



和寶國際控股有限公司
Wealthmark International (Holdings) Limited

(Incorporated in the Cayman Islands with limited liability)

Stock Code: 39

Interim Report
2007

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Condensed Consolidated Income Statement

For the six months ended 30 June 2007

The Board of Directors (the "Board") of Wealthmark International (Holdings) Limited (the "Company") is pleased to announce the unaudited consolidated results of the Company and its subsidiaries (collectively, the "Group") for the six months ended 30 June 2007. These interim results have been reviewed by RSM Nelson Wheeler, the auditors of the Company, in accordance with Hong Kong Standard on Review Engagements 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA"), and by the Audit Committee of the Company, comprising the three independent non-executive directors of the Company.

	Note	(Unaudited)	
		Six months ended 30 June	
		2007	2006
		HK\$'000	HK\$'000
Turnover	3	98,447	73,396
Cost of sales		(93,514)	(73,758)
Gross profit/(loss)		4,933	(362)
Other income		2,131	1,294
Distribution costs		(10,164)	(5,067)
Administrative expenses		(10,228)	(11,359)
Other operating expenses		–	(173)
Loss from operations		(13,328)	(15,667)
Finance costs	4	(3,162)	(365)
Loss before tax		(16,490)	(16,032)
Income tax credit	5	607	770
Loss for the period	6	(15,883)	(15,262)
Attributable to:			
Equity holders of the Company		(12,753)	(12,759)
Minority interests		(3,130)	(2,503)
		(15,883)	(15,262)
Dividend	7	–	–
Loss per share – basic	8	(3.8) cents	(4.1) cents

Condensed Consolidated Balance Sheet

As at 30 June 2007 and 31 December 2006

		(Unaudited) 30 June 2007 HK\$'000	(Audited) 31 December 2006 HK\$'000
Non-current assets			
Property, plant and equipment	9	43,430	46,881
Prepaid land lease payments		460	6,296
Goodwill		11,010	11,010
		54,900	64,187
Current assets			
Inventories		33,801	30,831
Trade and other receivables	10	39,748	34,225
Current tax assets		2,021	2,021
Bank and cash balances		103,550	8,614
		179,120	75,691
TOTAL ASSETS		234,020	139,878
Capital and reserves			
Share capital	11	39,000	33,200
Reserves		40,931	(32,478)
Equity attributable to equity holders of the Company		79,931	722
Minority interests		8,929	11,771
Total equity		88,860	12,493
Non-current liabilities			
Due to immediate holding company		79,589	76,150
Deferred tax liabilities		296	293
		79,885	76,443
Current liabilities			
Trade and other payables	12	55,569	43,650
Due to a minority shareholder of a subsidiary		6,259	3,084
Current tax payable		3,447	4,208
		65,275	50,942
Total liabilities		145,160	127,385
TOTAL EQUITY AND LIABILITIES		234,020	139,878
Net current assets		113,845	24,749
Total assets less current liabilities		168,745	88,936

Condensed Consolidated Statement of Changes in Equity

For the six months ended 30 June 2007

	(Unaudited)									
	Attributable to equity holders of the Company									
	Share capital (note 11) HK\$'000	Share premium HK\$'000	Properties revaluation reserve HK\$'000	Merger reserve HK\$'000	Statutory reserves HK\$'000	Exchange reserve HK\$'000	Accumulated losses HK\$'000	Sub- total HK\$'000	Minority interests HK\$'000	Total HK\$'000
At 1 January 2006	30,000	70,342	434	2,150	2,223	165	(96,060)	9,254	17,464	26,718
Currency translation differences	-	-	-	-	-	387	-	387	201	588
Share issue expenses	-	(590)	-	-	-	-	-	(590)	-	(590)
Net expense recognised directly in equity	-	(590)	-	-	-	387	-	(203)	201	(2)
Loss for the period	-	-	-	-	-	-	(12,759)	(12,759)	(2,503)	(15,262)
Total recognised income and expense for the period	-	(590)	-	-	-	387	(12,759)	(12,962)	(2,302)	(15,264)
Issue of shares	3,200	14,080	-	-	-	-	-	17,280	-	17,280
At 30 June 2006	33,200	83,832	434	2,150	2,223	552	(108,819)	13,572	15,162	28,734
At 1 January 2007	33,200	83,832	434	2,150	2,223	714	(121,831)	722	11,771	12,493
Currency translation differences	-	-	-	-	-	136	-	136	288	424
Share issue expenses	-	(2,134)	-	-	-	-	-	(2,134)	-	(2,134)
Net expense recognised directly in equity	-	(2,134)	-	-	-	136	-	(1,998)	288	(1,710)
Loss for the period	-	-	-	-	-	-	(12,753)	(12,753)	(3,130)	(15,883)
Total recognised income and expense for the period	-	(2,134)	-	-	-	136	(12,753)	(14,751)	(2,842)	(17,593)
Issue of shares	5,800	88,160	-	-	-	-	-	93,960	-	93,960
At 30 June 2007	39,000	169,858	434	2,150	2,223	850	(134,584)	79,931	8,929	88,860

Condensed Consolidated Cash Flow Statement

For the six months ended 30 June 2007

	(Unaudited)	
	Six months ended 30 June	
	2007	2006
	HK\$'000	HK\$'000
Net cash used in operating activities	(8,164)	(13,177)
Net cash generated from/(used in) investing activities	8,433	(2,008)
Net cash generated from financing activities	94,904	4,377
Net increase/(decrease) in cash and cash equivalents	95,173	(10,808)
Cash and cash equivalents at 1 January	8,614	27,471
Effect of foreign exchange rate changes, net	(237)	695
Cash and cash equivalents at 30 June	103,550	17,358
Analysis of cash and cash equivalents		
Bank and cash balances	103,550	17,359
Bank overdrafts	-	(1)
	103,550	17,358

Notes to the Condensed Consolidated Financial Statements

1. BASIS OF PREPARATION AND ACCOUNTING POLICIES

These unaudited condensed consolidated financial statements have been prepared in accordance with Hong Kong Accounting Standard 34 “Interim Financial Reporting” which is one of the Hong Kong Financial Reporting Standards (“HKFRSs”) issued by the HKICPA and the applicable disclosure requirements of Appendix 16 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “Listing Rules”).

These condensed consolidated financial statements should be read in conjunction with the 2006 annual financial statements.

The accounting policies and methods of computation used in the preparation of these condensed consolidated financial statements are consistent with those used in the 2006 annual financial statements.

2. CHANGES IN ACCOUNTING POLICIES

In the current period, the Group has adopted all of the new and revised HKFRSs issued by the HKICPA that are relevant to its operations and effective for accounting periods beginning on or after 1 January 2007. The adoption of these new and revised HKFRSs did not result in substantial changes to the Group’s accounting policies and amounts reported for the current and prior periods.

The Group has not applied the new HKFRSs that have been issued but are not yet effective. The Group has already commenced an assessment of the impact of these new HKFRSs but is not yet in a position to state whether these new HKFRSs would have a material impact on its results of operations and financial position.

3. SEGMENT INFORMATION

An analysis of the Group’s revenue and results for the period by business segment is as follows:

	(Unaudited)					
	Handbags and other accessories		Dairy products		Group	
	Six months ended 30 June 2007	2006	Six months ended 30 June 2007	2006	Six months ended 30 June 2007	2006
	HK\$’000	HK\$’000	HK\$’000	HK\$’000	HK\$’000	HK\$’000
Segment revenue	76,902	65,966	21,545	7,430	98,447	73,396
Segment results	4,516	2,351	417	(2,713)	4,933	(362)

Notes to the Condensed Consolidated Financial Statements

4. FINANCE COSTS

	(Unaudited)	
	Six months ended 30 June	
	2007	2006
	HK\$'000	HK\$'000
Interest on other loan wholly repayable within five years	119	365
Interest on amount due to immediate holding company wholly repayable within five years	3,043	–
	3,162	365

5. INCOME TAX CREDIT

	(Unaudited)	
	Six months ended 30 June	
	2007	2006
	HK\$'000	HK\$'000
Current tax-Hong Kong		
Provision for the period	171	–
Current tax – Overseas		
Provision for the period	–	19
Overprovision in prior years	(778)	(789)
Income tax credit	(607)	(770)

Hong Kong profits tax has been provided at a rate of 17.5% on the estimated assessable profit for the period (2006: Nil). Tax charge on profits assessable elsewhere has been calculated at the rates of tax prevailing in the countries in which the Group operates, based on existing legislation, interpretation and practices in respect thereof.

Notes to the Condensed Consolidated Financial Statements

6. LOSS FOR THE PERIOD

The Group's loss for the period is stated after charging/(crediting) the following:

	(Unaudited)	
	Six months ended 30 June	
	2007	2006
	HK\$'000	HK\$'000
Depreciation	3,453	4,808
Amortisation of prepaid land lease payments	6	85
Property, plant and equipment written off	–	121
Gain on disposal of property, plant and equipment	(270)	–
Gain on disposal of prepaid land lease payments	(898)	–

7. DIVIDEND

The Directors do not recommend the payment of an interim dividend for the six months ended 30 June 2007 (2006: Nil).

8. LOSS PER SHARE

The calculation of loss per share attributable to equity holders of the Company is based on the loss for the period attributable to equity holders of the Company of approximately HK\$12,753,000 (2006: HK\$12,759,000) and the weighted average number of ordinary shares of 336,165,746 (2006: 309,104,972) in issue during the period.

Diluted loss per share amounts for the periods ended 30 June 2007 and 2006 have not been disclosed as there were no diluting events existed during these two periods.

9. CAPITAL EXPENDITURE

Additions to property, plant and equipment during the period amounted to approximately HK\$532,000 (2006: HK\$2,126,000).

Notes to the Condensed Consolidated Financial Statements

10. TRADE AND OTHER RECEIVABLES

	(Unaudited)	(Audited)
	30 June	31 December
	2007	2006
	HK\$'000	HK\$'000
Trade receivables	27,695	30,933
Less: allowance for impairment of receivables	(586)	(779)
Trade receivables, net	27,109	30,154
Prepayments, deposits and other receivables	12,639	4,071
	39,748	34,225

The Group's trading terms with customers are mainly on credit. The credit terms generally range from 30 to 90 days. The aging analysis of trade receivables, based on the invoice date, and net of allowance, is as follows:

	(Unaudited)	(Audited)
	30 June	31 December
	2007	2006
	HK\$'000	HK\$'000
Current to 30 days	13,612	21,623
31 – 60 days	12,903	8,176
61 – 90 days	221	170
Over 90 days	373	185
	27,109	30,154

Notes to the Condensed Consolidated Financial Statements

11. SHARE CAPITAL

	(Unaudited) 30 June 2007 HK\$'000	(Audited) 31 December 2006 HK\$'000
Authorised:		
1,000,000,000 (31 December 2006: 1,000,000,000) ordinary shares of HK\$0.1 each	100,000	100,000
Issued and fully paid:		
390,000,000 (31 December 2006: 332,000,000) ordinary shares of HK\$0.1 each	39,000	33,200

A summary of the movements in the issued share capital of the Company during the period is as follows:

	(Unaudited) Number of shares	Par value HK\$'000
At 1 January 2007	332,000,000	33,200
Shares issued on 18 June 2007 (<i>note (a)</i>)	58,000,000	5,800
At 30 June 2007	390,000,000	39,000

Notes:

- (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) Subsequent to the balance sheet date, 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 Holdings Limited ("BAPP Ethanol") and CEC Ethanol (Northeast) Limited ("CEC Ethanol") (note 15(a)).

Notes to the Condensed Consolidated Financial Statements

12. TRADE AND OTHER PAYABLES

	(Unaudited) 30 June 2007 HK\$'000	(Audited) 31 December 2006 HK\$'000
Trade payables	7,190	7,235
Other payables	48,379	36,415
	55,569	43,650

The aging analysis of trade payables, based on the date of receipt of goods, is as follows:

	(Unaudited) 30 June 2007 HK\$'000	(Audited) 31 December 2006 HK\$'000
Current to 30 days	4,296	5,683
31 – 60 days	1,514	974
61 – 90 days	412	140
Over 90 days	968	438
	7,190	7,235

13. RELATED PARTY TRANSACTIONS

The Group had the following transactions with related parties during the period:

	(Unaudited) Six months ended 30 June	
	2007	2006
	HK\$'000	HK\$'000
Rental paid to a related company (<i>note</i>)	180	180
Interest paid to immediate holding company	3,043	–

Note: The related company is a company that is significantly influenced by a director of the Company.

Notes to the Condensed Consolidated Financial Statements

14. CAPITAL COMMITMENTS

The Group had the following capital commitments at the balance sheet date:

	(Unaudited)	(Audited)
	30 June	31 December
	2007	2006
	HK\$'000	HK\$'000
Property, plant and equipment		
Contracted but not provided for	42	55

15. EVENTS AFTER THE BALANCE SHEET DATE

(a) Business combinations

On 11 May 2007, the Company entered into various agreements with certain fellow subsidiaries for the acquisitions of the entire issued share capital of BAPP Ethanol and CEC Ethanol, both incorporated in the British Virgin Islands, at considerations of HK\$120,000,000 and HK\$100,000,000 respectively. BAPP Ethanol and CEC Ethanol are investment holding companies. Their subsidiaries operating in the PRC are engaged in the production and sale of ethanol.

The acquisitions were approved by the shareholders at an extraordinary general meeting held on 16 July 2007 and were completed on 19 July 2007. Pursuant to the agreements, the considerations were satisfied by the Company through the allotment and issuance of 96,000,000 and 80,000,000 ordinary shares, respectively, of HK\$0.1 each at HK\$1.25 per share. HKFRS 3 "Business Combinations" requires the cost of the business combination, for accounting purposes, to be determined based on the fair values of shares issued by the Company at the date of acquisitions. The fair values of shares issued were approximately HK\$246,720,000 and HK\$205,600,000 respectively at the date of acquisitions.

15. EVENTS AFTER THE BALANCE SHEET DATE *(Continued)*

(a) Business combinations *(Continued)*

Since the acquisitions were completed on 19 July 2007, there is not sufficient time for management to prepare the financial statements of BAPP Ethanol and CEC Ethanol in accordance with HKFRSs for business combination purposes. The disclosure for the amounts recognised at the acquisition date for each class of the acquirees' assets, liabilities and contingent liabilities and the carrying amounts of each of those classes, determined in accordance with HKFRSs, would be impracticable.

The Directors consider that the acquisitions of BAPP Ethanol and CEC Ethanol will provide an opportunity to improve the Group's earnings base.

(b) Disposal of subsidiaries

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 Agricapital (Tianjin) Limited and Glory Access Limited, both being wholly-owned subsidiaries of the Company incorporated in the British Virgin Islands, at a total cash consideration of approximately HK\$1,560,000. The disposal was approved by the shareholders at an extraordinary general meeting held on 16 July 2007 and was completed on 19 July 2007. The gain on disposal was approximately HK\$10,002,000.

Independent Review Report

RSM Nelson Wheeler

羅申美會計師行

Certified Public Accountants

TO THE BOARD OF DIRECTORS OF WEALTHMARK INTERNATIONAL (HOLDINGS) LIMITED

(Incorporated in the Cayman Islands with limited liability)

INTRODUCTION

We have reviewed the interim financial information set out on pages 2 to 13 which comprises the condensed consolidated balance sheet of the Company as at 30 June 2007 and the related condensed consolidated income statement, condensed consolidated statement of changes in equity and condensed consolidated cash flow statement for the six-month period then ended and other explanatory notes. The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of a report on interim financial information to be in compliance with the relevant provisions thereof and Hong Kong Accounting Standard 34 "Interim Financial Reporting" issued by the Hong Kong Institute of Certified Public Accountants. The directors are responsible for the preparation and presentation of this interim financial information in accordance with Hong Kong Financial Reporting Standards. Our responsibility is to express a conclusion on this interim financial information based on our review and to report our conclusion solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

SCOPE OF REVIEW

We conducted our review in accordance with Hong Kong Standard on Review Engagements 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the Hong Kong Institute of Certified Public Accountants. A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

CONCLUSION

Based on our review, nothing has come to our attention that causes us to believe that the interim financial information is not prepared, in all material respects, in accordance with Hong Kong Financial Reporting Standards.

RSM Nelson Wheeler
Certified Public Accountants

Hong Kong, 18 September 2007

BUSINESS AND FINANCIAL REVIEW

For the six months ended 30 June 2007 (the "Period"), the Group's turnover was approximately HK\$98.4 million, representing an increase of 34.1% over the corresponding period last year. Loss attributable to equity holders of the Company was approximately HK\$12.8 million, same as in the corresponding period last year. Loss per share for the Period was HK\$3.8 cents (2006: HK\$4.1 cents).

The performance of the handbags and other accessories segment and dairy products segment (collectively, the "Existing Businesses") during the Period is set out below.

During the Period, turnover of the handbags and other accessories segment was approximately HK\$76.9 million, up 20.2% over the corresponding period last year and accounted for 78.2% of the total turnover. Despite the increase in turnover, the handbags and other accessories segment recorded an operating loss for the Period. The performance of the handbags and other accessories segment was seriously affected by the continuous keen competition in the market and the increasing labour costs across the PRC.

Turnover of the dairy products segment for the Period was approximately HK\$21.5 million, representing an increase of 190.5% as compared to the turnover of approximately HK\$7.4 million in the corresponding period last year and accounted for 21.8% of the total turnover. Nevertheless, the Group faced keen competition from the major players in the dairy market. The dramatic increase in promotion spending by the major players in the dairy market in an attempt to boost market share has made it increasingly difficult for small to medium size producers to compete. As such, the dairy products segment continued to incur an operating loss for the Period.

Management Discussion and Analysis

SIGNIFICANT ACQUISITIONS AND DISPOSALS

On 11 May 2007, the Company entered into various agreements with its fellow subsidiaries for certain very substantial and connected transactions. These transactions have been completed subsequent to the balance sheet date, on 19 July 2007. Details are set out below:

- (i) The Company acquired from BAPP Enzyme Engineering Limited, a fellow subsidiary of the Company, the entire issued share capital in BAPP Ethanol Holdings Limited at a consideration of HK\$120 million, which was satisfied by the Company through the allotment and issuance of 96,000,000 shares of the Company at an issue price of HK\$1.25 per share.

BAPP Ethanol Holdings Limited and its subsidiaries (the “BAPP Ethanol Group”) are principally engaged in the production and sale of ethanol. The BAPP Ethanol Group operates as a research and development facility exploring more efficient methods of non-feedstock ethanol production and is currently refining a proprietary enzymatic process by which beetroot can be used to generate ethanol in a cost efficient and environmentally conscientious manner.

- (ii) The Company acquired from CEC Agricapital Group Limited, a fellow subsidiary of the Company, the entire issued share capital in CEC Ethanol (Northeast) Limited at a consideration of HK\$100 million, which was satisfied by the Company through the allotment and issuance of 80,000,000 shares of the Company at an issue price of HK\$1.25 per share.

CEC Ethanol (Northeast) Limited and its subsidiary (the “CEC Ethanol Group”) are principally engaged in the sale and distribution of ethanol. The CEC Ethanol Group owns brands and sales networks of premium grade ethanol and is currently developing a 150,000 tonne ethanol production facility in Harbin, the PRC. In order to ensure steady supply of ethanol products for the sale and distribution business during the construction period of the production plant, on 23 May 2007, the CEC Ethanol Group entered into a processing agreement with a connected party for the production of ethanol on a tolling basis.

SIGNIFICANT ACQUISITIONS AND DISPOSALS (Continued)

- (iii) The Company disposed of the entire issued share capital of each of Glory Access Limited and Agricapital (Tianjin) Limited, each a wholly-owned subsidiary of the Company, to Orientelite Investments Limited, the immediate holding company of the Company, for a total cash consideration of US\$200,000 (approximately HK\$1,560,000).

Glory Access Limited is the holding company of the Company's interests in its handbags and other accessories business while Agricapital (Tianjin) Limited is the holding company of the Company's interests in its dairy products business. The disposal represented disposal of the Existing Businesses of the Group.

Further details of these transactions were set out in the Company's Circular dated 29 June 2007.

PROSPECTS

Acquisitions of the BAPP Ethanol Group and CEC Ethanol Group (the "Acquisitions") and the disposal of the Existing Businesses were completed on 19 July 2007 and thereafter, the Group will concentrate on ethanol business.

The worldwide ethanol market is growing and expected to grow rapidly in the coming years due to governmental policies of using ethanol as fuel or a fuel additive in many countries, including China. According to the National Development and Reform Commission, the authorised regulator of fuel ethanol in China, and the Eleventh Five-year Plan, the PRC government plans to expand fuel ethanol production capacity and consumption substantially in the coming years. By 2020, fuel ethanol consumption is expected to reach 10 million tonnes. Given the existing shortage in capacity and these aggressive targets, the opportunity for producers who can manufacture ethanol on a cost-effective basis is significant. While there are certain imposing barriers to entry to this market, such as required government licenses and approvals, the Group intends to actively explore this potentially enormous opportunity.

Management Discussion and Analysis

PROSPECTS (Continued)

Initially, the Group will enter into the ethanol market through the consumable ethanol sector. The BAPP Ethanol Group will focus on producing and selling ethanol with its proprietary technology and the CEC Ethanol Group will engage in sale and distribution of premium grade ethanol which is produced by a connected party. The BAPP Ethanol Group will also explore the options of cooperating with licensed ethanol producers by joint venture or by technology licensing.

In the medium term, the Group will also penetrate the fuel ethanol sector. As most existing and proposed production processes for ethanol in China are mainly based on corn or other feedstock, the BAPP Ethanol Group, with its proprietary technology that allows the use of non-feedstock in the production process, is well positioned to receive a licence for fuel ethanol.

The directors believe that the potential in the ethanol business is enormous and that the Acquisitions will improve the Group's earnings base.

LIQUIDITY, FINANCIAL RESOURCES AND CAPITAL STRUCTURE

During the Period, the issued share capital of the Company increased by 58,000,000 shares to 390,000,000 shares as a result of a top-up placing. On 18 June 2007, the Company raised net proceeds of approximately HK\$91.8 million by way of a top-up placing of 58,000,000 shares at HK\$1.62 each. The net proceeds have been and will be used for the Group's general working capital purposes. Apart from options to subscribe for shares in the Company, there were no other capital instruments in issue.

As at 30 June 2007, the Group has net current assets of approximately HK\$113.8 million (31 December 2006: HK\$24.7 million) and shareholders' equity of approximately HK\$79.9 million (31 December 2006: HK\$0.7 million). The increase in net current assets and shareholders' equity was mainly attributable to the net proceeds raised from the top-up placing during the Period. Bank and cash balances amounted to approximately HK\$103.6 million as at 30 June 2007 (31 December 2006: HK\$8.6 million).

LIQUIDITY, FINANCIAL RESOURCES AND CAPITAL STRUCTURE (Continued)

Except for an amount due to the immediate holding company of approximately HK\$79.6 million, the Group had no other borrowings as at 30 June 2007. The gearing ratio of the Group, calculated as total debts divided by total assets, was approximately 34.0% as at 30 June 2007. The amount due to the immediate holding company bears interest at 1% above the Hong Kong dollar prime rate per annum and is not repayable within one year.

Subsequent to the balance sheet date, on 19 July 2007, the Group has completed various very substantial and connected transactions, as detailed in the section "Significant acquisitions and disposals" above. Following the completion of these transactions, the issued share capital of the Company further increased by 176,000,000 shares to 566,000,000 shares and the Group was released from the above-mentioned amount due to the immediate holding company and became debt free.

As the Group's business transactions, assets and liabilities are principally denominated in Hong Kong dollars, United States dollars and Renminbi, the Group's exposure to exchange rate risk is limited. It is the Group's treasury policy 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 30 June 2007, there was no charge on the Group's assets (31 December 2006: Nil).

CONTINGENT LIABILITIES

As at 30 June 2007, the Group had no material contingent liabilities (31 December 2006: Nil).

EMPLOYEE AND REMUNERATION POLICY

As at 30 June 2007, the Group had approximately 2,031 (2006: 2,088) employees with total staff costs amounted to approximately HK\$21.8 million (2006: HK\$17.3 million). Remuneration of employees is offered at competitive standards, generally structured with reference to market terms and individual qualifications.

Other Information

CHANGE OF DIRECTORS

There was no change of directors of the Company during the six months ended 30 June 2007. Subsequent to the balance sheet date, on 26 July 2007, Mr. Fu Hui resigned as executive director of the Company and on the same date, Mr. Zhao Difei, Mr. Li Jian Quan and Mr. Lu Gui Pin were appointed as executive directors of the Company.

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

The interests of the directors in the share options of the Company are separately disclosed under the section "Share option scheme" below.

Save as disclosed above, as at 30 June 2007, none of the directors or chief executive 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 of Hong Kong Limited (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 under the section "Share option scheme" below, at no time during the period were rights to acquire benefits by means of the acquisition of shares in or debentures of the Company granted to any director or their respective spouse or children under 18 years of age, or were any such rights exercised by them; or was the Company, 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.

SHARE OPTION SCHEME

The Company has adopted a new share option scheme (the "New Share Option Scheme") on 23 May 2007 and on the same date, terminated the existing share option scheme of the Company which was adopted on 29 December 2000. Further details of the New Share Option Scheme were set out in the Company's Circular dated 30 April 2007.

SHARE OPTION SCHEME (Continued)

The Company had no share options in issue prior to the adoption of the New Share Option Scheme. On 7 June 2007, options to subscribe for a total of 14,460,000 shares were granted to various directors and employees of the Company under the New Share Option Scheme, at an exercise price of HK\$1.97. Details of these options are as follows:

Name or category of participant	Number of share options			At 30 June 2007	Date of grant of share options*	Exercise period of share options	Exercise price of share options** (per share) HK\$	Price of the Company's shares at grant date*** (per share) HK\$
	At 1 January 2007	Granted during the period	Exercised during the period					
Directors								
Mr. Lo Peter	-	1,660,000	-	1,660,000	7 June 2007	7 June 2008 to 22 May 2016	1.97	1.97
	-	1,660,000	-	1,660,000	7 June 2007	7 June 2009 to 22 May 2016	1.97	1.97
	-	3,320,000	-	3,320,000				
Mr. Sun David Lee	-	1,660,000	-	1,660,000	7 June 2007	7 June 2008 to 22 May 2016	1.97	1.97
	-	1,660,000	-	1,660,000	7 June 2007	7 June 2009 to 22 May 2016	1.97	1.97
	-	3,320,000	-	3,320,000				
Mr. Li Wentao	-	1,660,000	-	1,660,000	7 June 2007	7 June 2008 to 22 May 2016	1.97	1.97
	-	1,660,000	-	1,660,000	7 June 2007	7 June 2009 to 22 May 2016	1.97	1.97
	-	3,320,000	-	3,320,000				
Other employees								
In aggregate	-	2,250,000	-	2,250,000	7 June 2007	7 June 2008 to 22 May 2016	1.97	1.97
	-	2,250,000	-	2,250,000	7 June 2007	7 June 2009 to 22 May 2016	1.97	1.97
	-	4,500,000	-	4,500,000				
Total	-	14,460,000	-	14,460,000				

Notes:

* 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 price of the Company's shares disclosed as at the date of grant of the share options is the closing price of the Company's shares as stated in the daily quotations sheets issued by the Stock Exchange on the date of grant of the share options.

All options granted were accepted, and none were exercised, cancelled or lapsed during the six months ended 30 June 2007.

Other Information

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

As at 30 June 2007, 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	Notes	Capacity in which shares are held	Number of ordinary shares held	Percentage of the Company's issued share capital ⁽¹⁾
China Enterprise Capital Limited ("CEC")	(2)	Interest of controlled corporations	371,000,000	95.13
Orientalite Investments Limited ("OIL")		Beneficial interest	195,000,000	50.00
CEC Agricapital Group Limited ("CEC Agricapital")	(3)	Beneficial interest	80,000,000	20.51
	(4)	Interest of controlled corporations	96,000,000	24.62
BAPP Enzyme Engineering Limited ("BAPP Enzyme")	(5)	Beneficial interest	96,000,000	24.62
Winning Heart Investments Limited ("Winning Heart")	(6)	Interest of controlled corporations	96,000,000	24.62
Mr. Li Jian Quan	(7)	Interest of controlled corporations	96,000,000	24.62
Ms. Wang Li	(8)	Interest of spouse	96,000,000	24.62

SUBSTANTIAL SHAREHOLDERS' AND OTHER PERSONS' INTERESTS IN SHARES AND UNDERLYING SHARES (Continued)

Notes:

- (1) The calculation of the percentage figures is based on the relevant number of shares as a percentage of the number of shares of the Company in issue as at 30 June 2007.
- (2) CEC owns 100% of the issued share capital of each of OIL and CEC Agricapital. CEC Agricapital owns 51% of the issued share capital of BAPP Enzyme. Accordingly, CEC is taken under the SFO to be interested in the shares in which OIL, CEC Agricapital and BAPP Enzyme have an interest. See also notes 3 and 5.
- (3) 80,000,000 shares are the shares to be issued by the Company to CEC Agricapital pursuant to the very substantial acquisition as disclosed in the section "Significant acquisitions and disposals" above and have not been allotted as at 30 June 2007. Subsequent to the balance sheet date, on 19 July 2007, the 80,000,000 shares have been allotted following the completion of the very substantial acquisition.
- (4) CEC Agricapital owns 51% of the issued share capital of BAPP Enzyme. Accordingly, CEC Agricapital is taken under the SFO to be interested in the shares in which BAPP Enzyme has an interest. See also note 5.
- (5) 96,000,000 shares are the shares to be issued by the Company to BAPP Enzyme pursuant to the very substantial acquisition as disclosed in the section "Significant acquisitions and disposals" above and have not been allotted as at 30 June 2007. Subsequent to the balance sheet date, on 19 July 2007, the 96,000,000 shares have been allotted following the completion of the very substantial acquisition.
- (6) Winning Heart owns 40% of the issued share capital of BAPP Enzyme. Accordingly, Winning Heart is taken under the SFO to be interested in the shares in which BAPP Enzyme has an interest. See also note 5.
- (7) Mr. Li Jian Quan owns 35% of the issued share capital of Winning Heart. Accordingly, Mr. Li Jian Quan is taken under the SFO to be interested in the shares in which Winning Heart has an interest. See also notes 5 and 6.
- (8) Ms. Wang Li is the spouse of Mr. Li Jian Quan. Accordingly, Ms. Wang Li is taken under the SFO to be interested in the shares in which Mr. Li Jian Quan has an interest.

Save as disclosed above, as at 30 June 2007, no person, other than the directors and chief executive of the Company, whose interests are set out in the section "Directors' and chief executive's 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.

Other Information

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 six months ended 30 June 2007.

MODEL CODE FOR SECURITIES TRANSACTIONS

The Company 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 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 Company 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 six months ended 30 June 2007.

COMPLIANCE WITH THE CODE ON CORPORATE GOVERNANCE PRACTICES

The Company has complied with the Code on Corporate Governance Practices as set out in Appendix 14 of the Listing Rules throughout the six months ended 30 June 2007.

By order of the Board

Peter Lo

Chairman

Hong Kong, 18 September 2007