



China Asean Resources Limited

神州東盟資源有限公司

(Incorporated in Bermuda with limited liability)

(Stock Code: 8186)



Interim Report 2008

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This report, for which the directors of China Asean Resources Limited collectively and individually accept full responsibility, includes particulars given in compliance with Rules Governing the Listing of Securities on the GEM of The Stock Exchange (the “GEM Listing Rules”) for the purpose of giving information with regard to China Asean Resources Limited. The directors of China Asean Resources Limited, having made all reasonable enquiries, confirm that, to the best of their knowledge and belief; (i) the information contained in this report is accurate and complete in all material respects and not misleading; (ii) there are no other matters the omission of which would make any statement in this report misleading; and (iii) all opinions expressed in this report have been arrived at after due and careful consideration and are founded on bases and assumptions that are fair and reasonable.

FINANCIAL HIGHLIGHTS

- Reference is made to the circular of the Company dated 9 May 2008 (the “Circular”) in relation to, among other things, the Acquisition and the Sub-concession. Unless otherwise defined herein, capitalized terms used in this interim report shall have the same meanings as those defined in the Circular.
- The Sub-concession of 10% of the First Forest was completed on 30 June 2008 and the Group recorded a gain on disposal of HK\$52,080,000 from the transaction.
- On 8 July 2008, the Group completed the acquisition of the Second Forest located in Kratie Province, the Kingdom of Cambodia. Following completion, the issue of 200,000,000 new Consideration Shares and HK\$70,000,000 Bonds will be accounted for in the third quarterly report.
- Turnover for the six months ended 30 June 2008 amounted to approximately HK\$17,848,000, representing an increase of 7% compared to the corresponding period in 2007.
- For the six months ended 30 June 2008, the Group realised a profit attributable to equity holders of the Company of HK\$36,067,000, inclusive of the gain arising on the 10% sub-concession of the First Forest. For the corresponding period in 2007, a loss attributable to equity holders of the Company of HK\$2,456,000 was recorded.
- For the six months ended 30 June 2008, the earnings per share were 2.12 Hong Kong cents (2007: loss per share of 0.29 Hong Kong cents).
- The directors do not recommend the payment of an interim dividend for the six months ended 30 June 2008 (2007: HK\$Nil).

INTERIM RESULTS (UNAUDITED)

The board of directors (the "Board") of China Asean Resources Limited (the "Company") herein announces the unaudited consolidated results of the Company and its subsidiaries (collectively, the "Group") for each of the three months and six months ended 30 June 2008, together with the comparative unaudited figures for the corresponding periods of 2007, as follows:

CONSOLIDATED INCOME STATEMENT

	Notes	For the three months ended 30 June		For the six months ended 30 June	
		2008 HK\$'000 (Unaudited)	2007 HK\$'000 (Unaudited)	2008 HK\$'000 (Unaudited)	2007 HK\$'000 (Unaudited)
Turnover	2	10,301	10,658	17,848	16,626
Cost of services/sales		(6,171)	(5,442)	(10,258)	(9,121)
Gross profit		4,130	5,216	7,590	7,505
Other income	4	530	377	906	824
Selling and distribution expenses		(2,504)	(3,933)	(4,705)	(4,937)
Administrative expenses		(10,638)	(2,353)	(17,936)	(4,806)
Other operating expenses		(754)	(649)	(1,259)	(652)
Loss from operations		(9,236)	(1,342)	(15,404)	(2,066)
Finance costs	5	(73)	(2)	(135)	(24)
Gain on disposal	14	52,080	–	52,080	–
Profit/(loss) before taxation	6	42,771	(1,344)	36,541	(2,090)
Taxation	7	–	–	–	–
Profit/(loss) for the period		42,771	(1,344)	36,541	(2,090)
Profit/(loss) attributable to:					
Equity holders of the Company		42,368	(1,472)	36,067	(2,456)
Minority interests		403	128	474	366
		42,771	(1,344)	36,541	(2,090)
Basic earnings/(loss) per share (in Hong Kong cents)	8	2.48	(0.17)	2.12	(0.29)

CONSOLIDATED BALANCE SHEET

	Notes	At 30 June 2008		At 31 December 2007	
		HK\$'000	HK\$'000	HK\$'000	HK\$'000
		(Unaudited)		(Audited)	
Non-current assets					
Property, plant and equipment	10	9,099		7,379	
Construction in progress	11	32,455		18,189	
Biological assets	12	94		88	
Interests in leasehold land held for own use under operating leases	13	2,662		2,563	
Intangible assets	14	259,559		287,161	
			303,869		315,380
Current assets					
Inventories	15	10,943		6,019	
Trade and other receivables	16	96,765		54,016	
Cash at bank and on hand		90,348		99,400	
			198,056		159,435
Current liabilities					
Trade and other payables	17	47,844		69,391	
Bank loan	18	5,118		–	
Taxation		313		284	
			53,275		69,675
Net current assets			144,781		89,760
Net assets			448,650		405,140
Capital and reserves					
Share capital	19	17,050		17,050	
Reserves		424,106		381,215	
Total equity attributable to equity holders of the Company			441,156		398,265
Minority interests			7,494		6,875
Total equity			448,650		405,140

CONDENSED CONSOLIDATED CASH FLOW STATEMENT

	For the six months ended 30 June 2008 <i>HK\$'000</i> (Unaudited)	For the six months ended 30 June 2007 <i>HK\$'000</i> (Unaudited)
NET CASH GENERATED FROM/(USED IN) OPERATING ACTIVITIES	(28,445)	7,307
NET CASH FROM/(USED IN) INVESTING ACTIVITIES	12,361	(1,484)
NET CASH FROM/(USED IN) FINANCING ACTIVITIES	4,983	(2,076)
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS	(11,101)	3,747
Cash and cash equivalents at beginning of the period	99,400	12,029
Effect of foreign exchange rate changes	2,049	374
CASH AND CASH EQUIVALENTS AT END OF THE PERIOD	90,348	16,150
ANALYSIS OF CASH AND CASH EQUIVALENTS Cash at bank and on hand	90,348	16,150

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (UNAUDITED)

	Attributable to equity holders of the Company								
	Share capital	Share premium	Contributed surplus	Capital reserve	Exchange reserve	Retained profits	Total	Minority interests	Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
At 1 January 2007	8,350	70,733	5,265	-	6,068	4,004	94,420	6,339	100,759
Issue of shares	4,000	71,200	-	-	-	-	75,200	-	75,200
Conversion of shares	700	12,460	-	-	-	-	13,160	-	13,160
New share placement	1,670	113,560	-	-	-	-	115,230	-	115,230
Top-up placement	2,330	121,160	-	-	-	-	123,490	-	123,490
Premium reduction upon issue of shares	-	(9,330)	-	-	-	-	(9,330)	-	(9,330)
Employees share options scheme	-	-	-	1,875	-	-	1,875	-	1,875
Currency translation differences	-	-	-	-	6,209	-	6,209	445	6,654
Loss for the year	-	-	-	-	-	(21,989)	(21,989)	91	(21,898)
At 31 December 2007	17,050	379,783	5,265	1,875	12,277	(17,985)	398,265	6,875	405,140
At 1 January 2008	17,050	379,783	5,265	1,875	12,277	(17,985)	398,265	6,875	405,140
Employees share options scheme	-	-	-	2,033	-	-	2,033	-	2,033
Currency translation differences	-	-	-	-	4,791	-	4,791	145	4,936
Profit for the period	-	-	-	-	-	36,067	36,067	474	36,541
At 30 June 2008	17,050	379,783	5,265	3,908	17,068	18,082	441,156	7,494	448,650

NOTES TO THE UNAUDITED INTERIM FINANCIAL STATEMENTS

1. BASIS OF PREPARATION

The interim financial report has been reviewed by the Company's audit committee. The unaudited interim financial statements included therein have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs"), which is a collective term that includes all applicable individual Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards ("HKASs") including compliance with HKAS 34 "Interim financial reporting" and Interpretations, issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"), accounting principles generally accepted in Hong Kong and the applicable disclosure requirements of the Rules Governing the Listing of Securities on the Growth Enterprise Market ("GEM") of The Stock Exchange of Hong Kong Limited (the "Stock Exchange") (the "GEM Listing Rules").

The interim financial report has been prepared in accordance with the same accounting policies adopted in the 2007 annual financial statements.

The financial information relating to the financial year ended 31 December 2007 included in the interim report does not constitute the Company's statutory financial statements for that financial year but is derived from those financial statements. The auditors expressed an unqualified opinion on the statutory financial statements for the year ended 31 December 2007 in their report dated 19 March 2008.

2. TURNOVER

Turnover represents service fees arising from the provision of medical equipment services and sales of related accessories, net of respective taxes; the sale value of medical equipment, net of value-added tax; service fees arising from the provision of medical research and development services, net of business taxes; and, the sale value of agriculture product, net of value-added tax.

Pursuant to various agreements with hospitals in the People's Republic of China (the "PRC"), the Group agrees to provide certain medical equipment at the relevant hospitals and, in return, share the medical service fees arising from the utilisation of such medical equipment after deducting the related direct expenses.

Turnover recognised during the period is analysed as follows:

	For the three months ended 30 June		For the six months ended 30 June	
	2008	2007	2008	2007
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Medical equipment service fees and sales of related accessories	10	43	50	96
Sales of medical equipment	10,167	10,615	17,674	16,530
Research and development services fees	78	–	78	–
Sales of agriculture products	46	–	46	–
	10,301	10,658	17,848	16,626

3. SEGMENT INFORMATION

Segment information is presented in respect of the Group's business segments. Business segment information is chosen as the primary reporting format because this is more relevant to the Group's internal financial reporting. No segment information by geographical segments is presented as the Group currently generates substantially all of its revenue in the PRC.

Business segments

The Group comprises the following main business segments:

- Medical services: provision of medical equipment for the treatment of cancer.
- Sales of medical equipment: manufacture and sale of medical equipment.
- Research and development: development of drugs.
- Natural resources: forestry business, sales of agricultural products and rubber plantation for latex production.

	Medical services		Sales of medical equipment		Research and development		Natural resources		Consolidated	
	2008	2007	2008	2007	2008	2007	2008	2007	2008	2007
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Revenue from external customers	50	96	17,674	16,530	78	–	46	–	17,848	16,626
Segment result	(339)	30	1,488	1,068	(506)	(537)	(6,435)	–	(5,792)	561
Unallocated operating income and expenses									(9,612)	(2,627)
Profit on disposal of forest exploitation rights									52,080	–
Profit/(loss) from operations									36,676	(2,066)
Finance costs									(135)	(24)
Taxation									–	–
Profit/(loss) after taxation									36,541	(2,090)

4. OTHER INCOME

	For the three months ended 30 June		For the six months ended 30 June	
	2008	2007	2008	2007
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Interest income	142	333	345	390
Miscellaneous	388	44	561	434
	530	377	906	824

5. FINANCE COSTS

	For the three months ended 30 June		For the six months ended 30 June	
	2008	2007	2008	2007
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Interest on bank borrowings wholly repayable within five years	73	2	135	24

6. PROFIT/(LOSS) BEFORE TAXATION

Profit/(loss) before taxation is arrived at after charging:

	For the three months ended 30 June		For the six months ended 30 June	
	2008	2007	2008	2007
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Cost of inventories	5,142	5,254	8,851	8,879
Depreciation	271	280	440	499
Auditors' remuneration	458	395	708	529
Lease charges in respect of office premises	171	127	356	251
Research and development costs	566	409	1,063	649
Staff cost (including directors' remuneration)	1,869	1,061	4,222	1,814
Salaries and wages	1,608	–	2,033	–
Share options granted to directors and employees	–	3	–	5
Staff retirement benefits	–	3	–	5
Amortisation of prepaid lease payments	33	9	67	19
Amortisation of intangible assets:				
Forest exploitation rights	751	–	1,690	–
Others	50	90	202	180

7. TAXATION

(a) Hong Kong Profits Tax

No provision for Hong Kong Profits Tax has been made for the three months and six months ended 30 June 2008 (2007: HK\$Nil) as the Group did not have any assessable profits chargeable to Profits Tax during the period.

(b) PRC Income Tax

The Company's subsidiary, Tat Lung Medical Treatment (Shenzhen) Ltd. ("Tat Lung Treatment"), located in the Shenzhen Special Economic Zone in the PRC, is subject to PRC income tax at the reduced rate of 15% (2007: 15%). Another subsidiary, Sinnowa Medical Science & Technology Company Ltd. ("Sinnowa"), is subject to PRC income tax at the rate of 33% (2007: 33%). In accordance with the relevant income tax rules and regulations in the PRC, Tat Lung Treatment and Sinnowa obtained approval from the state tax bureau that they are entitled to 100% relief from PRC income tax in the first and second years and 50% relief for the third to fifth years, commencing from the first profitable year after the offset of deductible losses incurred in prior years, if any.

No provision for PRC income tax has been made for the Company's other subsidiaries, China Best Drugs Research (Nanjing) Ltd. ("China Best"), China Best Pharmaceutical (Nanjing) Company Ltd. ("CB Pharmaceutical"), and Guilin Simei Biotechnology Ltd. ("Guilin Simei") as they did not have assessable profits for the three months and six months ended 30 June 2007 determined in accordance with the relevant income tax rules and regulations in the PRC.

- (c) No provision for deferred taxation is deemed necessary as the Group does not have any material deductible or taxable temporary differences for the six months ended 30 June 2008 (2007: HK\$Nil).

8. EARNINGS/(LOSS) PER SHARE

(a) Basic earnings/(loss) per share

The calculations of basic earnings per share for the three months and six months ended 30 June 2008 is based on the earnings attributable to equity holders of the Company of HK\$42,368,000 (2007: loss of HK\$1,472,000) and HK\$36,067,000 (2007: loss of HK\$2,456,000), respectively, divided by the weighted average number of 1,705,000,000 (2007: 835,000,000) ordinary shares in issue during the relevant periods.

(b) Diluted earnings/(loss) per share

No diluted earnings/(loss) per share for the three months and six months ended 30 June 2008 and 30 June 2007 have been presented because there were no potential dilutive ordinary shares in existence during the relevant periods.

9. DIVIDENDS

The directors do not recommend the payment of an interim dividend for the six months ended 30 June 2008 (2007: HK\$Nil).

10. PROPERTY, PLANT AND EQUIPMENT

	Buildings <i>HK\$'000</i>	Medical equipment <i>HK\$'000</i>	Motor vehicles <i>HK\$'000</i>	Plant, machinery and equipment <i>HK\$'000</i>	Total <i>HK\$'000</i>
Cost					
At 1 January 2007	6,339	509	2,345	2,358	11,551
Additions	–	–	139	308	447
Disposals	–	(105)	–	–	(105)
Exchange adjustments	463	14	112	164	753
At 31 December 2007	6,802	418	2,596	2,830	12,646
Additions	–	–	244	1,457	1,701
Exchange adjustments	443	7	107	175	732
At 30 June 2008	7,245	425	2,947	4,462	15,079
Aggregate depreciation					
At 1 January 2007	619	443	1,618	1,398	4,078
Charge for the year	220	23	352	449	1,044
Written back on disposals	–	(105)	–	–	(105)
Exchange adjustments	54	10	74	112	250
At 31 December 2007	893	371	2,044	1,959	5,267
Charge for the period	159	4	145	132	440
Exchange adjustments	62	4	84	123	273
At 30 June 2008	1,114	379	2,273	2,214	5,980
Net book value					
At 30 June 2008	6,131	46	674	2,248	9,099
At 31 December 2007	5,909	47	552	871	7,379

11. CONSTRUCTION IN PROGRESS

	<i>HK\$'000</i>
At 1 January 2007	6,447
Additions during the year	11,272
Exchange adjustments	470
At 31 December 2007	18,189
Additions during the period	13,083
Exchange adjustments	1,183
At 30 June 2008	32,455

Additions to construction in progress during the period are related to supporting infrastructure such as forest access roads and bridges in Cambodia, and new medicine manufacturing plant in Nanjing, the PRC.

12. BIOLOGICAL ASSETS

	<i>HK\$'000</i>
At 1 January 2007	2,426
Additions	4,534
Impairment loss	(6,785)
Exchange adjustments	(87)
At 31 December 2007	88
Exchange adjustments	6
At 30 June 2008	94

Biological assets represent trees in a plantation and are stated at fair values less estimated point-of-sale costs and impairment losses. The trees in the plantation, located in Guilin, the PRC, are *Osmanthus Frangans*, commonly referred to as Tea Olive Trees (桂花樹).

13. INTERESTS IN LEASEHOLD LAND HELD FOR OWN USE UNDER OPERATING LEASES

	<i>HK\$'000</i>
Cost	
At 1 January 2007	2,635
Exchange adjustments	191
<hr/>	
At 31 December 2007	2,826
Exchange adjustments	184
<hr/>	
At 30 June 2008	3,010
<hr/>	
Accumulated amortisation	
At 1 January 2007	126
Charge for the year	123
Exchange adjustments	14
<hr/>	
At 31 December 2007	263
Charge for the period	67
Exchange adjustments	18
<hr/>	
At 30 June 2008	348
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Net book value	
At 30 June 2008	2,662
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At 31 December 2007	2,563
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- (a) The leasehold land entitlements held by the Group are under medium-term leases and situated in the PRC.
- (b) At 30 June 2008, one of the leasehold land assets amounting to HK\$1,158,000 (31 December 2007: HK\$1,109,000) had been pledged to a bank as security for Group bank borrowing and banking facilities.

14. INTANGIBLE ASSETS

	Forest exploitation rights <i>HK\$'000</i>	Medical research projects <i>HK\$'000</i>	Others <i>HK\$'000</i>	Total <i>HK\$'000</i>
Cost				
At 1 January 2007	–	84,007	2,468	86,475
Addition	262,960	–	–	262,960
Exchange adjustments	–	145	180	325
At 31 December 2007	262,960	84,152	2,648	349,760
Disposal	(26,296)	–	–	(26,296)
Exchange adjustments	–	139	172	311
At 30 June 2008	236,664	84,291	2,820	323,775
Accumulated amortisation				
At 1 January 2007	–	57,292	1,093	58,385
Charge for the year	3,757	–	364	4,121
Exchange adjustments	–	–	93	93
At 31 December 2007	3,757	57,292	1,550	62,599
Written back on disposal	(376)	–	–	(376)
Charge for the period	1,690	–	202	1,892
Exchange adjustments	–	–	101	101
At 30 June 2008	5,071	57,292	1,853	64,216
Net book value				
At 30 June 2008	231,593	26,999	967	259,559
At 31 December 2007	259,203	26,860	1,098	287,161

Forest exploitation rights

The sub-concession of 10% of the First Forest was completed on 30 June 2008 and the Group recorded a gain on disposal of HK\$52,080,000 which is calculated based on (i) the consideration of US\$10 million (equivalent to approximately HK\$78,000,000) and (ii) the adjusted carrying amount of the Sub-concession of the First Forest of approximately HK\$25,920,000 (representing the cost of the Sub-concession of the First Forest of approximately HK\$26,296,000 less accumulated amortisation of approximately HK\$376,000).

15. INVENTORIES

	At 30 June 2008 HK\$'000	At 31 December 2007 HK\$'000
Raw materials	5,546	3,483
Work in progress	1,646	434
Finished goods	3,751	2,102
	10,943	6,019

16. TRADE AND OTHER RECEIVABLES

	At 30 June 2008 HK\$'000	At 31 December 2007 HK\$'000
Trade debtors	1,414	4,370
Other receivables, deposits and prepayments	23,977	14,771
Deposits paid (<i>note 1</i>)	35,000	15,000
Amount due from an officer	–	19,875
Amounts receivable on disposal of 10% sub-concession (<i>note 2</i>)	31,200	–
Amount due from minority shareholder	5,174	–
	96,765	54,016

Notes:

1. The deposits paid represent refundable deposit paid to the vendor for forest exploitation rights of the Second Forest in Cambodia.
2. Amounts receivable on disposal of the 10% of sub-concession interests are receivable in two equal instalments by 30 September and 31 December 2008, respectively.

All of the trade and other receivables are expected to be recovered or recognised as an expense within one year.

Included in trade and other receivables are trade debtors with the following ageing analysis:

	At 30 June 2008 HK\$'000	At 31 December 2007 HK\$'000
Within 3 months from the date of billing	866	3,518
3 to 6 months from the date of billing	440	322
6 to 12 months from the date of billing	108	530
	1,414	4,370

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

17. TRADE AND OTHER PAYABLES

	At 30 June 2008 HK\$'000	At 31 December 2007 HK\$'000
Trade creditors	7,426	3,854
Other payables and accrued liabilities	40,418	61,067
Amount due to minority shareholder	–	4,470
	47,844	69,391

All of the trade and other payables are expected to be settled within one year.

Included in trade and other payables are trade creditors with the following ageing analysis:

	At 30 June 2008 HK\$'000	At 31 December 2007 HK\$'000
Due within 3 months or on demand	5,920	2,183
Due after 3 months but within 6 months	381	620
Due after 6 months but within 1 year	1,125	1,051
	7,426	3,854

18. BANK LOAN

The bank loan is repayable as follows:

	At 30 June 2008 HK\$'000	At 31 December 2007 HK\$'000
Within one year or on demand	5,118	–

The above bank loan was secured by buildings and leasehold land assets of the Group with an aggregate carrying value HK\$6,495,000 at 30 June 2008. There is no outstanding bank loan as at 31 December 2007.

19. SHARE CAPITAL

	No. of shares '000	At 30 June 2008 and 31 December 2007 HK\$'000
<i>Authorised</i>		
Ordinary shares of HK\$0.01 each	5,000,000	50,000
<i>Issued and fully paid</i>		
At 31 December 2007 and at 30 June 2008	1,705,000	17,050

20. COMMITMENTS**(a) Capital commitments**

Capital commitments outstanding at 30 June 2008 contracted but not provided for in the interim financial report were as follows:

	At 30 June 2008 HK\$'000	At 31 December 2007 HK\$'000
Capital contributions to subsidiaries	6,877	1,560
Property, plant and equipment	16,737	12,133
	23,614	13,693

(b) Operating lease commitments

At 30 June 2008, the total future minimum lease payments under non-cancellable operating leases in respect of land and buildings are payable as follows:

	At 30 June 2008 HK\$'000	At 31 December 2007 HK\$'000
Within 1 year	229	257
After 1 year but within 5 years	–	220
After 5 years	–	251
	229	728

The Group has leased a number of properties under operating leases which typically run for initial periods of one or two years, with options to renew, at which time all key terms are renegotiated. The leases do not include contingent rentals.

21. MATERIAL RELATED PARTY TRANSACTIONS

The Group do not have any business transactions with connected parties and related companies which are subject to common control during the period.

22. SUBSEQUENT EVENTS

On 8 July 2008, the Group completed the acquisition of the Second Forest located in Kratie Province, the Kingdom of Cambodia. The issue of 200,000,000 new Consideration Shares and HK\$70,000,000 Bonds will be accounted for in the third quarterly report.

BUSINESS REVIEW

The Board is pleased to announce that the 10% Sub-concession of its First Forest has been completed on 30 June 2008. The cash consideration of US\$6.00 million (equivalent to approximately HK\$46.80 million) out of US\$10.00 million (equivalent to approximately HK\$78.00 million) had been received by the Company as at the date of this interim report.

In Cambodia, construction of access roads and bridges in the Group's First Forest are nearly completed, and forest clearing and manufacturing of sawn timber have commenced.

The Group's sales of medical equipment reached HK\$17,674,000 for the six months ended 30 June 2008, an increase by 7% as compared to that of the corresponding period last year.

The Group's RFAS radio frequency treatment business faced rigorous competition from local and foreign competitors and no new co-operation contracts were signed during the period.

In respect of the research, development and manufacturing of drugs, satisfactory progress has been made in the pre-clinical work on the Group's anti-cancer product and the installation of machinery for the new factory in Nanjing.

OUTLOOK

As forest clearing and production of sawn timber from salvage logs have commenced in the Group's First Forest in Cambodia, subject to obtaining the requisite domestic and export sale permits, we expect to generate wood product sales beginning in September/October 2008. We will also start the plantation of rubber trees, which will generate sustainable income for the Group upon maturity.

Following the completion of the acquisition of the Second Forest, work has begun on the construction of access roads and bridges. Given that the location of the Second Forest is contiguous to the First Forest and with the experience gained from the construction work on the First Forest, we expect significant savings in time and money in the infrastructure build-out as compared to the First Forest.

In relation to the existing medical businesses, we expect medical equipment sales to show year-on-year growth in the second half of 2008. Pre-clinical work on the anti-cancer drug and construction work on the new factory in Nanjing are also expected to be completed before the end of the year.

FINANCIAL REVIEW

Turnover for the six months ended 30 June 2008 amounted to approximately HK\$17,848,000, representing an increase of 7% compared to the corresponding period in 2007, as a result of increased sales of medical equipment.

On 30 June 2008, the Sub-concession of 10% of the First Forest was completed on 30 June 2008. The Group recorded a gain on disposal of HK\$52,080,000 from the transaction.

Total operating expenses for the first half year ended 30 June 2008 amounted to approximately HK\$23,524,000, representing an increase of 126% compared to the corresponding period in 2007 of HK\$10,395,000. The large increase is primarily the result of: (a) start-up expenses in relation to the Cambodia forestry and plantation business which incurred operating expenses of HK\$5,201,000; (b) an increase in legal and professional fees associated with the acquisition of the Second Forest and the Sub-concession on the First Forest; and (c) increases in salaries and wages in the head office resulting from an increase in headcount and share option costs arising from granting of option to directors and employees.

For the six months ended 30 June 2008, the Group realised a profit attributable to equity holders of the Company of HK\$36,067,000. For the corresponding period in 2007, a loss attributable to equity holders of the Company of HK\$2,456,000 was recorded.

During the period under review, the basic earnings per share was Hong Kong cents 2.12 (2007: loss per share of Hong Kong cents 0.29). The directors do not recommend the payment of an interim dividend for the six months ended 30 June 2008 (2007: HK\$Nil).

As at 30 June 2008, total equity attributable to equity holders of the Company amounted to approximately HK\$441,156,000 (31 December 2007: HK\$398,265,000). Current assets amounted to approximately HK\$198,056,000 (31 December 2007: HK\$159,435,000) of which approximately HK\$90,348,000 (31 December 2007: HK\$99,400,000) were cash at bank and on hand. The Group's current liabilities amounted to approximately HK\$53,275,000 (31 December 2007: HK\$69,675,000) of which trade and other payables and a short term bank loan represented approximately HK\$47,844,000 (31 December 2007: HK\$69,391,000) and HK\$5,118,000 (31 December 2007: NIL), respectively. The gearing ratio of the Group, calculated on the basis of its short term bank loan over net assets, as at 30 June 2008 was 1.1% (31 December 2007: N/A).

The Group's transactions are denominated in Renminbi, Hong Kong dollars and US dollars and the Group has not entered into any hedging arrangements during the period under review.

As at 30 June 2008, the Group had no outstanding hedging instruments (2007: HK\$Nil).

Other than the set up of a wholly-owned subsidiary in the second quarter, the Group made no new acquisitions nor did it dispose of any subsidiaries or affiliated companies during the six months ended 30 June 2008.

Shareholder attention is drawn to the announcement on 8 July 2008, referred to as a "Subsequent Event" in the interim financial statements in respect of the completion of the acquisition of the Second Forest and the issue of 200,000,000 new Consideration Shares and HK\$70,000,000 Bonds.

As at 30 June 2008, the Group had no material contingent liabilities.

EMPLOYEE INFORMATION

As at 30 June 2008, the Group had 355 (2007: 225) employees. Number of employees is based on headcount at period end (the corresponding number is based on average headcount during the period). The total of employee remuneration, including that of directors, for the six months ended 30 June 2008 amounted to HK\$6,395,000 (2007: HK\$1,814,000).

In addition to a share option scheme approved and adopted by the Company on 14 September 2001, the Group provides a mandatory provident fund scheme for its staff in Hong Kong in compliance with the requirements under the Mandatory Provident Fund Scheme Ordinance and pays retirement fund obligations to its employees in the PRC according to the relevant regulations in the PRC.

OTHER INFORMATION

DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES

As at 30 June 2008, the interests and short positions of the directors and the chief executive of the Company in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (“SFO”)) as recorded in the register required to be kept under Section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the minimum standards of dealings by directors as referred to in Rules 5.46 to 5.67 of the GEM Listing Rules were as follows:

Name	Number of ordinary shares of HK\$0.01 each in the share capital and options of the Company held	Nature of interests	Percentage of interest
Dr. Li Nga Kuk, James	32,800,000	Personal	1.92%
Mr. Li Tai To, Titus	16,400,000	Personal	0.96%
Mr. Leung Sze Yuan Alan	7,800,000 17,000,000	Personal Share options granted but not yet exercised	1.45%
Mr. Zhang Zhenzhong	17,000,000	Share options granted but not yet exercised	0.99%

Save as disclosed above, as at 30 June 2008, none of the directors or chief executive of the Company had any interests or short positions in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which were required, pursuant to Section 352 of the SFO, to be entered in the register referred to therein or were required, pursuant to Rules 5.46 to 5.67 of the GEM Listing Rules relating to the minimum standards of dealings by directors, to be notified to the Company and the Stock Exchange.

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBT SECURITIES

On 14 December 2001, the Company had conditionally approved and adopted a share option scheme pursuant to which any employees and directors of the Company and its subsidiaries may be granted options to subscribe for shares of the Company.

Save as disclosed above, as at 30 June 2008, no other directors or the chief executive or their associates had any interests or rights to subscribe for any securities of the Company or any of its associated corporations as defined in the SFO.

At no time during the period was the Company or any of its subsidiaries a party to any arrangement to enable the directors or the chief executive of the Company or any of their respective associates, including spouses or children under eighteen years of age, to acquire benefits by means of the acquisition of shares in or debentures of the Company or any other body corporate.

INTERESTS DISCLOSEABLE UNDER THE SFO AND SUBSTANTIAL SHAREHOLDERS

As at 30 June 2008, so far as is known to the directors or the chief executive of the Company, the following persons (other than a director or the chief executive of the Company) had any interests or short positions in the shares or underlying shares of the Company as recorded in the register required to be kept under Section 336 of the SFO:

Name of substantial shareholder	Number of shares held	Capacity	Percentage of interest
Zhang Jie	266,666,667	Personal	15.64%
Li Wo Hing	37,470,000	Personal	2.20%
	193,360,000	Corporate (<i>Note</i>)	11.34%
	230,830,000		13.54%
PMM (<i>Note</i>)	193,360,000	Beneficial owner	11.34%
Pen Sophal	133,333,333	Personal	7.82%
UBS AG	119,340,000	Beneficial owner	6.99%
Keywise Greater China	102,270,000	Beneficial owner	6.00%

Note: As at 30 June 2008, PMM owned 193,360,000 shares, representing approximately 11.34% of the issued share capital of the Company. The issued share capital of PMM is owned as to 70.58% by Mr. Li Wo Hing, as to 19.61% by Dr. Li Nga Kuk, James, as to 9.81% by Mr. Li Tai To, Titus. Accordingly, Mr. Li Wo Hing holds indirect interest in the 193,360,000 shares through PMM.

Save as disclosed above, as at 30 June 2008, so far as is known to any directors or the chief executive of the Company, no other person (other than a director or the chief executive of the Company) had any interests or short positions in the shares or underlying shares of the Company as recorded in the register required to be kept under Section 336 of the SFO.

DIRECTORS' INTEREST IN CONTRACTS

No contract, commitment or agreement of significance in relation to the Company's business, to which the Company or any of its subsidiaries was a party and in which any of the directors of the Company had a material interest, either directly or indirectly, subsisted during the six months ended 30 June 2008.

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S LISTED SECURITIES

During the six months ended 30 June 2008, neither the Company nor any of its subsidiaries purchased, redeemed or sold any of the Company's listed securities.

COMPETING INTERESTS

None of the directors, the management shareholders or substantial shareholders of the Company or any of their respective associates (as defined in the GEM Listing Rules) has engaged in any businesses that compete or may compete with the business of the Group or have any other conflicts of interests with the Group.

CORPORATE GOVERNANCE AND AUDIT COMMITTEE

During the six months ended 30 June 2008, the Company has complied with the Code on Corporate Governance Practices (the "Code") as set out in Appendix 15 of the GEM Listing Rules.

As required by Rules 5.28 to 5.33 of the GEM Listing Rules, the Company has established an audit committee (the "Committee") with written terms of reference which deal with its authority and duties. The Committee's primary duties are to review and to supervise the financial reporting process and internal control systems of the Group and to provide advice and comments to the directors.

As at 30 June 2008, the Committee was composed of the three independent non-executive directors, namely, Messrs. Fan Wan Tai, Tam Wai Leung, Joseph and Chan Kim Chung, Daniel.

During the six months ended 30 June 2008, the Committee held two meetings for the purpose of reviewing the Company's reports and financial statements, and providing advice and recommendations to the board of directors.

The Committee members have reviewed the Company's unaudited interim financial report for the six months ended 30 June 2008 and are of the opinion that the preparation of such results complied with applicable accounting standards.

The Company adopted the required standards on dealings as set out in Rules 5.48 to 5.67 of the GEM Listing Rules as its code of conduct regarding directors' transactions in securities throughout the six months ended 30 June 2008. The Company's directors confirmed that they complied with such code of conduct and required standards for dealings throughout the six months ended 30 June 2008.

By order of the Board
Leung Sze Yuan Alan
Chairman

Hong Kong, 8 August 2008