7-07	26-7-08 to 25-7-17	2.44	2.42
	1,660,000	–	(1,660,000)	–	–	26-7-07	26-7-09 to 25-7-17	2.44	2.42
	–	2,250,000	–	(1,500,000)	750,000	31-10-08	31-10-08 to 30-10-11	0.288	0.28
	–	2,250,000	–	–	2,250,000	31-10-08	31-10-09 to 30-10-12	0.288	0.28
	3,320,000	4,500,000	(3,320,000)	(1,500,000)	3,000,000				
Mr. Li Jian Quan	1,660,000	–	(1,660,000)	–	–	26-7-07	26-7-08 to 25-7-17	2.44	2.42
	1,660,000	–	(1,660,000)	–	–	26-7-07	26-7-09 to 25-7-17	2.44	2.42
	–	2,250,000	–	–	2,250,000	31-10-08	31-10-08 to 30-10-11	0.288	0.28
	–	2,250,000	–	–	2,250,000	31-10-08	31-10-09 to 30-10-12	0.288	0.28
	3,320,000	4,500,000	(3,320,000)	–	4,500,000				

Name or category of participant	Number of share options: At 1 January 2008	Granted during the year	Cancelled during the year	Exercised during the year	At 31 December 2008	Date of grant of share options*	Exercise period of share options	Exercise price of share options** HK$ per share	Price of the Company's shares at grant date HK$ per share
Mr. Lu Gui Pin	1,250,000	–	(1,250,000)	–	–	26-7-07	26-7-08 to 25-7-17	2.44	2.42
	1,250,000	–	(1,250,000)	–	–	26-7-07	26-7-09 to 25-7-17	2.44	2.42
	–	1,800,000	–	(1,200,000)	600,000	31-10-08	31-10-08 to 30-10-11	0.288	0.28
	–	1,800,000	–	–	1,800,000	31-10-08	31-10-09 to 30-10-12	0.288	0.28
	2,500,000	3,600,000	(2,500,000)	(1,200,000)	2,400,000				
	19,100,000	24,240,000	(19,100,000)	(3,650,000)	20,590,000				
Other employees									
In aggregate	2,250,000	–	(2,250,000)	–	–	7-6-07	7-6-08 to 6-6-17	1.97	1.97
	2,250,000	–	(2,250,000)	–	–	7-6-07	7-6-09 to 6-6-17	1.97	1.97
	3,000,000	–	(3,000,000)	–	–	26-7-07	26-7-08 to 25-7-17	2.44	2.42
	3,000,000	–	(3,000,000)	–	–	26-7-07	26-7-09 to 25-7-17	2.44	2.42
	–	7,445,000	–	(3,357,000)	4,088,000	31-10-08	31-10-08 to 30-10-11	0.288	0.28
	–	7,445,000	–	–	7,445,000	31-10-08	31-10-09 to 30-10-12	0.288	0.28
	10,500,000	14,890,000	(10,500,000)	(3,357,000)	11,533,000				
	29,600,000	39,130,000	(29,600,000)	(7,007,000)	32,123,000				

Notes to the table of share options outstanding during the year:

* The vesting period of the share options is from the date of grant until the commencement of the exercise period.

** The exercise price of the share options is subject to adjustment in the case of rights or bonus issues, or other similar changes in the Company's share capital.

*** The weighted average closing price of the Company's shares immediately before the exercise dates of the share options was HK$0.22.

The directors have estimated the values of the share options granted during the year, calculated using the binomial option pricing model as at the date of grant of the options:

Grantee	Number of options granted during the year	Theoretical value of share options HK$
Mr. Lo Peter	3,320,000	458,000
Mr. Li Wentao	5,000,000	689,000
Mr. Sun David Lee	3,320,000	458,000
Mr. Zhao Difei	4,500,000	620,000
Mr. Li Jian Quan	4,500,000	620,000
Mr. Lu Gui Pin	3,600,000	496,000
Other employees	14,890,000	2,052,000
	39,130,000	5,393,000

The binomial option pricing model is a generally accepted method of valuing options. The significant assumptions used in the calculation of the values of the share options are set out in note 28 to the financial statements. The measurement dates used in the valuation calculations were the dates on which the options were granted.

The values of share options calculated using the binomial model are subject to certain fundamental limitations, due to the subjective nature of and uncertainty relating to a number of assumptions of the expected future performance input to the model, and certain inherent limitations of the model itself.

The value of an option varies with different variables of certain subjective assumptions. Any change to the variables used may materially affect the estimation of the fair value of an option.

SUFFICIENCY OF PUBLIC FLOAT

Based on information that is publicly available to the Company and within the knowledge of the directors, at least 25% of the Company's total issued share capital was held by the public as at the date of this report.

POST BALANCE SHEET EVENTS

Details of the significant post balance sheet events of the Group are set out in note 35 to the financial statements.

AUDITORS

During the year, RSM Nelson Wheeler resigned as auditors of the Company and Ernst & Young were appointed by the directors to fill the casual vacancy so arising. There have been no other changes of auditors in the past three years. A resolution for the reappointment of Ernst & Young as auditors of the Company will be proposed at the forthcoming annual general meeting.

ON BEHALF OF THE BOARD

LO Peter
Chairman

Hong Kong, 23 April 2009

INDEPENDENT AUDITORS' REPORT

ERNST & YOUNG

18th Floor
Two International Finance Centre
8 Finance Street, Central
Hong Kong

To the shareholders of BIO-DYNAMIC GROUP Limited
(Formerly known as Wealthmark International (Holdings) Limited)
(Incorporated in the Cayman Islands with limited liability)

We have audited the financial statements of BIO-DYNAMIC GROUP LIMITED (formerly known as Wealthmark International (Holdings) Limited) set out on pages 24 to 79, which comprise the consolidated and company balance sheets as at 31 December 2008, and the consolidated income statement, the consolidated statement of changes in equity and the consolidated cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory notes.

DIRECTORS' RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

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

AUDITORS' RESPONSIBILITY

Our responsibility is to express an opinion on these financial statements based on our audit. Our report is made solely to you, as a body, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

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

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

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

INDEPENDENT AUDITORS' REPORT

OPINION

In our opinion, the consolidated financial statements give a true and fair view of the state of affairs of the Company and of the Group as at 31 December 2008 and of the Group's loss and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards and have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

EMPHASIS OF MATTER

Without qualifying our opinion, we draw attention to Note 2.1 in the financial statements which indicates that the Group incurred a consolidated net loss of HK$117,555,000 during the year ended 31 December 2008, and, as at that date, the Group's consolidated current liabilities exceeded its consolidated current assets by HK$169,733,000. In addition, during the year, one of the Company's major subsidiaries was not put into operation as that subsidiary had not yet obtained a manufacturing permit from the relevant government body in Mainland China. Accordingly, no operating activities were conducted by this subsidiary during the year. These conditions indicate the existence of a material uncertainty which may cast significant doubt about the Group's ability to continue as a going concern.

Ernst & Young
Certified Public Accountants

23 April 2009

CONSOLIDATED INCOME STATEMENT

Year ended 31 December 2008

	Notes	2008 HK$'000	2007 HK$'000
CONTINUED OPERATIONS			
REVENUE	5	**3,780**	65,815
Cost of sales		**(9,923)**	(70,472)
Gross loss		**(6,143)**	(4,657)
Other income	5	**1,265**	555
Selling and distribution costs		**(52)**	(1,091)
Administrative expenses		**(43,300)**	(29,001)
Other expenses	6	**(76,581)**	–
Finance costs	7	**(882)**	–
LOSS BEFORE TAX	6	**(125,693)**	(34,194)
Income tax credit	10	**8,138**	127
LOSS FOR THE YEAR FROM CONTINUING OPERATIONS		**(117,555)**	(34,067)
DISCONTINUED OPERATIONS			
Loss of discontinued operations		**–**	(14,889)
Gain on disposal of discontinued operations		**–**	9,618
Loss for the year from discontinued operations	12	**–**	(5,271)
LOSS FOR THE YEAR		**(117,555)**	(39,338)
Attributable to:			
Equity holders of the parent	11	**(104,916)**	(34,757)
Minority interests		**(12,639)**	(4,581)
		(117,555)	(39,338)
Dividends	13	**–**	–
LOSS PER SHARE ATTRIBUTABLE TO EQUITY HOLDERS OF THE PARENT			
Basic and diluted			
– For loss for the year	14	**HK(18.54) cents**	HK(7.8) cents
– For loss for the year from continuing operations	14	**HK(18.54) cents**	HK(7.4) cents

CONSOLIDATED BALANCE SHEET

31 December 2008

	Notes	2008 HK$'000	2007 HK$'000
NON-CURRENT ASSETS			
Property, plant and equipment	15	**355,440**	149,702
Prepaid land lease payments	16	**33,173**	32,172
Goodwill	17	**–**	2,328
Other intangible assets	18	**77,939**	145,265
Prepayments for acquisition of property, plant and equipment	21	**1,487**	64,068
Deferred tax assets	25	**–**	505
Total non-current assets		**468,039**	394,040
CURRENT ASSETS			
Inventories	20	**461**	2,616
Prepayments and other receivables	21	**3,969**	5,434
Due from the immediate holding company	32	**17**	1,560
Due from a fellow subsidiary	32	**560**	435
Tax prepaid		**–**	154
Cash and bank balances	22	**3,724**	32,854
Total current assets		**8,731**	43,053
CURRENT LIABILITIES			
Other payables and accruals	23	**99,240**	16,543
Interest-bearing bank and other borrowings	24	**44,864**	–
Due to a fellow subsidiary	32	**286**	–
Due to a minority shareholder of a subsidiary	32	**34,074**	32,034
Tax payable		**–**	26
Total current liabilities		**178,464**	48,603
NET CURRENT LIABILITIES		**(169,733)**	(5,550)
TOTAL ASSETS LESS CURRENT LIABILITIES		**298,306**	388,490
NON-CURRENT LIABILITIES			
Deferred tax liabilities	25	**15,460**	24,103
Deferred income	26	**12,887**	12,548
Total non-current liabilities		**28,347**	36,651
Net assets		**269,959**	351,839
EQUITY			
Equity attributable to equity holders of the parent			
Issued capital	27	**57,301**	56,600
Reserves	29(a)	**158,362**	232,994
		215,663	289,594
Minority interests		**54,296**	62,245
Total equity		**269,959**	351,839

LO Peter
Director

SUN David Lee
Director

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Year ended 31 December 2008

	Notes	Attributable to equity holders of the parent									
		Issued capital	Share premium account	Share option reserve	Merger reserve	Statutory surplus reserve	Exchange fluctuation reserve	Accumulated losses	Total	Minority interests	Total equity
		HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
At 1 January 2007		33,200	83,832	–	2,150	2,223	646	(119,003)	3,048	11,771	14,819
Exchange realignment		–	–	–	–	–	6,614	–	6,614	1,953	8,567
Share issue expense	27	–	(2,155)	–	–	–	–	–	(2,155)	–	(2,155)
Total income and expense for the year recognised directly in equity		–	(2,155)	–	–	–	6,614	–	4,459	1,953	6,412
Loss for the year		–	–	–	–	–	–	(34,757)	(34,757)	(4,581)	(39,338)
Total income and expense for the year		–	(2,155)	–	–	–	6,614	(34,757)	(30,298)	(2,628)	(32,926)
Issue of shares	27	23,400	277,760	–	–	–	–	–	301,160	–	301,160
Capital contribution from minority interest		–	–	–	–	–	–	–	–	10,678	10,678
Business combination	30	–	–	–	–	–	–	–	–	51,221	51,221
Disposal of subsidiaries	12	–	–	–	–	(2,223)	376	2,223	376	(8,797)	(8,421)
Equity-settled share option arrangement	28	–	–	15,308	–	–	–	–	15,308	–	15,308
At 31 December 2007		56,600	359,437*	15,308*	2,150*	–*	7,636*	(151,537)*	289,594	62,245	351,839
At 1 January 2008		56,600	359,437	15,308	2,150	–	7,636	(151,537)	289,594	62,245	351,839
Exchange realignment		–	–	–	–	–	11,520	–	11,520	4,690	16,210
Total income and expense for the year recognised directly in equity		–	–	–	–	–	11,520	–	11,520	4,690	16,210
Loss for the year		–	–	–	–	–	–	(104,916)	(104,916)	(12,639)	(117,555)
Total income and expense for the year		–	–	–	–	–	11,520	(104,916)	(93,396)	(7,949)	(101,345)
Issue of shares	27	701	9,795	(8,478)	–	–	–	–	2,018	–	2,018
Equity-settled share option arrangement	28	–	–	17,447	–	–	–	–	17,447	–	17,447
At 31 December 2008		57,301	369,232*	24,277*	2,150*	–*	19,156*	(256,453)*	215,663	54,296	269,959

* These reserve accounts comprise the consolidated reserves of HK$158,362,000 (2007: HK$232,994,000) in the consolidated balance sheet.

CONSOLIDATED CASH FLOW STATEMENT

Year ended 31 December 2008

	Notes	2008 HK$'000	2007 HK$'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Loss before tax:			
From continuing operations		**(125,693)**	(34,194)
From discontinued operations		**–**	(6,871)
Adjustments for:			
Finance costs	7	**882**	3,482
Interest income	5	**(56)**	(728)
Loss on disposal of items of property, plant and equipment	6	**–**	921
Gain on disposal of prepaid land lease payments	6	**–**	(898)
Gain on disposal of subsidiaries	6	**–**	(9,618)
Depreciation	15	**3,420**	4,743
Amortisation of prepaid land leases payments	16	**1,034**	351
Amortisation of other intangible assets	18	**5,474**	2,654
Amortisation of deferred income	26	**(454)**	–
Impairment of property, plant and equipment	15	**9,662**	–
Impairment of other intangible assets	18	**64,591**	–
Impairment of goodwill	17	**2,328**	–
Reversal of allowance for impairment of receivables		**–**	(193)
Equity-settled share option expense	28	**17,447**	15,308
		(21,365)	(25,043)
Decrease/(increase) in inventories		**2,155**	(1,600)
Decrease/(increase) in prepayments and other receivables		**(261)**	99,499
Increase/(decrease) in other payables and accruals		**14,330**	(12,243)
Increase in an amount due from the immediate holding company		**(17)**	–
Decrease /(Increase) in an amount due from a fellow subsidiary		**(125)**	817
Increase in an amount due to a fellow subsidiary		**286**	–
Cash generated from/(used) in operations		**(4,997)**	61,430
Interest paid		**–**	(119)
Tax paid		**–**	(219)
Net cash inflow/(outflow) from operating activities		**(4,997)**	61,092

CONSOLIDATED CASH FLOW STATEMENT

Year ended 31 December 2008

	Notes	2008 HK$'000	2007 HK$'000
Net cash inflow/(outflow) from operating activities		**(4,997)**	61,092
CASH FLOWS FROM INVESTING ACTIVITIES			
Interest received		**56**	728
Purchase of items of property, plant and equipment		**(76,181)**	(164,427)
Prepaid land lease prepayments		**–**	(12,548)
Proceeds from disposal of items of property, plant and equipment		**–**	2,023
Proceeds from disposals of prepaid land leases payments		**–**	6,729
Acquisition of subsidiaries		**–**	5,844
Transaction costs on acquisition of subsidiaries		**–**	(2,317)
Disposal of subsidiaries	12	**1,560**	(14,135)
Transaction costs on disposal of subsidiaries	12	**–**	(642)
Net cash outflow from investing activities		**(74,565)**	(178,745)
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from issue of shares	27	**2,018**	93,960
Share issue expenses	29	**–**	(2,155)
New bank and other borrowings	24	**44,864**	–
Advance from a minority shareholder of a subsidiary		**–**	35,209
Capital contribution from a minority shareholder of a subsidiary		**–**	10,678
Interest paid		**(576)**	–
Net cash inflow from financing activities		**46,306**	137,692
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS		**(33,256)**	20,039
Cash and cash equivalents at beginning of year		**32,854**	8,614
Effect of foreign exchange rate changes, net		**4,126**	4,201
CASH AND CASH EQUIVALENTS AT END OF YEAR		**3,724**	32,854
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS			
Cash and bank balances	22	**3,724**	32,854

BALANCE SHEET

31 December 2008

	Notes	2008 HK$'000	2007 HK$'000
NON-CURRENT ASSETS			
Property, plant and equipment		**25**	39
Investments in subsidiaries	19	**209,517**	209,517
Total non-current assets		**209,542**	209,556
CURRENT ASSETS			
Prepayments and other receivables	21	**262**	394
Due from subsidiaries	19	**74,329**	79,476
Due from the immediate holding company	32	**17**	1,560
Cash and bank balances	22	**3,373**	2,998
Total current assets		**77,981**	84,428
CURRENT LIABILITIES			
Other payables and accruals	23	**964**	1,161
Provision for taxation		**–**	26
Total current liabilities		**964**	1,187
NET CURRENT ASSETS		**77,017**	83,241
Net assets		**286,559**	292,797
EQUITY			
Issued capital	27	**57,301**	56,600
Reserves	29(b)	**229,258**	236,197
Total equity		**286,559**	292,797

LO Peter
Director

SUN David Lee
Director

NOTES TO FINANCIAL STATEMENTS

31 December 2008

1. CORPORATE INFORMATION

BIO-DYNAMIC GROUP LIMITED was incorporated in the Cayman Islands as an exempted company with limited liability under the Companies Law of the Cayman Islands. The address of its registered office is PO Box 309GT, Ugland House, South Church Street, George Town, Grand Cayman, Cayman Islands. The address of its principal place of business is 2116 Hutchison House, 10 Harcourt Road, Hong Kong. The Company's shares are listed on the Main Board of the Stock Exchange of Hong Kong Limited (the "Stock Exchange")

The Company is an investment holding company. The principal activities of its subsidiaries are set out in note 19 to the financial statements.

Orientelite Investments Limited, a company incorporated in the British Virgin Islands, is the immediate holding company and, in the opinion of the directors, China Enterprise Capital Limited, a company also incorporated in the British Virgin Islands, is the ultimate holding company of the Company.

Pursuant to a special resolution passed at the annual general meeting of the Company held on 8 May 2008 and approved by the Registrars of Companies of the Cayman Islands and Hong Kong, the name of the Company was changed from "Wealthmark International (Holdings) Limited" to "BIO-DYNAMIC GROUP LIMITED". The Chinese translation of the Company's name for identification purposes was changed from "和寶國際控股有限公司" to "生物動力集團有限公司".

2.1 BASIS OF PRESENTATION

At 31 December 2008, the Group had net current liabilities of HK$169,733,000 and had bank and other borrowings of HK$44,864,000 which were due for repayment or renewal within the next 12 months. The Group incurred a consolidated net loss of HK$117,555,000 for the year ended 31 December 2008.

In order to strengthen the capital base of the Group and to improve the Group's financial position, immediate liquidity and cash flows, and otherwise to sustain the Group as a going concern, the directors of the Company have taken the following measures:

(a) The Group is negotiating with certain bankers to obtain additional banking facilities;
(b) The Group is considering to dispose of certain of its operations and properties;
(c) The Group has obtained financial support from its ultimate holding company and fellow subsidiaries; and
(d) The directors of the Company are considering various alternatives to strengthen the capital base of the Company through fund raising exercises.

In addition, during the year, one of the Company's major subsidiaries was not put into operation as this subsidiary had not yet obtained a manufacturing permit from the relevant government body in Mainland China. Accordingly, no operating activities were conducted by this subsidiary during the year and as at the date of approval of the financial statements. The directors are currently arranging for trial-runs of the operation of this subsidiary in order to fulfill the requirement for an application for the manufacturing permit to be made.

2.1 BASIS OF PRESENTATION (CONT'D)

On the basis that the Group would obtain additional financial facilities from the bankers, realise certain of its operations and properties and obtain additional funding from other sources, and that the above mentioned subsidiary of the Company would obtain the manufacturing permit for commencement of operations, the directors are satisfied that the Group will be able to meet its financial obligations as and when they fall due for the foreseeable future, and are of the opinion that it is appropriate to prepare the financial statements on a going concern basis.

Should the Group be unable to continue as a going concern, adjustments would have to be made to restate the values of assets to their recoverable amounts, to provide for any future liabilities which might arise and to reclassify non-current assets and liabilities as current assets and liabilities respectively. The effects of these potential adjustments have not been reflected in the financial statements.

2.2 BASIS OF PREPARATION

These financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") (which include all Hong Kong Financial Reporting standards, Hong Kong Accounting Standards ("HKASs") and Interpretations) issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA"), accounting principles generally accepted in Hong Kong and the disclosure requirements of the Hong Kong Companies Ordinance. They have been prepared under the historical cost convention. These financial statements are presented in Hong Kong dollars.

Basis of consolidation

The consolidated financial statements include the financial statements of the Company and its subsidiaries (collectively referred to as the "Group") for the year ended 31 December 2008. The results of subsidiaries are consolidated from the date of acquisition, being the date on which the Group obtains control, and continue to be consolidated until the date that such control ceases. All income, expenses and unrealised gains and losses resulting from intercompany transactions and intercompany balances within the Group are eliminated on consolidation in full.

Minority interests represent the interests of outside shareholders not held by the Group in the results and net assets of the Company's subsidiaries.

2.3 IMPACT OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS

The Group has adopted the following new interpretations and amendments to HKFRSs for the first time for the current year's financial statements. Except for in certain cases, giving rise to new and revised accounting policies, the adoption of these new interpretations and amendments has had no significant effect on these financial statements.

HKAS 39 and HKFRS 7 Amendments	Amendments to HKAS 39 *Financial Instruments: Recognition and Measurement* and HKFRS 7 *Financial Instruments: Disclosures – Reclassification of Financial Assets*
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*

2.3 IMPACT OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS (CONT'D)

The principal effects of adopting these new and revised HKFRSs are as follows:

(a) Amendments to HKAS 39 *Financial Instruments: Recognition and Measurement* and HKFRS 7 *Financial Instruments: Disclosures – Reclassification of Financial Assets*

The amendments to HKAS 39 permit an entity to reclassify a non-derivative financial asset classified as held for trading, other than a financial asset designated by an entity as at fair value through profit or loss upon initial recognition, out of the fair value through profit or loss category if the financial asset is no longer held for the purpose of selling or repurchasing in the near term, if specified criteria are met.

A debt instrument that would have met the definition of loans and receivables (if it had not been required to be classified as held for trading at initial recognition) may be classified out of the fair value through profit or loss category or (if it had not been designated as available for sale) may be classified out of the available-for-sale category to the loans and receivables category if the entity has the intention and ability to hold it for the foreseeable future or until maturity.

In rare circumstances, financial assets that are not eligible for classification as loans and receivables may be transferred from the held-for-trading category to the available-for-sale category or to the held-to-maturity category (in the case of a debt instrument), if the financial asset is no longer held for the purpose of selling or repurchasing in the near term.

The financial asset shall be reclassified at its fair value on the date of reclassification and the fair value of the financial asset on the date of reclassification becomes its new cost or amortised cost, as applicable. The amendments to HKFRS 7 require extensive disclosures of any financial asset reclassified in the situations described above. The amendments are effective from 1 July 2008.

As the Group has not reclassified any of its financial instruments, the amendments have had no impact on the financial position or results of operations of the Group.

(b) *HK(IFRIC) – Int 11 HKFRS 2 – Group and Treasury Share Transactions*

HK(IFRIC) – Int 11 requires arrangements whereby an employee is granted rights to the Group's equity instruments to be accounted for as an equity-settled scheme, even if the Group buys the instruments from another party, or the shareholders provide the equity instruments needed. HK(IFRIC) – Int 11 also addresses the accounting for share-based payment transactions involving two or more entities within the Group. The adoption of this interpretation has had no significant impact on the financial position or results of operations of the Group.

2.3 IMPACT OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS (CONT'D)

(c) *HK(IFRIC) – Int 12 Service Concession Arrangements*

HK(IFRIC) – Int 12 applies to service concession operators and explains how to account for the obligations undertaken and the rights received in service concession arrangements. No member of the Group is an operator and, therefore, this interpretation has had no impact on the financial position or results of operations of the Group.

(d) *HK(IFRIC) – Int 14 HKAS 19 – The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction*

HK(IFRIC) – Int 14 addresses how to assess the limit under HKAS 19 Employee Benefits, on the amount of a refund or a reduction in future contributions in relation to a defined benefit scheme that can be recognised as an asset, including situations when a minimum funding requirement exists. As the Group has no defined benefit scheme, the interpretation has had no effect on these financial statements.

2.4 IMPACT OF ISSUED BUT NOT YET EFFECTIVE HONG KONG FINANCIAL REPORTING STANDARDS

The Group has not applied the following new and revised HKFRSs, that have been issued but are not yet effective, in these financial statements.

HKFRS 1 and HKAS 27 Amendments	Amendments to HKFRS 1 *First-time Adoption of HKFRSs* and HKAS 27 *Consolidated and Separate Financial Statements – Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate*[1]
HKFRS 2 Amendments	Amendments to HKFRS 2 *Share-based Payment – Vesting Conditions and Cancellations*[1]
HKFRS 3 (Revised)	*Business Combinations*[2]
HKFRS 7 Amendments	Amendments to HKFRS 7 *Financial Instruments: Disclosures – Improving*[1] *Disclosure about Finance Instruments*[1]
HKFRS 8	*Operating Segments*[1]
HKAS 1 (Revised)	*Presentation of Financial Statements*[1]
HKAS 23 (Revised)	*Borrowing Costs*[1]
HKAS 27 (Revised)	*Consolidated and Separate Financial Statements*[2]
HKAS 32 and HKAS 1 Amendments	Amendments to HKAS 32 *Financial Instruments: Presentation* and HKAS 1 *Presentation of Financial Statements – Puttable Financial Instruments and Obligations Arising on Liquidation*[1]
HKAS 39 Amendment	Amendment to HKAS 39 *Financial Instruments: Recognition and Measurement – Eligible Hedged Items*[2]
HKAS(IFRIC) – Int 9 and HKAS 39 Amendments	Amendments to HK(IFRIC) – Int 9 *Reassessment of Embedded Derivatives* and *HKAS 39 Financial Instruments: Recognition and Measurement – Embedded Derivatives*[5]
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]
HK(IFRIC) – Int 17	*Distribution of Non-cash Assets to Owners*[2]
HK(IFRIC) – Int 18	*Transfers of Assets from Customers*[2]

2.4 IMPACT OF ISSUED BUT NOT YET EFFECTIVE HONG KONG FINANCIAL REPORTING STANDARDS (CONT'D)

Apart from the above, the HKICPA has issued *Improvements to HKFRSs** which sets out amendments to a number of HKFRSs primarily with a view to removing inconsistencies and clarifying wording. Except for the amendment to HKFRS 5 which is effective for the annual periods beginning on or after 1 July 2009, the amendments are effective for annual periods beginning on or after 1 January 2009 although there are separate transitional provisions for each standard.

[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
[5] Effective for annual periods ending on or after 30 June 2009
* Improvements to HKFRSs contains amendments to HKFRS 5, HKFRS 7, HKAS 1, HKAS 8, HKAS 10, HKAS 16, HKAS 18, HKAS 19, HKAS 20, HKAS 23, HKAS 27, HKAS 28, HKAS 29, HKAS 31, HKAS 34, HKAS 36, HKAS 38, HKAS 39, HKAS 40 and HKAS 41.

The Group is in the process of making an assessment of the impact of these new and revised HKFRSs upon initial application but is not yet in a position to state whether these new and revised HKFRSs would have a significant impact on the Group's results of operations and financial position.

2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Subsidiaries

A subsidiary is an entity whose financial and operating policies the Company controls, directly or indirectly, so as to obtain benefits from its activities. The results of subsidiaries are consolidated from the date of acquisition, being the date on which the Group obtains control, and continue to be consolidated until the date that such control ceases.

The results of subsidiaries are included in the Company's income statement to the extent of dividends received and receivable. The Company's investments in subsidiaries are stated at cost less any impairment losses.

Goodwill

Goodwill arising on the acquisition of subsidiaries represents the excess of the cost of the business combination over the Group's interest in the net fair value of the acquirees' identifiable assets acquired, and liabilities and contingent liabilities assumed as at the date of acquisition.

Goodwill arising on acquisition is recognised in the consolidated balance sheet as an asset, initially measured at cost and subsequently at cost less any accumulated impairment losses.

The carrying amount of goodwill is reviewed for impairment annually or more frequently if events or changes in circumstances indicate that the carrying value may be impaired. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash-generating units, or groups of cash-generating units, that are expected to benefit from the synergies of the combination, irrespective of whether other assets or liabilities of the Group are assigned to those units or groups of units.

2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

Goodwill (Cont'd)

Impairment is determined by assessing the recoverable amount of the cash-generating unit (group of cash-generating units) to which the goodwill relates. Where the recoverable amount of the cash-generating unit (group of cash-generating units) is less than the carrying amount, an impairment loss is recognised. An impairment loss recognised for goodwill is not reversed in a subsequent period.

Where goodwill forms part of a cash-generating unit (group of cash-generating units) and part of the operation within that unit is disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on disposal of the operation. Goodwill disposed of in this circumstance is measured based on the relative values of the operation disposed of and the portion of the cash-generating unit retained.

Impairment of non-financial assets other than goodwill

Where an indication of impairment exists, or when annual impairment testing for an asset is required (other than inventories, deferred tax assets and financial assets), the asset's recoverable amount is estimated. An asset's recoverable amount is the higher of the asset's or cash-generating unit's value in use and its fair value less costs to sell, and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets, in which case the recoverable amount is determined for the cash-generating unit to which the asset belongs.

An impairment loss is recognised only if the carrying amount of an asset exceeds its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. An impairment loss is charged to the income statement in the period in which it arises in those expense categories consistent with the function of the impaired asset.

An assessment is made at each reporting date as to whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. If such an indication exists, the recoverable amount is estimated. A previously recognised impairment loss of an asset other than goodwill is reversed only if there has been a change in the estimates used to determine the recoverable amount of that asset, but not to an amount higher than the carrying amount that would have been determined (net of any depreciation/amortisation) had no impairment loss been recognised for the asset in prior years. A reversal of such an impairment loss is credited to the income statement in the period in which it arises.

Related parties

A party is considered to be related to the Group if:

(a) the party, directly or indirectly through one or more intermediaries, (i) controls, is controlled by, or is under common control with, the Group; (ii) has an interest in the Group that gives it significant influence over the Group; or (iii) has joint control over the Group;

(b) the party is an associate;

(c) the party is a member of the key management personnel of the Group or its parent;

(d) the party is a close member of the family of any individual referred to in (a) or (d);

(e) the party is an entity that is controlled, jointly controlled or significantly influenced by or for which significant voting power in such entity resides with, directly or indirectly, any individual referred to in (c) or (d); or

(f) the party is a post-employment benefit plan for the benefit of the employees of the Group, or of any entity that is a related party of the Group.

2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

Property, plant and equipment and depreciation

Property, plant and equipment, other than construction in progress, are stated at cost less accumulated depreciation and any impairment losses. The cost of an item of property, plant and equipment comprises its purchase price and any directly attributable costs of bringing the asset to its working condition and location for its intended use. Expenditure incurred after items of property, plant and equipment have been put into operation, such as repairs and maintenance, is normally charged to the income statement in the period in which it is incurred. In situations where it can be clearly demonstrated that the expenditure has resulted in an increase in the future economic benefits expected to be obtained from the use of an item of property, plant and equipment and where the cost of the item can be measured reliably, the expenditure is capitalised as an additional cost of that asset or as a replacement.

Depreciation is calculated on the straight-line basis to write off the cost of each item of property, plant and equipment to its residual value over its estimated useful life. The principal annual rates used for this purpose are as follows:

Buildings	$3\frac{1}{3}$%
Plant and machinery	10%
Leasehold improvements, furniture and fixtures	20%
Motor vehicles	20%-$33\frac{1}{3}$%

Where parts of an item of property, plant and equipment have different useful lives, the cost of that item is allocated on a reasonable basis among the parts and each part is depreciated separately.

Residual values, useful lives and the depreciation method are reviewed, and adjusted if appropriate, at least at each balance sheet date.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss on disposal or retirement recognised in the income statement in the year the asset is derecognised is the difference between the net sales proceeds and the carrying amount of the relevant asset.

Construction in progress represents buildings, plant and machinery and other fixed assets under construction or installation. Construction in progress is stated at cost less any impairment losses, and is not depreciated. Cost comprises the direct costs of construction and capitalised borrowing cost on relevant borrowed funds during the period of construction. Construction in progress is reclassified to the appropriate category of property, plant and equipment when completed and ready for use.

Intangible assets (other than goodwill)

The useful lives of intangible assets are assessed to be either finite or indefinite. Intangible assets with finite lives are amortised over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation method for an intangible asset with a finite useful life are reviewed at least at each balance sheet date.

Technology

Purchased technology is stated at cost less any impairment losses and is amortised on the straight-line basis over its estimated useful lives of 30 years.

2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

Intangible assets (other than goodwill) (Cont'd)

Trademark

Trademark is stated at cost less any impairment losses and is amortised on the straight-line basis over its estimated useful lives of 30 years.

Customer base

Customer base is stated at cost less any impairment losses and is amortised on the straight-line basis over its estimated useful lives of 20 years.

Operating leases

Leases where substantially all the rewards and risks of ownership of assets remain with the lessor are accounted for as operating leases. Where the Group is the lessor, assets leased by the Group under operating leases are included in non-current assets, and rentals receivable under the operating leases are credited to the income statement on the straight-line basis over the lease terms. Where the Group is the lessee, rentals payable under the operating leases are charged to the income statement on the straight-line basis over the lease terms.

Prepaid land lease payments under operating leases are initially stated at cost and subsequently recognised on the straight-line basis over the lease terms.

Investments and other financial assets

Financial assets in the scope of HKAS 39 are classified as loans and receivables. When financial assets are recognised initially, they are measured at fair value, plus, in the case of investments not at fair value through profit or loss, directly attributable transaction costs.

The Group assesses whether a contract contains an embedded derivative when the Group first becomes a party to it and assesses whether an embedded derivative is required to be separated from the host contract when the analysis shows that the economic characteristics and risks of the embedded derivative are not closely related to those of the host contract. Reassessment only occurs if there is a change in the terms of the contract that significantly modifies the cash flows that would otherwise be required under the contract.

The Group determines the classification of its financial assets after initial recognition and, where allowed and appropriate, re-evaluates this designation at the balance sheet date.

All regular way purchases and sales of financial assets are recognised on the trade date, that is, the date that the Group commits to purchase or sell the asset. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the period generally established by regulation or convention in the marketplace.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Such assets are subsequently carried at amortised cost using the effective interest method less any allowance for impairment. Amortised cost is calculated taking into account any discount or premium on acquisition and includes fees that are an integral part of the effective interest rate and transaction costs. Gains and losses are recognised in the income statement when the loans and receivables are derecognised or impaired, as well as through the amortisation process.

2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

Investments and other financial assets (Cont'd)

Fair value

The fair value of investments that are actively traded in organised financial markets is determined by reference to quoted market bid prices at the close of business at the balance sheet date. For investments where there is no active market, fair value is determined using valuation techniques. Such techniques include using recent arm's length market transactions; reference to the current market value of another instrument which is substantially the same; a discounted cash flow analysis; and option pricing models.

Impairment of financial assets

The Group assesses at each balance sheet date whether there is any objective evidence that a financial asset or a group of financial assets is impaired.

Assets carried at amortised cost

If there is objective evidence that an impairment loss on loans and receivables carried at amortised cost has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate (i.e., the effective interest rate computed at initial recognition). The carrying amount of the asset is reduced either directly or through the use of an allowance account. The amount of the impairment loss is recognised in the income statement. Loans and receivables together with any associated allowance are written off when there is no realistic prospect of future recovery and all collateral has been realised or has been transferred to the Group.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed by adjusting the allowance account. Any subsequent reversal of an impairment loss is recognised in the income statement, to the extent that the carrying value of the asset does not exceed its amortised cost at the reversal date.

In relation to trade and other receivables, a provision for impairment is made when there is objective evidence (such as the probability of insolvency or significant financial difficulties of the debtor and significant change in the technological, market, economic or legal environment that have an adverse effect on the debtor) that the Group will not be able to collect all the amounts due under the original terms of an invoice. The carrying amount of the receivables is reduced through the use of an allowance account. Impaired debts are derecognised when they are assessed as uncollectible.

Derecognition of financial assets

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is derecognised where:

- the rights to receive cash flows from the asset have expired;
- the Group retains the rights to receive cash flows from the asset, but has assumed an obligation to pay them in full without material delay to a third party under a "pass-through" arrangement; or
- the Group has transferred its rights to receive cash flows from the asset and either (a) has transferred substantially all the risks and rewards of the asset, or (b) has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

Derecognition of financial assets (Cont'd)

Where the Group has transferred its rights to receive cash flows from an asset and has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the asset is recognised to the extent of the Group's continuing involvement in the asset. Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Group could be required to repay.

Where continuing involvement takes the form of a written and/or purchased option (including a cash-settled option or similar provision) on the transferred asset, the extent of the Group's continuing involvement is the amount of the transferred asset that the Group may repurchase, except in the case of a written put option (including a cash-settled option or similar provision) on an asset measured at fair value, where the extent of the Group's continuing involvement is limited to the lower of the fair value of the transferred asset and the option exercise price.

Financial liabilities at amortised cost (including interest-bearing loans and borrowings)

Financial liabilities including trade and bills and other payables, an amount due to a fellow subsidiary, an amount due to a minority shareholder of a subsidiary and interest-bearing loans and other borrowings are initially stated at fair value less directly attributable transaction costs and are subsequently measured at amortised cost, using the effective interest method unless the effect of discounting would be immaterial, in which case they are stated at cost. The related interest expenses are recognised within "Finance costs" in the income statement.

Gains and losses are recognised in the income statement when the liabilities are derecognised as well as through the amortisation process.

Derecognition of financial liabilities

A financial liability is derecognised when the obligation under the liability is discharged or cancelled, or expires.

When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and a recognition of a new liability, and the difference between the respective carrying amounts is recognised in the income statement.

Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined on the weighted average basis and, in the case of work in progress and finished goods, comprises direct materials, direct labour, and an appropriate proportion of overheads. Net realisable value is based on estimated selling prices less any estimated costs to be incurred to completion and disposal.

Cash and cash equivalents

For the purpose of the consolidated cash flow statement, cash and cash equivalents comprise cash on hand and demand deposits, and short term highly liquid investments that are readily convertible into known amounts of cash, are subject to an insignificant risk of changes in value, and have a short maturity of generally within three months when acquired, less bank overdrafts which are repayable on demand and form an integral part of the Group's cash management.

2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

Provisions

A provision is recognised when a present obligation (legal or constructive) has arisen as a result of a past event and it is probable that a future outflow of resources will be required to settle the obligation, provided that a reliable estimate can be made of the amount of the obligation.

When the effect of discounting is material, the amount recognised for a provision is the present value at the balance sheet date of the future expenditures expected to be required to settle the obligation. The increase in the discounted present value amount arising from the passage of time is included in "Finance costs" in the income statement.

Income tax

Income tax comprises current and deferred tax. Income tax is recognised in the income statement, or in equity if it relates to items that are recognised in the same or a different period directly in equity.

Current tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities.

Deferred tax is provided, using the liability method, on all temporary differences at the balance sheet date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax liabilities are recognised for all taxable temporary differences, except:

- where the deferred tax liability arises from goodwill or the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and
- in respect of taxable temporary differences associated with investments in subsidiaries, where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets are recognised for all deductible temporary differences, carryforward of unused tax credits and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carryforward of unused tax credits and unused tax losses can be utilised, except:

- where the deferred tax asset relating to the deductible temporary differences arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and
- in respect of deductible temporary differences associated with investments in subsidiaries, deferred tax assets are only recognised to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

Income tax (Cont'd)

The carrying amount of deferred tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised. Conversely, previously unrecognised deferred tax assets are reassessed at each balance sheet date and are recognised to the extent that it is probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the balance sheet date.

Deferred tax assets and deferred tax liabilities are offset if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

Government grants

Government grants are recognised at their fair value where there is reasonable assurance that the grant will be received and all attaching conditions will be complied with. When the grant relates to an expense item, it is recognised as income over the periods necessary to match the grant on a systematic basis to the costs that it is intended to compensate. Where the grant relates to an asset, the fair value is created to a deferred income account and is released to the income statement over the expect useful life of the relevant asset by equal annual instalment.

Revenue recognition

Revenue is recognised when it is probable that the economic benefits will flow to the Group and when the revenue can be measured reliably, on the following bases:

(a) from the sale of goods, when the significant risks and rewards of ownership have been transferred to the buyer, provided that the Group maintains neither managerial involvement to the degree usually associated with ownership, nor effective control over the goods sold; and

(b) interest income, on an accrual basis using the effective interest method by applying the rate that discounts the estimated future cash receipts through the expected life of the financial instrument to the net carrying amount of the financial asset.

Share-based payment transactions

The Company operates a share option scheme for the purpose of providing incentives and rewards to eligible participants who contribute to the success of the operations of the Group. Employees (including directors) of the Group receive remuneration in the form of share-based payment transactions, whereby employees render services as consideration for equity instruments ("equity-settled transactions").

The cost of equity-settled transactions with employees is measured by reference to the fair value at the date at which they are granted. The fair value is determined by an external valuer using a binomial model, further details of which are given in note 28. In valuing equity-settled transactions, no account is taken of any performance conditions, other than conditions linked to the price of the shares of the Company ("market conditions"), if applicable.

2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

Share-based payment transactions (Cont'd)

The cost of equity-settled transactions is recognised, together with a corresponding increase in equity, over the period in which the performance and/or service conditions are fulfilled, ending on the date on which the relevant employees become fully entitled to the award (the "vesting date"). The cumulative expense recognised for equity-settled transactions at each balance sheet date until the vesting date reflects the extent to which the vesting period has expired and the Group's best estimate of the number of equity instruments that will ultimately vest. The charge or credit to the income statement for a period represents the movement in the cumulative expense recognised as at the beginning and end of that period.

No expense is recognised for awards that do not ultimately vest, except for awards where vesting is conditional upon a market condition, which are treated as vesting irrespective of whether or not the market condition is satisfied, provided that all other performance conditions are satisfied.

Where the terms of an equity-settled award are modified, as a minimum an expense is recognised as if the terms had not been modified. In addition, an expense is recognised for any modification, which increases the total fair value of the share-based payment arrangement, or is otherwise beneficial to the employee as measured at the date of modification.

Where an equity-settled award is cancelled, it is treated as if it had vested on the date of cancellation, and any expense not yet recognised for the award is recognised immediately. However, if a new award is substituted for the cancelled award, and designated as a replacement award on the date that it is granted, the cancelled and new awards are treated as if they were a modification of the original award, as described in the previous paragraph.

Other employee benefits

Pension schemes

The Group operates a defined contribution Mandatory Provident Fund retirement benefit scheme (the "MPF Scheme") under the Mandatory Provident Fund Schemes Ordinance for those employees who are eligible to participate in the MPF Scheme. Contributions are made based on a percentage of the employees' basic salaries and are charged to the income statement as they become payable in accordance with the rules of the MPF Scheme. The assets of the MPF Scheme are held separately from those of the Group in an independently administered fund.

The employees of the Group's subsidiaries which operate in Mainland China are required to participate in a central pension scheme operated by the local municipal government. These subsidiaries are required to contribute a percentage of its payroll costs to the central pension scheme. The contributions are charged to the income statement as they become payable in accordance with the rules of the central pension scheme.

Termination benefits

Termination benefits are recognised when, and only when, the Group demonstrably commits itself to terminate employment or to provide benefits as a result of voluntary redundancy by having a detailed formal plan which is without realistic possibility of withdrawal.

2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

Borrowing costs

Borrowing costs directly attributable to the acquisition, construction of qualifying assets, i.e., assets that necessarily take a substantial period of time to get ready for their intended use or sale, are capitalised as part of the cost of those assets. The capitalisation of such borrowing costs ceases when the assets are substantially ready for their intended use or sale. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing cost capitalised.

Dividends

Final dividends proposed by the directors are classified as a separate allocation of retained profits within the equity section of the balance sheet, until they have been approved by the shareholders in a general meeting. When these dividends have been approved by the shareholders and declared, they are recognised as a liability.

Interim dividends are simultaneously proposed and declared, because the Company's memorandum and articles of association grant the directors the authority to declare interim dividends. Consequently, interim dividends are recognised immediately as a liability when they are proposed and declared.

Foreign currencies

These financial statements are presented in Hong Kong dollars, which is the Company's functional and presentation currency. Each entity in the Group determines its own functional currency and items included in the financial statements of each entity are measured using that functional currency. Foreign currency transactions are initially recorded using the functional currency rates ruling at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies are retranslated at the functional currency rates of exchange ruling at the balance sheet date. All differences are taken to the income statement. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined.

The functional currency of subsidiaries in Mainland China is Renminbi ("RMB"). As at the balance sheet date, the assets and liabilities of these entities are translated into the presentation currency of the Company at the exchange rates ruling at the balance sheet date and their income statements are translated into Hong Kong dollars at the weighted average exchange rates for the year. The resulting exchange differences are included in the exchange fluctuation reserve. On disposal of a foreign entity, the deferred cumulative amount recognised in equity relating to that particular foreign operation is recognised in the income statement.

For the purpose of the consolidated cash flow statement, the cash flows of subsidiaries in Mainland China are translated into Hong Kong dollars at the exchange rates ruling at the dates of the cash flows. Frequently recurring cash flows of overseas subsidiaries which arise throughout the year are translated into Hong Kong dollars at the weighted average exchange rates for the year.

3. SIGNIFICANT ACCOUNTING ESTIMATES

The preparation of the Group's financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the disclosure of contingent liabilities, at the reporting date. However, uncertainty about these assumptions and estimates could result in outcomes that could require a material adjustment to the carrying amounts of the assets or liabilities affected in the future.

Estimation uncertainty

The key assumptions concerning the future and other key sources of estimation uncertainty at the balance sheet date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are discussed below.

Impairment of goodwill

The Group determines whether goodwill is impaired at least on an annual basis. This requires an estimation of the value in use of the cash-generating unit to which the goodwill is allocated. Estimating the value in use requires the Group to make an estimate of the expected future cash flows from the cash-generating unit and also to choose a suitable discount rate in order to calculate the present value of those cash flows. The carrying amount of goodwill at 31 December 2008 was Nil (2007: HK$2,328,000). More details are given in note 17 to the financial statements.

Impairment of non-financial assets (other than goodwill)

The Group assesses whether there are any indicators of impairment for all non-financial assets at each reporting date. Indefinite life intangible assets are tested for impairment annually and at other times when such indicator exists. Other non-financial assets are tested for impairment when there are indicators that the carrying amounts may not be recoverable. When value in use calculations are undertaken, management must estimate the expected future cash flows from the asset or cash-generating unit and choose a suitable discount rate in order to calculate the present value of those cash flows. During the year, impairment provision on certain non-financial assets other than goodwill has been made. Further details are given in note 15 and note 18 to the financial statements.

Useful lives of other intangible assets

The Group determines the estimated useful lives and related amortisation charges for its intangible assets other than goodwill. This estimate is based on the expected pattern of consumption of the future economic benefits embodied in the asset or the contractual or other legal rights associated with the assets. The Group will revise the amortisation period and the amortisation method for an intangible asset where the useful life is different to that previously estimated.

Equity settled share option expense

The Company operates a share option scheme under which employees (including directors) of the Group receive remuneration in the form of share-based payment transactions. The cost of these equity-settled transactions with employees is measured by reference to the fair value at the date at which they are granted, using assumptions including expected volatility, dividend yield and the risk-free interest rate. Such cost is recognised, together with a corresponding increase in equity, over the period in which the service conditions are fulfilled. The cumulative expense recognised for equity-settled transactions at each balance sheet date until the vesting date reflects the extent to which the vesting period has expired and the Group's best estimate of the number of equity instruments that will ultimately vest.

3. SIGNIFICANT ACCOUNTING ESTIMATES (CONT'D)

Estimation uncertainty (Cont'd)

Cost of business combination

On 19 July 2007, the Group completed the acquisition of the entire issued share capital of BAPP Ethanol Holdings Limited ("BAPP Ethanol") and CEC Ethanol (Northeast) Limited ("CEC Ethanol") from its fellow subsidiaries at considerations of HK$120,000,000 and HK$100,000,000, respectively. The considerations were satisfied by the Company through the allotment and issuance of 96,000,000 and 80,000,000 new shares of the Company, respectively, at an issue price of HK$1.25 per share. HKFRS 3 requires the cost of a business combination to be measured at the fair value of the equity instruments issued by the acquirer in exchange for control of the acquiree at the date of exchange. The published price of the Company's shares at the date of exchange is HK$2.57 per share. The directors considered that the published price at the date of exchange of the shares issued is not a suitable indicator of the fair value of these acquisitions due to the thinness of the trading volume of the Company's shares. After further review, the directors estimated that the fair values of the shares issued for the acquisition of BAPP Ethanol and CEC Ethanol were HK$1.08 and HK$1.30 per share, respectively, by reference to the Company's interests in the fair values of BAPP Ethanol and CEC Ethanol determined from value in use calculations.

4. SEGMENT INFORMATION

During the year ended 31 December 2008, over 90% of the Group's operations related to the manufacture and sale of ethanol products and over 90% of the Group's products were sold to customers located in Mainland China. Accordingly, no segment information has been disclosed.

Segment information for the year ended 31 December 2007 was presented by way of two segment formats: (i) on a primary segment reporting basis, by business segment; and (ii) on a secondary segment reporting basis, by geographical segment.

(i) Primary reporting format – Business segments

The Group's prior year's operating businesses were 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 represented a strategic business unit that offered products and services which were subject to risks and returns that were different from those of the other business segments. Summary details of the prior year business segments were as follows:

(a) The ethanol products segment comprised the manufacture, sale and distribution of ethanol products;

(b) the handbags and other accessories segment comprised the manufacture and sale of handbags, garments and other accessories and the provision of related subcontracting services; and

(c) the dairy products segment comprised the manufacture and sale of liquid milk and yogurt.

There were no sales or other transactions among the business segments.

4. SEGMENT INFORMATION (CONT'D)

(i) Primary reporting format – Business segments (Cont'd)

The following table presents revenue, loss and certain asset, liability and expenditure information for the Group's business segments for the year ended 31 December 2007.

	Continuing operations	Discontinued operations			
	Ethanol products	Handbags and other accessories	Dairy products	Sub-total	Consolidated
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Year ended 31 December 2007					
Segment revenue	65,815	76,902	21,739	98,641	164,456
Segment results	(4,657)	4,416	319	4,735	78
Other income	555			635	1,190
Corporate and other unallocated expenses	(30,092)			(8,759)	(38,851)
Finance costs	–			(3,482)	(3,482)
Loss before tax	(34,194)			(6,871)	(41,065)
Income tax credit	127			1,600	1,727
Loss for the year	(34,067)			(5,271)	(39,338)
Assets and liabilities					
Segment assets	432,102			–	432,102
Corporate and other unallocated assets	4,991			–	4,991
Total assets	437,093			–	437,093
Segment liabilities	84,067			–	84,067
Corporate and other unallocated liabilities	1,187			–	1,187
Total liabilities	85,254			–	85,254
Other segment information:					
Depreciation and amortisation	4,177	1,485	2,071	3,556	7,733
Corporate and other unallocated amounts	15			–	15
	4,192			3,556	7,748
Capital expenditure	99,545	575	239	814	100,359
Reversal of allowance for impairment of receivables	–	193	–	193	193

4. SEGMENT INFORMATION (CONT'D)

(ii) Secondary reporting format – Geographical segments

In determining the Group's geographical segments, in the prior year, revenues were attributed to the segments based on the location of the customers. Sales or transactions between the geographical segments were eliminated on presentation of segment information of the Group.

	Segment revenue HK$'000	Total assets HK$'000	Capital expenditure HK$'000
Year ended 31 December 2007			
United States of America	9,930	–	–
Europe	14,390	–	–
The People's Republic of China ("PRC")	138,286	429,774	100,219
Asia region except the PRC	1,850	4,991	140
	164,456	434,765	100,359
Goodwill		2,328	
Total assets		437,093	

5. REVENUE AND OTHER INCOME

Revenue, which is also the Group's turnover, represents the net invoiced value of goods sold, after allowances for goods returns and trade discounts.

An analysis of revenue and other income is as follows:

	2008 **HK$'000**	2007 HK$'000
Revenue		
Sale of goods	**3,780**	164,456
Attributable to:		
Continuing operations	**3,780**	65,815
Discontinued operations (note 12)	**–**	98,641
	3,780	164,456
Other income		
Government grants*	**1,126**	–
Bank interest income	**56**	728
Net foreign exchange gains	**–**	398
Rental income	**–**	17
Other income	**83**	47
	1,265	1,190
Attributable to:		
Continuing operations	**1,265**	555
Discontinued operations (note 12)	**–**	635
	1,265	1,190

* The government grants comprise (i) the amount of HK$672,000 related to the Group's compliance with Energy Conservation and Emission Reduction conditions as required by the respective government bodies; and (ii) the amount of HK$454,000 related to the amortisation of the deferred income (note 26).

6. LOSS BEFORE TAX

The Group's loss before tax is arrived at after charging:

	Notes	2008 Continuing operations HK$'000	2007 Continuing operations HK$'000	2007 Discontinued operations HK$'000	2007 Total HK$'000
Cost of inventories sold (including write-down of inventories)		**9,069**	52,496	64,202	116,698
Depreciation	15	**3,420**	1,193	3,550	4,743
Amortisation of other intangible assets	18	**5,474**	2,654	–	2,654
Amortisation of prepaid land lease payments	16	**1,034**	345	6	351
Minimum lease payments under operating leases:					
Land and buildings		**360**	360	264	624
Auditors' remuneration		**720**	695	–	695
Employee benefits expense (including directors' remuneration) (note 8)					
Wages and salaries		**9,864**	5,015	19,915	24,930
Equity-settled share option expense		**17,447**	15,308	–	15,308
Pension scheme contributions		**1,307**	239	705	944
		28,618	20,562	20,620	41,182
Foreign exchange differences, net		**33**	132	(530)	(398)
Other expenses:					
Impairment of property, plant and equipment	15	**9,662**	–	–	–
Impairment of other intangible assets	18	**64,591**	–	–	–
Impairment of goodwill	17	**2,328**	–	–	–
		76,581	–	–	–
Loss on disposal of items of property, plant and equipment		**–**	–	921	921
Gain on disposal of prepaid land lease payments		**–**	–	(898)	(898)
Gain on disposal of subsidiaries		**–**	–	(9,618)	(9,618)

7. FINANCE COSTS

	Group 2008 HK$'000	2007 HK$'000
Interest on bank loans and other loans wholly repayable within five years	**2,337**	119
Interest on an amount due to the immediate holding company wholly repayable within five years	**–**	3,363
Total interest expense on financial liabilities not at fair value through profit or loss	**2,337**	3,482
Less: interest capitalised	**(1,455)**	–
	882	3,482
Attributable to:		
Continuing operations	**882**	–
Discontinued operations (note 12)	**–**	3,482
	882	3,482

8. DIRECTORS' REMUNERATION

Directors' remuneration for the year, disclosed pursuant to the Listing Rules and Section 161 of the Hong Kong Companies Ordinance, are as follows:

	Group 2008 HK$'000	2007 HK$'000
Fees	**1,500**	1,330
Other emoluments of directors:		
Salaries, allowances and benefits in kind	**2,700**	1,015
Equity-settled share option expense	**11,133**	9,806
Pension scheme contributions	**16**	16
	15,349	12,167

During the year, certain share options which were previously granted under the share option scheme of the Company to certain directors were modified, further details of which are set out in note 28 to the financial statements. The increase in the fair value of the new options has been recognised in the income statement upon the grant date and is included in the above directors' remuneration disclosures.

8. DIRECTORS' REMUNERATION (CONT'D)

(a) Independent non-executive directors

The fees paid to independent non-executive directors during the year were as follows:

	2008 HK$'000	2007 HK$'000
Dr. Leung Kwan-Kwok	150	150
Mr. Zuchowski Sam	150	150
Dr. Loke Yu	150	150
	450	450

There were no other emoluments payable to the independent non-executive directors during the year (2007: Nil).

(b) Executive directors and a non-executive director

	Fees HK$'000	Salaries, allowances and benefits in kind HK$'000	Equity-settled share option expense HK$'000	Pension scheme contributions HK$'000	Total remuneration HK$'000
2008					
Executive directors:					
Mr. Peter Lo	150	–	1,746	8	1,904
Mr. David Lee Sun	150	–	1,746	8	1,904
Mr. Li Wentao	150	1,050	1,874	–	3,074
Mr. Zhao Difei	150	650	2,089	–	2,889
Mr. Lu Gui Pin	150	350	1,589	–	2,089
Mr. Li Jian Quan	150	650	2,089	–	2,889
	900	2,700	11,133	16	14,749
Non-executive director:					
Mr. Derek Emory Ting-Lap Yeung	150	–	–	–	150

8. DIRECTORS' REMUNERATION (CONT'D)

(b) Executive directors and a non-executive director (Cont'd)

	Notes	Fees HK$'000	Salaries, allowances and benefits in kind HK$'000	Equity-settled share option expense HK$'000	Pension scheme contributions HK$'000	Total remuneration HK$'000
2007						
Executive directors:						
Mr. Peter Lo		150	–	1,524	8	1,682
Mr. Li Wentao		150	301	1,524	–	1,975
Mr. David Lee Sun		150	–	1,524	8	1,682
Mr. Zhao Difei	(a)	65	281	1,901	–	2,247
Mr. Li Jian Quan	(a)	65	281	1,901	–	2,247
Mr. Lu Gui Pin	(a)	65	152	1,432	–	1,649
Mr. Fu Hui	(b)	85	–	–	–	85
		730	1,015	9,806	16	11,567
Non-executive director:						
Mr. Derek Emory Ting-Lap Yeung		150	–	–	–	150

There was no arrangement under which directors waived or agreed to waive any remuneration during the year.

Notes:

(a) appointed on 26 July 2007

(b) resigned on 26 July 2007

9. FIVE HIGHEST PAID EMPLOYEES

The five highest paid employees during the year included four (2007: four) directors, details of whose remuneration are set out in note 8 above. Details of the remuneration of the remaining one (2007: one) non-director, highest paid employee for the year ended 31 December 2007 is as follows:

Group

	Group 2008 HK$'000	2007 HK$'000
Salaries, allowances and benefits in kind	**540**	540
Equity-settled share option expense	**1,469**	1,147
Pension scheme contributions	**12**	12
	2,021	1,699

10. TAX

During the year, no Hong Kong profits tax has been provided as there was no assessable profit arising from Hong Kong and no tax on profits assessable elsewhere has been provided. In the prior year, Hong Kong profits tax had been provided at the rate of 17.5% on the estimated assessable profits arising in Hong Kong during that year.

	2008 **HK$'000**	2007 HK$'000
Group:		
Current – Hong Kong	**–**	151
Current – Overseas	**–**	(1,565)
Deferred (note 25)	**(8,138)**	(313)
Total tax credit for the year	**(8,138)**	(1,727)
Attributable to:		
Continuing operations	**(8,138)**	(127)
Discontinued operations (note 12)	**–**	(1,600)
	(8,138)	(1,727)

A reconciliation of the tax credit applicable to loss before tax using the statutory rates for Hong Kong in which the Company and its subsidiaries are domiciled to the tax credit at the effective tax rate, and a reconciliation of the applicable rate to the effective tax rate, are as follows:

	2008 **HK$'000**	**%**	2007 HK$'000	%
Loss before tax	**(125,693)**		(41,065)	
Tax at statutory tax rate	**(20,739)**	**16.50**	(7,186)	17.50
Overprovision in prior years	**–**	**–**	(1,560)	3.80
Expenses not deductible for tax	**3,263**	**(2.60)**	5,000	(12.18)
Income not subject to tax	**–**	**–**	(2,021)	4.92
Tax effect of temporary differences not recognised	**–**	**–**	(300)	0.73
Tax losses utilised from previous years	**–**	**–**	(1,266)	3.08
Tax losses not recognised	**12,105**	**(9.63)**	7,879	(19.19)
Effect of different tax rates of subsidiaries	**(2,767)**	**2.20**	(2,273)	5.54
Tax credit at the Group's effective rate	**(8,138)**	**6.47**	(1,727)	4.2

10. TAX (CONT'D)

Under the new corporate income tax law of the PRC effective from 1 January 2008, the tax rate applicable to domestic-invested enterprises and foreign-invested enterprises has been standardised at 25%. One of the Group's subsidiaries is exempted from PRC corporate income tax for its first two profit-making years (after deducting losses incurred in previous years) and is entitled to a 50% tax reduction for the succeeding three years. Although this subsidiary has no assessable profit since its date of registration, based on the State Council Circular on the Implementation of Transitional Concession Policies for Corporate Income Tax (Guo Fa [2007] No. 39), this subsidiary should be subject to the first year exemption in 2008 whether or not it has assessable profit.

11. LOSS ATTRIBUTABLE TO EQUITY HOLDERS OF THE PARENT

The consolidated loss attributable to equity holders of the parent for the year ended 31 December 2008 includes a loss of approximately HK$25,703,000 (2007: HK$74,419,000) which has been dealt with in the financial statements of the Company (note 29(b)).

12. DISCONTINUED OPERATIONS

On 11 May 2007, the Company entered into an agreement with the immediate holding company for the disposal of the entire issued share capital of Glory Access Limited (the "GAL") and Agricapital (Tianjin) Limited (the "ATL"), both being wholly-owned subsidiaries of the Company, for a total consideration of US$200,000 (approximately HK$1,560,000). GAL and its subsidiaries were engaged in the manufacture and sale of handbags, garments and other accessories and the provision of related subcontracting services while ATL and its subsidiaries were engaged in the manufacture and sale of liquid milk and yogurt. The disposal was completed on 19 July 2007.

The results of the subsidiaries disposed of for the year ended 31 December 2007 are presented below:

	2007 HK$'000
Turnover	98,641
Cost of sales	(93,906)
Other income	635
Reversal of allowance for impairment of receivables	193
Expenses	(18,570)
Finance costs	(3,482)
Loss before tax from the discontinued operations	(16,489)
Income tax credit	1,600
Loss for the year from the discontinued operations	(14,889)

12. DISCONTINUED OPERATIONS (CONT'D)

The major classes of assets and liabilities of the subsidiaries disposed of on the completion date in 2007 are as follows:

	HK$'000
Property, plant and equipment	43,385
Prepaid land lease payments	460
Goodwill	11,010
Inventories	33,992
Trade and other receivables	36,204
Cash and bank balances	14,135
Due to the immediate holding company	(79,909)
Trade and other payables	(52,770)
Due to a minority shareholder of a subsidiary	(6,259)
Current tax payable	(527)
Minority interests	(8,797)
Exchange reserve	376
Net liabilities disposed of	(8,700)
Transaction costs on disposal of subsidiaries	642
Gain on disposal of subsidiaries	9,618
Consideration receivable*	1,560
Net cash outflow arising on disposal	
Cash and bank balances disposed of	14,135

* The consideration receivable was outstanding as at 31 December 2007 and included in the amount due from the immediate holding company in 2007.

The net cash flows incurred by the subsidiaries disposed of are as follows:

	2008 HK$'000	2007 HK$'000
Operating activities	**–**	(4,503)
Investing activities	**1,560**	8,017
Financing activities	**–**	3,078
Net cash inflow	**1,560**	6,592
Loss per share:		
Basic, from the discontinued operation		HK0.4 cent

12. DISCONTINUED OPERATIONS (CONT'D)

The calculations of basic loss per share from the discontinued operation are based on loss attributable to equity holders of the parent from the discontinued operations of HK$2,008,000 and the weighted average number of ordinary shares in issue in year 2007 of 443,347,945 shares as used in the basic loss per share calculation for the year.

13. DIVIDENDS

The directors do not recommend the payment of any dividend for the year ended 31 December 2008 (2007: Nil).

14. LOSS PER SHARE

The calculation of basic loss per share amounts is based on the loss for the year attributable to equity holders of the parent and the weighted average number of ordinary shares in issue during the year.

The calculation of basic loss per share is based on:

	2008	2007
	HK$'000	HK$'000
Loss		
Loss attributable to equity holders of the parent used in the basic loss per share calculation:		
From continuing operations	**(104,916)**	(32,749)
From discontinued operations	**–**	(2,008)
	(104,916)	(34,757)

	Number of shares	
	2008	2007
Shares		
Weighted average number of ordinary shares in issue during the year used in the basic loss per share calculation	**566,019,197**	443,347,945

As the exercise price of the share options outstanding at the each of balance sheet dates was higher than the average market price of the Company's ordinary shares during both years, no shares were assumed to have been issued on the deemed exercise of the Company's options for the years ended 31 December 2007 and 2008. No diluted loss per share has been presented.

15. PROPERTY, PLANT AND EQUIPMENT

Group

	Buildings HK$'000	Plant and machinery HK$'000	Leasehold improvements, furniture and fixtures HK$'000	Motor vehicles HK$'000	Construction in progress HK$'000	Total HK$'000
31 December 2008						
At 31 December 2007 and at 1 January 2008:						
Cost	10,483	22,283	155	118	117,928	150,967
Accumulated depreciation	(173)	(1,033)	(40)	(19)	–	(1,265)
Net carrying amount	10,310	21,250	115	99	117,928	149,702
At 1 January 2008, net of accumulated depreciation	10,310	21,250	115	99	117,928	149,702
Additions	–	521	–	–	208,941	209,462
Impairment	(2,025)	(7,043)	(15)	(22)	(557)	(9,662)
Depreciation provided during the year	(1,059)	(2,324)	(27)	(10)	–	(3,420)
Transfers	73,282	545	–	–	(73,827)	–
Exchange realignment	617	1,228	5	5	7,503	9,358
At 31 December 2008, net of accumulated depreciation and impairment	81,125	14,177	78	72	259,988	355,440
At 31 December 2008:						
Cost	84,434	24,767	161	125	260,552	370,039
Accumulated depreciation and impairment	(3,309)	(10,590)	(83)	(53)	(564)	(14,599)
Net carrying amount	81,125	14,177	78	72	259,988	355,440

An impairment loss of HK$9,662,000 (2007: Nil) was recognised for property, plant and equipment held by the Group because the respective carrying amounts were lower than the recoverable amounts of these assets estimated by the directors of the Company.

15. PROPERTY, PLANT AND EQUIPMENT (CONT'D)

Group

	Buildings HK$'000	Plant and Machinery HK$'000	Leasehold improvements, furniture and fixtures HK$'000	Motor vehicles HK$'000	Moulds HK$'000	Construction in progress HK$'000	Total HK$'000
31 December 2007							
At 31 December 2006 and at 1 January 2007:							
Cost	22,804	62,971	32,121	3,406	2,285	–	123,587
Accumulated depreciation and impairment	(8,445)	(31,822)	(30,628)	(1,348)	(2,247)	–	(74,490)
Net carrying amount	14,359	31,149	1,493	2,058	38	–	49,097
At 1 January 2007, net of accumulated depreciation	14,359	31,149	1,493	2,058	38	–	49,097
Additions	2,227	234	289	51	3	97,555	100,359
Acquisition of subsidiaries (note 30)	8,208	21,413	41	113	–	19,584	49,359
Disposals	(2,944)	–	–	–	–	–	(2,944)
Disposal of subsidiaries (note 12)	(11,321)	(28,851)	(1,366)	(1,818)	(29)	–	(43,385)
Depreciation provided during the year	(546)	(3,531)	(344)	(310)	(12)	–	(4,743)
Exchange realignment	327	836	2	5	–	789	1,959
At 31 December 2007, net of accumulated depreciation	10,310	21,250	115	99	–	117,928	149,702
At 31 December 2007:							
Cost	10,483	22,283	155	118	–	117,928	150,967
Accumulated depreciation	(173)	(1,033)	(40)	(19)	–	–	(1,265)
Net carrying amount	10,310	21,250	115	99	–	117,928	149,702

16. PREPAID LAND LEASE PAYMENTS

	Group 2008 HK$'000	2007 HK$'000
Carrying amount at 1 January	**33,297**	6,296
Acquisition of subsidiaries (note 30)	**–**	20,286
Additions	**–**	12,548
Disposals	**–**	(6,291)
Recognised during the year	**(1,034)**	(351)
Exchange realignment	**2,107**	809
Carrying amount at 31 December	**34,370**	33,297
Current portion included in prepayments and other receivables	**(1,197)**	(1,125)
Non-current portion	**33,173**	32,172

The leasehold land is held under medium term leases and is situated in Mainland China.

17. GOODWILL

	Group 2008 HK$'000	2007 HK$'000
At 1 January		
Cost	**2,328**	11,010
Accumulated impairment	**–**	–
Net carrying amount	**2,328**	11,010
Cost at 1 January 2007, net of accumulated impairment	**2,328**	11,010
Acquisition of subsidiaries (note 30)	**–**	2,328
Disposal of subsidiaries (note 12)	**–**	(11,010)
Impairment during the year	**(2,328)**	–
At 31 December	**–**	2,328

Impairment testing of goodwill

Goodwill acquired through a business combination in the prior year had been allocated to the ethanol products cash-generating unit ("CGU") that was expected to attribute to the opportunity to improve the Group's earnings base.

17. GOODWILL (CONT'D)

Impairment testing of goodwill (Cont'd)

The recoverable amount of the ethanol products cash-generating unit has been determined based on a value in use calculation using cash flow projections based on financial budgets covering a five-year period approved by senior management. The discount rate applied to the cash flow projections is 13.60% (2007: 22.15% to 23.65%) and cash flows beyond the five-year period are extrapolated using a growth rate of 2% which does not exceed the average long-term growth rate of the industry in which the ethanol business operates.

Key assumptions were used in the value in use calculation of the ethanol products for 31 December 2008 and 2007. The following describes each key assumption on which management has based its cash flow projections to undertake impairment testing of goodwill:

Budgeted gross margins – The basis used to determine the value assigned to the budgeted gross margins is the average gross margins achieved in the year immediately before the budget year, increased for expected efficiency improvements.

Discount rates – The discount rates used are before tax and reflect specific risks relating to the relevant units.

Raw materials price inflation – The basis used to determine the value assigned to raw materials price inflation is the forecast price indices during the budget year.

18. OTHER INTANGIBLE ASSETS

Group	Technology	Trademark	Customer base	Total
	HK$'000	HK$'000	HK$'000	HK$'000
31 December 2008				
Cost at 1 January 2008, net of accumulated amortisation	94,290	25,546	25,429	145,265
Amortisation provided during the year	(3,196)	(909)	(1,369)	(5,474)
Impairment during the year	(29,255)	(10,017)	(25,319)	(64,591)
Exchange realignments	–	1,480	1,259	2,739
At 31 December 2008	61,839	16,100	–	77,939
At 31 December 2008:				
Cost	95,888	27,633	27,742	151,263
Accumulated amortisation and impairment	(34,049)	(11,533)	(27,742)	(73,324)
Net carrying amount	61,839	16,100	–	77,939

18. OTHER INTANGIBLE ASSETS (CONT'D)

Group	Technology	Trademark	Customer base	Total
	HK$'000	HK$'000	HK$'000	HK$'000
31 December 2007				
Cost at 1 January 2007, net of accumulated amortisation	–	–	–	–
Acquisition of subsidiaries (note 30)	95,888	24,971	25,070	145,929
Amortisation provided during the year	(1,598)	(421)	(635)	(2,654)
Exchange realignments	–	996	994	1,990
At 31 December 2007	94,290	25,546	25,429	145,265
At 31 December 2007 and at 1 January 2008:				
Cost	95,888	25,978	26,081	147,947
Accumulated amortisation	(1,598)	(432)	(652)	(2,682)
Net carrying amount	94,290	25,546	25,429	145,265

Aggregate impairment losses of HK$64,591,000 (2007: Nil) were recognised for certain other intangible assets due to the fact that the recoverable amounts of these intangible assets were estimated to be less than the carrying amounts.

19. INVESTMENTS IN SUBSIDIARIES

	Company	
	2008	2007
	HK$'000	HK$'000
Unlisted shares, at cost	**209,517**	209,517
Due from subsidiaries	**74,329**	79,476
	283,846	288,993

The amounts due from subsidiaries included in the Company's current assets of HK$74,329,000 (2007: HK$79,476,000) are unsecured, interest-free and has no fixed terms of repayments.

19. INVESTMENTS IN SUBSIDIARIES (CONT'D)

Particulars of the subsidiaries as at 31 December 2008 are as follows:

Name	Place of incorporation/ registration and operations	Nominal value of issued ordinary registered share capital	Percentage of equity attributable to the Company		Principal activities
			Direct	Indirect	
BAPP Ethanol Holdings Limited	The British Virgin Islands (The "BVI")/ Hong Kong	4,450,682 ordinary shares of US$1	100%	–	Investment holding
BAPP (Northwest) Limited	BVI/Hong Kong	1 ordinary share of US$1	–	100%	Investment holding
CEC Ethanol (Northeast) Limited	BVI/Hong Kong	12,750,315 ordinary shares of US$1	100%	–	Investment holding
寧夏西部光彩新能源高新技術有限公司 Ningxia West Bright New Resource Technology Co., Ltd. [(a)(b)]	People's Republic of China/ Mainland China	RMB40,000,000	–	100%	Manufacture and sale of ethanol
哈爾濱中國釀酒有限公司 Harbin China Distillery Co., Ltd. [(a)(c)]	People's Republic of China/ Mainland China	RMB220,000,000	–	72.7%	Not commenced operation
Skymax International Investment Enterprise Limited	Hong Kong	1 ordinary share of HK$1	–	100%	Inactive
Bio-Dynamic China Limited	Hong Kong	1 ordinary share of HK$1	100%	–	Inactive

(a) For identification purposes only.
(b) The company is registered as a wholly-foreign-owned enterprise established under PRC law.
(c) The company is registered as a Sino-foreign equity joint venture established under PRC law.

During the year ended 31 December 2007, the Company acquired the entire issued share capital of BAPP Ethanol Holdings Limited and CEC Ethanol (Northeast) Limited from its fellow subsidiaries (see note 30) .

20. INVENTORIES

	Group	
	2008	2007
	HK$'000	HK$'000
Raw materials	**461**	2,066
Work in progress	**–**	250
Finished goods	**–**	300
	461	2,616

21. PREPAYMENTS AND OTHER RECEIVABLES

	Group		Company	
	2008	2007	**2008**	2007
	HK$'000	HK$'000	**HK$'000**	HK$'000
Current:				
Prepayments	**1,461**	2,326	**262**	394
Other receivables	**1,274**	2,153	**–**	–
Tax recoverable	**1,234**	955	**–**	–
	3,969	5,434	**262**	394
Non-current:				
Prepayments	**1,487**	64,068	**–**	–

None of the above assets is either past due or impaired. The financial assets included in the above balances relate to receivables for which there was no recent history of default.

22. CASH AND BANK BALANCES

At the balance sheet date, the cash and bank balances of the Group denominated in RMB amounted to HK$184,000 (2007: HK$17,684,000). The RMB is not freely convertible into other currencies, however, under Mainland China's Foreign Exchange Control Regulations and Administration of Settlement, Sale and Payment of Foreign Exchange Regulations, the Group is permitted to exchange RMB for other currencies through banks authorised to conduct foreign exchange business.

Cash at banks earns interest at floating rates based on daily bank deposit rates.

23. OTHER PAYABLES AND ACCRUALS

	Group		Company	
	2008	2007	**2008**	2007
	HK$'000	HK$'000	**HK$'000**	HK$'000
Other payables	**96,920**	15,382	**–**	–
Accruals	**2,320**	1,161	**964**	1,161
	99,240	16,543	**964**	1,161

Other payables are non-interest-bearing and have an average term of three months.

24. INTEREST-BEARING BANK AND OTHER BORROWINGS

	2008			2007
Group	**Effective interest rate (%)**	**Maturity**	**HK$'000**	HK$'000
Current				
Bank loan – unsecured	**7.47**	**2009**	**18,627**	–
Other loans – unsecured	**9.72**	**2009**	**26,237**	–
			44,864	–

	Group	
	2008	2007
	HK$'000	HK$'000
Analysed into:		
Bank loans and other borrowings:		
Within one year	**44,864**	–

Notes:

(a) The Group's bank and other borrowings are denominated in RMB and bear interest at fixed interest rates.

(b) The Group's bank loans of HK$18,627,000 are guaranteed by the pledged deposit of US$2,680,793 held by a fellow subsidiary of the Group.

The carrying amounts of the Group's borrowings approximate to their fair values.

25. DEFERRED TAX

The movements in deferred tax assets and liabilities during the year are as follows:

Deferred tax assets

Group

	2008 HK$'000	2007 HK$'000
At 1 January	**505**	–
Fair value adjustments arising from acquisition of subsidiaries	**–**	422
Deferred tax credited/(charged) to the income statement during the year (note 10)	**(505)**	83
Gross deferred tax assets at 31 December	**–**	505

Deferred tax liabilities

Group

	2008	2007		
	Fair value adjustments arising from acquisition of subsidiaries HK$'000	Fair value adjustments arising from acquisition of subsidiaries HK$'000	Accelerated tax depreciation HK$'000	Total HK$'000
At 1 January	**24,103**	–	183	183
Acquisition of subsidiaries	**–**	24,147	–	24,147
Deferred tax credited to the income statement during the year (note 10)	**(8,643)**	(44)	(186)	(230)
Exchange realignment	**–**	–	3	3
Gross deferred tax liabilities at 31 December	**15,460**	24,103	–	24,103

The Group has tax losses arising in Hong Kong of HK$9,990,000 (2007: HK$226,000) that are available indefinitely for offsetting against future taxable profits of the companies in which the losses arose. The Group also has tax losses arising in Mainland China of HK$63,376,000 (2007: HK$13,441,000) that will expire in the next five years for offsetting against future taxable profit. Deferred tax assets have not been recognised in respect of these losses as they have arisen in subsidiaries that have been loss-making for some time and it is not considered probable that taxable profits will be available against which the tax losses can be utilised.

26. DEFERRED INCOME

The table below presents the movements in deferred income:

	Group	
	2008	2007
	HK$'000	HK$'000
At 1 January	**12,548**	–
Additions	**–**	12,548
Amortised during the year (note 5)	**(454)**	–
Exchange realignment	**793**	–
	12,887	12,548

The balance represents the government grant for the construction of certain of the Group's production plants and has been accounted for as deferred income under non-current liabilities on the consolidated balance sheet. Such deferred income is amortised on a straight line basis to the consolidated income statement over the expected useful lives of the relevant assets acquired.

27. SHARE CAPITAL

	2008	2007
	HK$'000	HK$'000
Authorised:		
1,000,000,000 (2007: 1,000,000,000) ordinary shares of HK$0.1 each	**100,000**	100,000
Issued and fully paid:		
573,007,000 (2007: 566,000,000) ordinary shares of HK$0.1 each	**57,301**	56,600

During 2007 and 2008, the movements in share capital were as follows:

(a) On 18 June 2007, 58,000,000 new shares of HK$0.1 each were issued at HK$1.62 per share to the immediate holding company pursuant to a placing and subscription agreement. These shares rank pari passu in all respects with the existing shares. The net proceeds totalling approximately HK$91,826,000 have been and will be used for the Group's general working capital purposes.

(b) On 19 July 2007, 176,000,000 new shares of HK$0.1 each were issued to certain fellow subsidiaries to satisfy the considerations for the acquisitions of BAPP Ethanol and CEC Ethanol. More details of the acquisitions are given in note 30 to the financial statements.

27. SHARE CAPITAL (CONT'D)

(c) On 31 December 2008, 7,007,000 share options were exercised at the subscription price of HK$0.288 per share (note 28), resulting in the issue of 7,007,000 shares of HK$0.1 each for a total cash consideration, before expenses, of HK$2,018,000. The share option reserve of HK$8,478,000 in respect of the share options exercised during the year was transferred to the share premium account.

A summary of the transactions during 2007 and 2008 with reference to the above movements in the Company's issued share capital is as follows:

	Number of shares in issue	Share capital HK$'000	Share premium account HK$'000	Total HK$'000
At 1 January 2007	332,000,000	33,200	83,832	117,032
Shares issued on 18 June 2007 (a)	58,000,000	5,800	277,760	283,560
Share issue expense	–	–	(2,155)	(2,155)
Consideration shares issued (b)	176,000,000	17,600	–	17,600
At 31 December 2007 and 1 January 2008	566,000,000	56,600	359,437	416,037
Share options exercised (c)	7,007,000	701	9,795	10,496
At 31 December 2008	573,007,000	57,301	369,232	426,533

Share options

Details of the Company's share option scheme and the share options issued under the scheme are included in note 28 to the financial statements.

28. 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. Eligible participants of the Scheme include the Company's directors, including independent non-executive directors, other employees of the Group, suppliers of goods or services to the Group, customers of the Group, the Company's shareholders, and any minority shareholder in the Company's subsidiaries. The Scheme became effective on 23 May 2007 and, unless otherwise cancelled or amended, will remain in force for 10 years from that date.

The maximum number of unexercised share options currently permitted to be granted under the Scheme is an amount equivalent, upon their exercise, to 10% of the shares of the Company in issue at any time. The maximum number of shares issuable under share options to each eligible participant in the Scheme within any 12-month period is limited to 1% of the shares of the Company in issue at any time. Any further grant of share options in excess of this limit is subject to shareholders' approval in a general meeting.

28. SHARE OPTION SCHEME (CONT'D)

Share options granted to a director, chief executive or substantial shareholder of the Company, or to any of their associates, are subject to approval in advance by the independent non-executive directors. In addition, any share options granted to a substantial shareholder or an independent non-executive director of the Company, or to any of their associates, in excess of 0.1% of the shares of the Company in issue at any time or with an aggregate value (based on the price of the Company's shares at the date of grant) in excess of HK$5 million, within any 12-month period, are subject to shareholders' approval in advance in a general meeting.

The offer of a grant of share options may be accepted within 21 days from the date of offer, upon payment of a nominal consideration of HK$1 in total by the grantee. The exercise period of the share options granted is determinable by the directors, and commences after a vesting period and ends on a date which is not later than 10 years from the date of offer of the share options or the expiry date of the Scheme, if earlier.

The exercise price of share options is determinable by the directors, but may not be less than the higher of (i) the Stock Exchange closing price of the Company's shares on the date of offer of the share options; (ii) the average Stock Exchange closing price of the Company's shares for the five trading days immediately preceding the date of offer, and (iii) the nominal value of the Company's shares on the date of offer.

Share options do not confer rights on the holders to dividends or to vote at shareholders' meetings.

On 31 October 2008, the Company granted new share options to certain directors and employees for replacing the share options previously granted to them on 7 June 2007 and 26 July 2007. The exercise prices of the new options granted have been reduced from HK$2.44 and HK$1.97 to HK$0.288 per share. The exercise period has been changed from 10 years to 3 years. The total number of share options granted has been increased from 29,600,000 shares to 39,130,000 shares. The closing price of the Company's shares immediately before the date of grant was HK$0.28 per share.

The following share options were outstanding under the Scheme in the year 2008 and 2007:

	2008		2007	
	Weighted average exercise price HK$ per share	**Number of options '000**	Weighted average exercise price HK$ per share	Number of options '000
At 1 January	**2.21**	**29,600**	–	–
Cancelled during the year	**2.21**	**(29,600)**	–	–
Granted during the year	**0.288**	**39,130**	2.21	29,600
Exercised during the year	**0.288**	**(7,007)**	–	–
At 31 December	**0.288**	**32,123**	2.21	29,600

The weighted average share price at the date of exercise for share options exercised during the year was HK$0.22 per share (2007: HK$Nil).

28. SHARE OPTION SCHEME (CONT'D)

The exercise prices and exercise periods of the share options outstanding as at that balance sheet date are as follows:

2008

Number of options '000	Exercise price* HK$ per share	Exercise period
12,558	**0.288**	**31-10- 2008 to 30-10- 2011**
19,565	**0.288**	**31-10- 2009 to 30-10- 2012**
32,123		

2007

Number of options '000	Exercise price* HK$ per share	Exercise period
7,230	1.97	7-6-2008 to 6-6-2017
7,230	1.97	7-6-2009 to 6-6-2017
7,570	2.44	26-7-2008 to 25-7-2017
7,570	2.44	26-7-2009 to 25-7-2017
29,600		

* The exercise price of the share options is subject to adjustment in case of rights or bonus issues, or other similar changes in the Company's share capital.

The fair value of the share options granted during the year was HK$5,393,000 (HK$0.14 each) (2007: HK$36,571,000 HK$1.24 each) of which the Group recognised a share option expense of HK$17,447,000 (2007: HK$15,308,000) during the year ended 31 December 2008.

The fair value of equity-settled share options granted during the year was estimated as at the date of grant, using a binomial model, taking into account the terms and conditions upon which the options were granted. The following table lists the inputs to the model used:

	2008		2007	
	Grant dates			
	31-10-2008	**31-10-2008**	6-6-2007	26-7-2007
Dividend yield (%)	**0.00**	**0.00**	0.00	0.00
Expected volatility (%)	**105.84**	**96.78**	97.97	102.31
Historical volatility (%)	**105.84**	**96.78**	97.97	102.31
Risk-free interest rate (%)	**1.221**	**1.804**	4.695	4.711
Expected life of options (year)	**3.00**	**4.00**	10.00	10.00
Weighted average share price (HK$ per share)	**0.288**	**0.288**	1.97	2.44

28. SHARE OPTION SCHEME (CONT'D)

The expected life of the options is based on the historical data over the past three years and is not necessarily indicative of the exercise patterns that may occur. The expected volatility reflects the assumption that the historical volatility is indicative of future trends, which may also not necessarily be the actual outcome.

No other feature of the options granted was incorporated into the measurement of fair value.

The 7,007,000 share options exercised during the year resulted in the issue of 7,007,000 ordinary shares of the Company and new share capital of HK$700,700 and share premium of HK$9,795,000 (before issue expenses), as further detailed in note 27 to the financial statements.

At the balance sheet date, the Company had 32,123,000 share options outstanding under the Scheme. The exercise in full of the outstanding share options would, under the present capital structure of the Company, result in the issue of 32,123,000 additional ordinary shares of the Company and additional share capital of HK$3,212,000 and share premium of HK$6,039,000 (before issue expenses).

Subsequent to the balance sheet date, on 11 February 2009, a total of 600,000 share options were granted to certain of the directors of the Company in respect of their services to the Group in the forthcoming year. 300,000 options vest immediately and have an exercise price of HK$0.19 per share and an exercise period from 11 February 2009 to 10 February 2012. 300,000 share options vest on 11 February 2010 and have an exercise price of HK$0.19 per share and an exercise period from 11 February 2010 to 10 February 2013. The closing price of the Company's shares at the date of grant was HK$0.187 per share.

At the date of approval of these financial statements, the Company had 32,723,000 share options outstanding under the Scheme, which represented approximately 5.71% of the Company's shares in issue as at that date.

29. RESERVES

(a) Group

The amounts of the Group's reserves and the movements therein for the current and prior years are presented in the consolidated statement of changes in equity on page 26 of the financial statements.

Share premium

Under the Companies Law (Revised) of the Cayman Islands, the funds in the share premium account of the Company are distributable to the shareholders of the Company provided that immediately following the date on which the dividend is proposed to be distributed, the Company will be in a position to pay off its debts as they fall due in the ordinary course of business.

Share option reserve

The share option reserve represents the fair value of the actual or estimated number of unexercised share options granted to the eligible participants recognised in accordance with the accounting policy adopted for equity-settled share-based payments in note 2.5 to the financial statements.

29. RESERVES (CONT'D)

(a) Group (Cont'd)

Merger reserve

The merger reserve of the Group represents the difference between the nominal value of the shares issued and the nominal value of shares of the subsidiaries acquired at the time of the group reorganisation on 29 December 2000.

Exchange reserve

The exchange reserve comprises all foreign exchange differences arising from the translation of the financial statements of foreign operations as well as the effective portion of any foreign exchange differences arising from hedges of the net investment in these foreign operations. The reserve is dealt with in accordance with the accounting policies set out in note 2.5 to the financial statements.

(b) Company

	Notes	Share premium account HK$'000	Share option reserve HK$'000	Accumulated losses HK$'000	Total HK$'000
Balance at 1 January 2007		83,832	–	(64,129)	19,703
Share issue expense	27	(2,155)	–	–	(2,155)
Issue of shares	27	277,760	–	–	277,760
Equity-settled share option expense	28	–	15,308	–	15,308
Loss for the year		–	–	(74,419)	(74,419)
At 31 December 2007		359,437	15,308	(138,548)	236,197
Share options exercised	27	9,795	(8,478)	–	1,317
Equity-settled share option expense	28	–	17,447	–	17,447
Loss for the year		–	–	(25,703)	(25,703)
At 31 December 2008		369,232	24,277	(164,251)	229,258

The share option reserve comprises the fair value of share options granted which are yet to be exercised, as further explained in the accounting policy for share-based payment transactions in note 2.5 to the financial statements. The amount will either be transferred to the share premium account when the related options are exercised, or be transferred to retained profits should the related options expire or be forfeited.

30. BUSINESS COMBINATION

On 19 July 2007, the Group completed the acquisition of the entire issued share capital of BAPP Ethanol and CEC Ethanol from its fellow subsidiaries at considerations of HK$120,000,000 and HK$100,000,000, respectively. The considerations were satisfied by the Company through the allotment and issuance of 96,000,000 and 80,000,000 new shares of the Company, respectively, at an issue price of HK$1.25 per share. The acquisition of BAPP Ethanol and CEC Ethanol was completed on 19 July 2007.

30. BUSINESS COMBINATION (CONT'D)

BAPP Ethanol and CEC Ethanol were engaged in investment holding. Their subsidiaries are engaged in the manufacture, sale and distribution of ethanol products.

The identifiable assets and liabilities acquired as at the date of acquisition are as follows:

	BAPP Ethanol		CEC Ethanol	
	Fair value	**Carrying amount**	**Fair value**	**Carrying amount**
	HK$'000	HK$'000	HK$'000	HK$'000
Property, plant and equipment	28,287	27,587	21,072	21,483
Other intangible assets	95,888	–	50,041	51,320
Prepaid land lease payments	5,388	5,388	14,898	14,898
Deferred tax assets	–	–	422	–
Inventories	1,776	1,776	2,401	2,401
Trade and other receivables	1,427	1,427	104,167	104,167
Current tax assets	–	–	148	148
Due from fellow subsidiaries	418	418	834	834
Cash and bank balances	1,421	1,421	4,423	4,423
Deferred tax liabilities	(24,147)	–	–	–
Trade and other payables	(6,319)	(6,319)	(44,135)	(44,135)
Minority interests	–	–	(51,221)	(51,221)
		31,698		104,318
Net assets acquired	104,139		103,050	
Goodwill	519		1,809	
	104,658		104,859	
Satisfied by:				
Fair value of shares issued	103,500		103,700	
Transaction costs of acquisition	1,158		1,159	
	104,658		104,859	
Net cash inflow arising on acquisition:				
Cash and bank balances	1,421		4,423	

The acquisition constituted a non-cash transaction for the year ended 31 December 2007.

30. BUSINESS COMBINATION (CONT'D)

Since its acquisition, BAPP Ethanol and CEC Ethanol contributed approximately HK$65,815,000 to the Group's turnover and approximately HK$12,287,000 to the Group's loss before tax for the year ended 31 December 2007.

If the acquisition had been completed on 1 January 2007, the Group's turnover for the year would have been approximately HK$293,053,000 and loss for the year would have been approximately HK$37,425,000.

31. COMMITMENTS

	Group	
	2008	2007
	HK$'000	HK$'000
Contracted, but not provided for:		
Property, plant and equipment	**–**	58,032
Acquisition of additional interests in a non-wholly-owned subsidiary (note 35)	**68,148**	64,068
	68,148	122,100

32. RELATED PARTY TRANSACTIONS AND BALANCES

(a) Transactions with related parties

In addition to the transactions detailed elsewhere in these financial statements, the Group had the following transactions with related party during the year:

	2008	2007
	HK$'000	HK$'000
Related company:		
Rental paid to a related company*	**360**	360
Immediate holding company:		
Disposal of subsidiaries to the immediate holding company	**–**	1,560
Fellow subsidiaries:		
Interest paid to the immediate holding company	**–**	3,363
Acquisition of subsidiaries from fellow subsidiaries	**–**	207,200

* The rental expense was charged at a rate of HK$30,000 per month.

32. RELATED PARTY TRANSACTIONS AND BALANCES (CONT'D)

(b) The Group had the following balances with related parties:

	Group		Company	
	2008	2007	**2008**	2007
	HK$'000	HK$'000	**HK$'000**	HK$'000
Due from related parties				
Due from a fellow subsidiary	**560**	435	**–**	–
Due from the immediate holding company	**17**	1,560	**17**	1,560
	577	1,995	**17**	1,560
Due to related parties				
Due to a fellow subsidiary	**286**	–	**–**	–
Due to a minority shareholder of a subsidiary	**34,074**	32,034	**–**	–
	34,360	32,034	**–**	–

Notes:
These balances are unsecured, interest-free, have no fixed terms of repayment. The carrying amounts of these balances approximate to their fair values.

(c) Compensation of key management personnel of the Group

	2008	2007
	HK$'000	HK$'000
Short-term employee benefits	**4,200**	2,345
Post-employment benefits	**16**	16
Equity-settled share option expense	**11,133**	9,806
Total compensation paid to key management personnel	**15,349**	12,167

Further details of directors' emoluments are included in note 8 to the financial statements.

33. FINANCIAL INSTRUMENTS BY CATEGORY

The carrying amounts of each of the categories of financial instruments as at the balance sheet date are as follows:

Financial assets

	Group		Company	
	2008	2007	**2008**	2007
	Loans and receivables	Loans and receivables	**Loans and receivables**	Loans and receivables
	HK$'000	HK$'000	**HK$'000**	HK$'000
Financial assets included in prepayments and other receivables	**1,274**	2,153	**262**	394
Cash and bank balances	**3,724**	32,854	**3,373**	2,998
Due from a fellow subsidiary	**560**	435		
Due from the immediate holding company	**17**	1,560	**17**	1,560
Due from subsidiaries	**–**	–	**74,329**	79,476
	5,575	37,002	**77,981**	84,428

Financial liabilities

	Group		Company	
	2008	2007	**2008**	2007
	Financial liabilities at amortised cost	Financial liabilities at amortised cost	**Financial liabilities at amortised cost**	Financial liabilities at amortised cost
	HK$'000	HK$'000	**HK$'000**	HK$'000
Financial liabilities included in other payables and accruals (note 23)	**99,240**	16,543	**964**	1,161
Interest-bearing bank and other borrowings	**44,864**	–	**–**	–
Due to a fellow subsidiary	**286**	–	**–**	–
Due to a minority shareholder of a subsidiary	**34,074**	32,034	**–**	–
	178,464	48,577	**964**	1,161

34. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group's principal financial instruments comprise interest-bearing bank and other borrowings, amounts due from/to related parties, and cash and cash equivalents. The main purpose of these financial instruments is to raise finance for the Group's operations.

The main risks arising from the Group's financial instruments are interest rate risk, foreign currency risk, credit risk and liquidity risk. The board of directors reviews and agrees policies for managing each of these risks and they are summarised as follows:

Interest rate risk

The Group's exposure to the risk of changes in market interest rates relates primarily to short term borrowings with fixed rates. Therefore, any future variations in interest rates will not have a significant impact on the results of the Group.

Foreign currency risk

The Group's businesses are located in Mainland China and all transactions are conducted in RMB. Most of the Group's assets and liabilities are denominated in RMB, except for certain bank balances denominated in Hong Kong dollars ("HK$") and United States dollars ("US$"). The Group has not hedged its foreign exchange rate risk.

The following table demonstrates the sensitivity at the balance sheet date to a reasonably possible change in the RMB exchange rate, with all other variables held constant, of the Group's loss before tax and the Group's equity due to changes in the fair value of monetary assets and liabilities.

	Increase/ (decrease) in RMB rate	Increase/ (decrease) in equity*
	%	HK$'000
2008		
If HK$ weakens against RMB	5	7,799
If HK$ strengthens against RMB	-5	(7,799)
2007		
If HK$ weakens against RMB	5	(2,110)
If HK$ strengthens against RMB	-5	2,110

* Excluding retained earnings

34. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONT'D)

Credit risk

The Group trades only with recognised and creditworthy third parties. It is the Group's policy that all customers who wish to trade on credit terms are subject to credit verification procedures. In addition, receivable balances are monitored on an ongoing basis and the Group's exposure to bad debts is not significant.

The credit risk of the Group's other financial assets, which comprise cash and cash equivalents, amounts due from a fellow subsidiary and the immediate holding company, and other receivables, arises from default of the counterparty, with a maximum exposure equal to the carrying amounts of these assets.

Since the Group trades only with recognised and creditworthy third parties, there is no requirement for collateral. Concentrations of credit risk are analysed by counterparty by geographical region and by industry sector. There are no significant concentrations of credit risk within the Group as the customer bases of the Group's trade receivables are widely dispersed in different sectors and industries.

Further quantitative data in respect of the Group's exposure to credit risk arising from other receivables are disclosed in note 21 to the financial statements.

Liquidity risk

The Group monitors its risk to a shortage of funds using a recurring liquidity planning tool. This tool considers the maturity of both its financial instruments and financial assets (e.g., trade receivables) and projected cash flows from operations.

The Group's objective is to maintain a balance between continuity of funding and flexibility through the use of bank loans and other interest-bearing loans.

The maturity profile of the Group's financial liabilities as at 31 December 2008 and 2007, based on the contractual undiscounted payments, was as follows:

Group

	2008	
	Within 1 year HK$'000	**Total HK$'000**
Financial liabilities included in other payables and accruals	**99,240**	**99,240**
Interest-bearing bank and other borrowings	**44,864**	**44,864**
Due to a fellow subsidiary	**286**	**286**
Due to a minority shareholder of a subsidiary	**34,074**	**34,074**
	178,464	**178,464**

34. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONT'D)

Liquidity risk (Cont'd)

	2007	
	Within 1 year	Total
	HK$'000	HK$'000
Financial liabilities included in other payables and accruals	16,543	16,543
Due to a minority shareholder of a subsidiary	32,034	32,034
	48,577	48,577

Company

	2008	
	Within 1 year	**Total**
	HK$'000	**HK$'000**
Financial liabilities included in other payables and accruals	**964**	**964**

	2007	
	Within 1 year	Total
	HK$'000	HK$'000
Financial liabilities included in other payables and accruals	1,161	1,161

Capital management

The primary objectives of the Group's capital management are to safeguard the Group's ability to continue as a going concern and to maintain healthy capital ratios in order to support its business and maximise shareholders' value.

The Group manages its capital structure and makes adjustments to it, in light of changes in economic conditions. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares. The Group is not subject to any externally imposed capital requirements. No changes were made in the objectives, policies or processes for managing capital during the years ended 31 December 2008 and 31 December 2007.

34. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONT'D)

Capital management (Cont'd)

The Group monitors capital using a gearing ratio, which is net debt divided by the capital plus net debt. The Group's policy is to maintain an optimal capital structure which reduces cost of capital. Net debt includes other payables, interest-bearing bank and other borrowings, amounts due to a fellow subsidiary and a minority shareholder of a subsidiary. Capital includes equity attributable to equity holders of the parent. The gearing ratios as at the balance sheet dates were as follows:

Group

	2008	2007
	HK$'000	HK$'000
Other payables and accruals	**99,240**	16,543
Interest-bearing bank and other borrowings	**44,864**	–
Due to a fellow subsidiary	**286**	–
Due to a minority shareholder of a subsidiary	**34,074**	32,034
Less: Cash and bank balances	**(3,724)**	(32,854)
Net debt	**174,740**	15,723
Capital	**215,663**	289,594
Capital and net debt	**390,403**	305,317
Gearing ratio	**45%**	5%

35. POST BALANCE SHEET EVENT

(a) On 11 February 2009, 600,000 share options were granted to certain directors of the Company, as further detailed in note 28 to the financial statements.

(b) On 23 April 2009, the board of directors of the Company resolved to terminate a sale and purchase agreement, which was entered into on 9 November 2007, in connection with the intended acquisition of additional interests in a non-wholly-owned subsidiary (note 31).

36. COMPARATIVE AMOUNTS

In order to conform with the current year presentation, certain prior year comparatives have been reclassified. HK$64,068,000 previously included in current assets "Prepayments and other receivables" has been reclassified as "Prepayment for acquisition of property, plant and equipment" in non-current assets; HK$12,548,000 previously included in "Other payables" has been reclassified as "Deferred income" in non-current liabilities, and HK$1,125,000 representing the current portion of prepaid land lease payments has been reclassified to "Prepayments and other receivables".

37. APPROVAL OF THE FINANCIAL STATEMENTS

The financial statements were approved and authorised for issue by the board of directors on 23 April 2009.

FIVE YEAR FINANCIAL SUMMARY

A summary of the results and of the assets, liabilities and minority interests of the Group for the last five financial years, as extracted from the published audited financial statements and restated/reclassified as appropriate, is set out below:

	Year ended 31 December				
	2008	2007	2006	2005	2004
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
			(Restated)	(Restated)	(Restated)
RESULTS					
Revenue					
Continuing operations	**3,780**	65,815	–	–	–
Discontinued operations	**–**	98,641	167,420	115,786	235,719
	3,780	164,456	167,420	115,786	235,719
Loss before tax	**(125,693)**	(34,194)	(6,053)	(10,388)	(42,131)
Income tax credit	**8,138**	127	–	–	–
Loss for the year					
Continuing operations	**(117,555)**	(34,067)	(6,053)	(10,388)	(42,131)
Discontinued operations	**–**	(5,271)	(25,880)	(17,544)	(62,422)
	(117,555)	(39,338)	(31,933)	(27,932)	(104,553)
Attributable to:					
Equity holders of the parent	**(104,916)**	(34,757)	(25,986)	(27,303)	(104,667)
Minority interests	**(12,639)**	(4,581)	(5,947)	(629)	114
	(117,555)	(39,338)	(31,933)	(27,932)	(104,553)
ASSETS, LIABILITIES AND MINORITY INTERESTS					
TOTAL ASSETS	**476,770**	437,093	142,094	144,578	93,374
TOTAL LIABILITIES	**206,811**	85,254	127,275	115,429	106,867
MINORITY INTERESTS	**(54,296)**	(62,245)	(11,771)	(17,464)	(119)
	215,663	289,594	3,048	11,685	(13,612)