



VITOP BIOENERGY HOLDINGS LIMITED
天年生物控股有限公司
(Incorporated in the Cayman Islands with limited liability)

2007/08 INTERIM REPORT



INTERIM RESULTS

The board of directors (the “Board”) of Vitop Bioenergy Holdings Limited (the “Company”) announces the unaudited consolidated results of the Company and its subsidiaries (the “Group”) for the six months ended 31 December 2007 (the “Period”) together with comparative figures for the corresponding period in 2006 as follows:

CONDENSED CONSOLIDATED INCOME STATEMENT

	Notes	Six months ended 31 December	
		2007 (Unaudited) HK\$'000	2006 (Unaudited) HK\$'000
REVENUE	3	61,752	52,662
Cost of sales		(36,135)	(34,649)
Gross profit		25,617	18,013
Other income		6,228	5,262
Selling and distribution costs		(10,669)	(17,800)
Administrative expenses		(18,325)	(14,154)
Other operating expenses		(747)	(3,514)
PROFIT/(LOSS) FROM OPERATING ACTIVITIES	4	2,104	(12,193)
Finance costs	5	(109)	(147)
PROFIT/(LOSS) BEFORE TAXATION		1,995	(12,340)
Taxation	6	(322)	(90)
PROFIT/(LOSS) FOR THE PERIOD		1,673	(12,430)
ATTRIBUTABLE TO:			
Equity holders of the Company		1,476	(12,652)
Minority interests		197	222
		1,673	(12,430)
PROFIT/(LOSS) PER SHARE ATTRIBUTABLE TO EQUITY HOLDERS OF THE COMPANY DURING THE PERIOD	8		
Basic		HK0.20 cents	HK(1.81) cents
Diluted		N/A	N/A

CONDENSED CONSOLIDATED BALANCE SHEET

	Notes	31 December 2007 (Unaudited) HK\$'000	30 June 2007 (Audited) HK\$'000
Non-current assets			
Property, plant and equipment	9	8,081	8,902
Intangible assets		3,030	3,626
Available-for-sale financial assets		21,700	—
Financial assets at fair value through profit or loss		2,356	2,356
Pledged bank deposit		20	20
		35,187	14,904
Current assets			
Inventories	10	13,599	12,760
Trade receivables	11	6,024	2,226
Deposits, prepayments and other receivables		18,876	14,904
Cash and bank balances		23,066	30,563
		61,565	60,453
Current liabilities			
Trade payables	12	8,150	6,417
Accrued liabilities and other payables		14,205	13,691
Deposits received		8,771	8,656
Interest-bearing bank loans		2,457	1,842
Provision for income tax		79	37
		33,662	30,643
Net current assets		27,903	29,810
Total assets less current liabilities		63,090	44,714
Non-current liabilities			
Interest-bearing bank loans		245	770
Net assets		62,845	43,944
EQUITY			
Equity attributable to equity holders of the Company			
Share capital	13	18,392	17,464
Reserves		42,347	24,571
		60,739	42,035
Minority interests		2,106	1,909
Total equity		62,845	43,944

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Share capital	Share premium	Statutory reserve	Capital redemption reserve	Capital reserve	Translation reserve	Share option reserve	Retained	Minority interests	Total equity	
								profits/ losses			
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	(Unaudited) HK\$'000	HK\$'000	(Unaudited) HK\$'000	
At 1 July 2006 (Audited)	17,464	33,131	8,789	29	28,764	1,478	–	(38,406)	51,249	1,790	53,039
Additional interest in a subsidiary	–	–	–	–	–	–	–	–	–	(324)	(324)
Loss for the Period	–	–	–	–	–	–	–	(12,652)	(12,652)	222	(12,430)
Equity-settled share option arrangements	–	–	–	–	–	–	272	–	272	–	272
Translation adjustment	–	–	–	–	–	1,631	–	–	1,631	–	1,631
At 31 December 2006	17,464	33,131	8,789	29	28,764	3,109	272	(51,058)	40,500	1,688	42,188
At 1 July 2007 (Audited)	17,464	33,131	8,789	29	28,764	4,945	–	(51,087)	42,035	1,909	43,944
Issue of share capital	928	12,072	–	–	–	–	–	–	13,000	–	13,000
Profit for the Period	–	–	–	–	–	–	–	1,476	1,476	197	1,673
Equity-settled share option arrangements	–	–	–	–	–	–	6,114	–	6,114	–	6,114
Translation adjustment	–	–	–	–	–	(1,886)	–	–	(1,886)	–	(1,886)
At 31 December 2007	18,392	45,203	8,789	29	28,764	3,059	6,114	(49,611)	60,739	2,106	62,845

CONDENSED CONSOLIDATED CASH FLOW STATEMENT

	Six months ended 31 December	
	2007 (Unaudited) HK\$'000	2006 (Unaudited) HK\$'000
NET CASH GENERATED FROM OPERATING ACTIVITIES	3,626	9,617
NET CASH (USED IN)/GENERATED FROM INVESTING ACTIVITIES	(22,149)	7,053
NET CASH GENERATED FROM FINANCING ACTIVITIES	13,090	621
(DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS	(5,433)	17,291
CASH AND CASH EQUIVALENTS AT 1 JULY	30,563	31,282
EFFECT OF FOREIGN EXCHANGE	(2,064)	1,425
CASH AND CASH EQUIVALENTS AT 31 DECEMBER	23,066	49,998
ANALYSIS OF THE BALANCES OF CASH AND CASH EQUIVALENTS		
Cash and bank balances	23,066	49,998

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

1. BASIS OF PREPARATION AND PRINCIPAL ACCOUNTING POLICIES

The condensed consolidated interim financial statements of the Group have been prepared in accordance with Hong Kong Accounting Standard (“HKAS”) 34 “Interim Financial Reporting” issued by the Hong Kong Institute of Certified Public Accountants (the “HKICPA”) and with the disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities (the “Listing Rules”) of The Stock Exchange of Hong Kong Limited (the “Hong Kong Stock Exchange”). These condensed consolidated financial statements are unaudited but have been reviewed by the Company’s audit committee.

The basis of preparation and accounting policies adopted in preparing these condensed financial statements are consistent with those adopted in the preparation of the Group’s annual financial statements for the year ended 30 June 2007, except in relation to the following new and revised Hong Kong Financial Reporting Standards (“HKFRSs”, which also include HKASs and Interpretation) that effect the Group and are adopted for the first time for the current Period’s financial information:

HKAS 1 (Amendment)	Capital Disclosures
HKFRS 7	Financial Instruments: Disclosures
HK(IFRIC) — Int 10	Interim Financial Reporting and Impairment
HK(IFRIC) — Int 11	HKFRS 2 — Group and Treasury Share Transactions

The Group has assessed the impact of the adoption of the above new and revised HKFRSs and concluded that there was no significant impact on the Group’s results and financial position.

2. SEGMENT INFORMATION

The Group's unaudited revenue and profit/(loss) for the Period analysed by business segment are as follows:

	BIOenergy products		Healthcare food products		Multi-functional water generators		Others		Consolidated	
	2007	2006	2007	2006	2007	2006	2007	2006	2007	2006
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Segment revenue:										
Sales to external customers	12,892	11,231	14,728	11,079	33,760	28,668	372	1,684	61,752	52,662
Segment results	4,619	1,760	3,704	604	6,684	(531)	(59)	(70)	14,948	1,763
Unallocated other income									6,228	5,262
Unallocated expenses									(19,181)	(19,365)
Profit/(loss) before taxation									1,995	(12,340)
Taxation									(322)	(90)
Profit/(loss) for the Period									1,673	(12,430)

No geographical analysis is presented as all of the Group's revenue and contribution to profit/(loss) is attributable to markets in the PRC.

3. REVENUE

Revenue represents the net invoiced value of goods sold, after allowances for returns and trade discounts (where applicable). All significant intra-group transactions have been eliminated on consolidation.

4. PROFIT/(LOSS) FROM OPERATING ACTIVITIES

The Group's unaudited profit/(loss) from operating activities is arrived at after charging/(crediting):

	Six months ended 31 December	
	2007 (Unaudited) HK\$'000	2006 (Unaudited) HK\$'000
Cost of inventories sold	36,135	34,649
Amortisation of intangible assets	726	914
Depreciation of property, plant and equipment	1,493	2,096
Impairment loss on trade receivables	5	1,211
(Gain)/loss on disposal of property, plant and equipment	(4)	17
Provision for obsolete and slow-moving inventories	—	949

5. FINANCE COSTS

	Six months ended 31 December	
	2007 (Unaudited) HK\$'000	2006 (Unaudited) HK\$'000
Interest on bank loans Wholly repayable within five years	109	147

6. TAXATION

	Six months ended 31 December	
	2007 (Unaudited) HK\$'000	2006 (Unaudited) HK\$'000
Current tax — PRC	322	90

Hong Kong profits tax has not been provided as the Group had no assessable profits arising in Hong Kong during the Period (2006: Nil). Taxes on profits assessable elsewhere have been calculated at the applicable rates of tax prevailing in the jurisdiction in which the Group operates, based on existing legislation, interpretations and practices in respect thereof during the Period.

As at 31 December 2007, the Group did not have any significant unprovided deferred tax liabilities (30 June 2007: Nil).

7. DIVIDENDS

The Board has resolved not to declare any interim dividend for the Period (2006: Nil).

8. PROFIT/(LOSS) PER SHARE ATTRIBUTABLE TO EQUITY HOLDERS

The calculation of basic profit per share is based on the profit attributable to equity holders for the Period of approximately HK\$1,476,000 (2006: Loss HK\$12,652,000) and the weighted average number of 728,620,744 (2006: 698,543,104) ordinary shares in issue during the Period.

Diluted profit per share amounts for the six months ended 31 December 2007 has not been disclosed as there were no potential dilutive ordinary shares.

No diluted loss per share was presented for the six months ended 31 December 2006 as the impact of the exercise of share options was anti-dilutive.

9. PROPERTY, PLANT AND EQUIPMENT

	Total HK\$'000
At 1 July 2007 (audited)	8,902
Additions	528
Depreciation	(1,493)
Disposals	(34)
Translation adjustment	178
At 31 December 2007 (unaudited)	8,081

10. INVENTORIES

	31 December 2007 (Unaudited) HK\$'000	30 June 2007 (Audited) HK\$'000
Raw materials	5,555	6,003
Work in progress	4,489	4,673
Finished goods	14,507	13,036
	24,551	23,712
Less: Provision for obsolete and slow-moving inventories	(10,952)	(10,952)
	13,599	12,760

11. TRADE RECEIVABLES

The credit terms that the Group offers to customers are generally not more than 90 days. The ageing analysis of the Group's trade receivables at the balance sheet date is as follows:

	31 December 2007 (Unaudited) HK\$'000	30 June 2007 (Audited) HK\$'000
Within 30 days	2,130	1,264
Between 31 to 60 days	774	704
Between 61 to 180 days	976	1,044
Over 180 days	10,507	7,572
	14,387	10,584
Less: Provision for impairment	(8,363)	(8,358)
	6,024	2,226

12. TRADE PAYABLES

The credit terms of trade payables varies according to the terms agreed with different suppliers. The ageing analysis of the Group's trade payables as at the balance sheet date is as follows:

	31 December 2007 (Unaudited) HK\$'000	30 June 2007 (Audited) HK\$'000
Within 30 days	4,105	3,677
Between 31 to 60 days	2,274	741
Between 61 to 180 days	691	979
Over 180 days	1,080	1,020
	8,150	6,417

13. SHARE CAPITAL

	Number of ordinary shares	Share capital HK\$'000
Authorised:		
Ordinary shares of HK\$0.025 each		
At 1 July 2007 and 31 December 2007	20,000,000,000	500,000
Issued and fully paid:		
Ordinary share of HK\$0.025 each		
At 1 July 2007	698,543,104	17,464
Consideration shares (Note)	37,142,857	928
At 31 December 2007	735,685,961	18,392

Note:

On 4 August 2007, the Company has entered into a conditional sale and purchase agreement to acquire 18% of the issued share capital of Access Boom Group Limited from Merdeka Holdings Limited. A total consideration of HK\$18 million for the acquisition was satisfied by (i) HK\$5 million in cash and (ii) issuing 37,142,857 ordinary shares at an issue price of HK\$0.35 per share for the rest of the consideration in sum of HK\$13 million. For further details, please refer to the Company's circular dated on 27 August 2007.

14. COMMITMENTS

a. Operating lease arrangements

The Group leases certain of its offices, factory and machinery and equipment under non-cancellable operating lease arrangements with lease terms ranging from one to five years.

As at 31 December 2007, the total future minimum lease payments under non-cancellable operating leases are payable as follows:

	31 December 2007 (Unaudited) HK\$'000	30 June 2007 (Audited) HK\$'000
Within one year	2,166	2,408
In the second to fifth years	329	1,011
	2,495	3,419

b. Capital commitments

The Group had capital commitments as follows:

	31 December 2007 (Unaudited) HK\$'000	30 June 2007 (Audited) HK\$'000
Commitments in respect of: Property, plant and equipment contracted, but not provided for	1,786	1,751

15. SUBSEQUENT EVENT

On 6 March 2008, the Company has entered into a conditional sale and purchase agreement to acquire 18% shareholding in Skyflying Da Zhong Hua Cigarette Limited for a total consideration of HK\$25.6 million. The consideration for the acquisition will be satisfied by two installments in the following matters:

- (i) The first installment of HK\$15 million was paid by the Company in cash to the Vendor upon signing of the Agreement;
- (ii) The second installment of HK\$10.6 million shall be paid by (a) HK\$5.6 million in cash; and (b) either (i) HK\$5 million in cash; or (ii) by the Company's issuing 17,430,000 new Shares to the Vendor, to be decided at the sole discretion of the Company, within 10 days after the signing of the Agreement.

As at the date of this interim report, the acquisition has not been completed yet. Please also refer to the Company's announcement dated on 13 March 2008 for details.

MANAGEMENT DISCUSSION & ANALYSIS

Business Review

The principal activities of the Group are manufacturing and trading of multi-functional water generators, BIOenergy products and healthcare food products in the PRC.

During the Period, the Group's revenue amounted to approximately HK\$61.75 million, representing an increase of approximately 17.26% as compared with the same period of last year. A profit of approximately HK\$1.48 million was recorded during the Period (six months ended 31 December 2006: a loss of approximately HK\$12.65 million). Notwithstanding the increasingly severe competition in the domestic market of healthcare products, the Group managed to achieve certain growth and profit with its sound foundation of brands and enhanced management level.

The multi-functional water generator line, the Group's key operation, recorded a growth in revenue of approximately 17.76% for the business during the Period. The increase was mainly due to the localization of the manufacturing of OSG HU-50 water generators, one of our best selling products, by the Group and the lower retail price resulted from improving the competitive edge of the Group, as a result, the sales of the multi-functional water generator had been improved accordingly.

The continuous drop in revenue of the BIOenergy products line eventually stabilized, and recorded a growth in revenue of approximately 14.78% for the business during the Period. The main reason for the growth was that the Group has put continuous effort in exploring new products and introduced a new product called “一世春輝” during the Period, which has been well received by the customers.

The healthcare food product line continued to be the fastest growing line of business, with an approximately 32.94% growth in revenue. This was attributable to the recognition of the brand name of Vitop and the confidence in the quality of the product from customers, which resulted in a repeated consumption of and a steady growth in revenue for such product. This offset and complemented the limitation of other product lines in respect of repeated consumption.

The Group has established a new management team that is more familiar with the market of the PRC. As a result, obvious improvement in controlling expenses and expenditures and enhancing the management level was achieved, with an approximately 16.15% decrease in the total expenditure during the Period as compared with the same period of last year. The Group recorded an actual resultant operating profit of approximately HK\$8.21 million during the Period. As an incentive for the management team, the Group granted share options to certain members of the Board and the management team and such share options constitute addition expenses of approximately HK\$6.11 million pursuant to the requirements of the accounting standards. After deducting the finance costs and taxation, the Group recorded a distributable profit of approximately HK\$1.67 million during the Period.

The Group will continue to increase the investment and development in the domestic market of healthcare products and dedicate effort to explore in the field of environmental protection in an active manner. As the most concerned industry in the PRC currently, development in respect of environmental protection has a huge market capacity and a sound prospect, and for which the Group has actively explored in projects of fuel savers for vehicles and waste disposal units. We believe that our competitive advantage in the markets of healthcare products and environmental protection will be strengthened under the leadership of the new session of the Board and the management.

Financial Review

The performance of the Group during this financial period was relatively satisfactory, succeeded in making a turnaround and achieved a profit of approximately HK\$1.67 million.

Revenue

Revenue increased by approximately HK\$9.09 million or approximately 17.26% to approximately HK\$61.75 million as compared with approximately HK\$52.66 million in the same period of last year.

Among which, revenue generated from BIOenergy products increased by approximately 14.78% or approximately HK\$1.66 million to approximately HK\$12.89 million for the Period, revenue generated from healthcare food products continued to increase by approximately HK\$3.65 million or approximately 32.94% to approximately HK\$14.73 million for the Period, and revenue generated from multi-functional water generators also increased by approximately 17.76% or approximately HK\$5.07 million to approximately HK\$33.76 million for the Period. The Group was achieved a double-digit growth in revenue for the Period is mainly due to the sound foundation of the brand name of Vitop and the enhancement of management level contributed.

Gross Profit

The gross profit margin of the Group for the Period significantly increased by approximately 7.28 percentage points to approximately 41.48% from approximately 34.20% in the same period of last year. Gross profit increased by approximately HK\$7.61 million or approximately 42.25% to approximately HK\$25.62 million for the Period.

- 1) The gross profit margin of the BIOenergy products increased by 1.50 percentage points to approximately 51.00% from approximately 49.50% for last year, as the Group has dedicated active effort in improving the manufacturing techniques, enhancing the management level and lowering the production cost.
- 2) With regard to the healthcare food products, its gross profit margin also increased by 2.20 percentage points to approximately 40.90% from approximately 38.70% for last year, as the sound foundation of the brands of the Group marked confidence from customers, thus resulted in a steady increase in sales volume and the balance for some marketing costs budgeted reduced.

- 3) The gross profit margin of water ionizers significantly increased by 11.60 percentage points to approximately 38.60% from approximately 27.00% for last year, as the Group has localized the manufacturing of HU-50 water generators originally imported from Japan, which saved a large amount of import tariffs and reduced the production cost.

Expenses

Selling and distribution expenses significantly decreased by approximately HK\$7.13 million or approximately 40.06% to approximately HK\$10.67 million from approximately HK\$17.80 million in the same period of last year. This was mainly due to the vast amount of investments made by the former Group in respect of marketing and foundation of brands and certain support in advertising in favor of the franchisee. Currently, the brand is well received by the customers, therefore the expenses on the support in advertising for the franchisee is reduced.

Administration expenses increased by approximately HK\$4.18 million or approximately 29.54% to approximately HK\$18.33 million from approximately HK\$14.15 million for last year, which was mainly attributable to amounted approximately HK\$6.11 million share option expenses being provided to the management as an incentive to fully motivate the management.

Other operating expenses decreased by approximately HK\$2.76 million to approximately HK\$0.75 million as compared with the same period of last year. It was mainly due to certain one-off expenditures or losses of the Group of approximately HK\$1.78 million, which mainly include the provision of diminution in value of inventories of approximately HK\$0.95 million and the allowance for receivables of approximately HK\$1.21 million, for the same period of last year.

Profit for the period

As a result of the reasons disclosed above, the Group recorded a turnaround of approximately HK\$1.67 million for this year from a net loss of approximately HK\$12.43 million in the same period of last year.

LIQUIDITY AND FINANCIAL RESOURCES

As at 31 December 2007, cash and bank balance of the Group was approximately HK\$23.07 million (30 June 2007: approximately HK\$30.56 million), and the Group's borrowings were bank loans of approximately HK\$2.70 million (30 June 2007: approximately HK\$2.61 million), which is secured by a pledge of the Group's financial assets at fair value through profit and loss of approximately HK\$2.36 million and pledge bank deposit of HK\$0.02 million (30 June 2007: financial assets at fair value through profit and loss of HK\$2.36 million and pledge bank deposit of HK\$0.02 million).

As at 31 December 2007, the Group's gearing ratio, measured on the basis of total borrowings as a percentage of the equity attributable to the shareholders of the Company was approximately 4.45% (30 June 2007: approximately 6.21%).

CONTINGENT LIABILITIES

There have been no significant adverse changes in the Group's contingent liabilities since 30 June 2007.

INTERIM DIVIDEND

The Board has resolved not to declare any interim dividend for the six months ended 31 December 2007 (2006: Nil).

MATERIAL ACQUISITIONS AND DISPOSALS OF SUBSIDIARIES AND ASSOCIATED COMPANIES

There was no material acquisition or disposal of subsidiaries and associated companies during the six months ended 31 December 2007.

EMPLOYEES AND REMUNERATION POLICIES

As at 31 December 2007, the Group employed a total of 257 employees, of which 251 are based in the PRC and 6 are based in Hong Kong. Competitive remuneration packages are structured to commensurate with individual responsibilities, qualification, experience and performance. The Group has a share option scheme for the benefit of its directors and eligible employees of the Group.

DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS IN SECURITIES

As at 31 December 2007, the interests and short positions of the directors and chief executive of the Company in the shares, underlying shares and debentures of the Company or any associated corporation (within the meaning of Part XV of the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) (the "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 Model Code for Securities Transactions by Directors of Listed Companies (the "Model Code"), were as follows:

Long positions in the shares and underlying shares of the Company

Name of directors	Capacity	Number of shares held	Number of underlying shares held pursuant to share options	Aggregate interest	Approximate percentage of interest
Hung Kai So	Beneficial owner	138,707,105	5,584,000	144,291,105	19.61%
Han Xiaoyue	Interest of controlled corporation	119,805,112 (Note 1)	5,584,000	125,389,112	17.04%
Chen Henglong	Beneficial owner	—	5,584,000	5,584,000	0.76%
Zhang He	Beneficial owner	—	5,584,000	5,584,000	0.76%
Liu Jun	Beneficial owner	16,816,607	2,792,000	19,608,607	2.67%
Chan Chiu Hung Alex	Beneficial owner	—	500,000	500,000	0.07%

Note 1: These 119,805,112 shares are owned by Pippen Group Ltd., the issued share capital of which is beneficially owned by Mr. Han Xiaoyue, an executive Director, and Mr. Wang Jiandong as to 33.33% and 66.67% respectively. Each of Mr. Han Xiaoyue and Mr. Wang Jiandong are deemed to be interested in these 119,805,112 under Part XV of the SFO.

Save as disclosed above, as at 31 December 2007, 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 associated corporation (within the meaning of Part XV of the SFO) which were recorded in the register required to be kept under section 352 of the SFO, or otherwise to be notified to the Company and the Stock Exchange pursuant to the Model Code.

SUBSTANTIAL SHAREHOLDERS

According to the records entered into the register required to be kept by the Company under section 336 of the SFO, so far as the directors of the Company are aware of and having made due enquiries, as at 31 December 2007, the interests and short positions of the persons (other than the directors and chief executive of the Company) in the shares and underlying shares of the Company were as follows:

Long positions in the shares and underlying shares of the Company

Name	Capacity	Number of shares held	Approximate percentage of interest
Sae-lao Rakchanok	Beneficial owner	48,902,949	6.65%
Pippen Group Ltd.	Beneficial owner	119,805,112	16.28%

Save as disclosed above, as at 31 December 2007, no person, other than the directors and chief executive of the Company whose interests are set out in the “Directors’ and chief executive’s interests in securities” section above, had an interest or a short position in the shares or underlying shares of the Company as recorded in the register required to be kept by the Company under section 336 of the SFO.

SHARE OPTIONS

Particulars of the share options granted and remained outstanding under the share option scheme (the “Scheme”) adopted by the Company on 23 January 2003 during the six months ended 31 December 2007 were as follows:

	Number of share options				Date of grant	Exercise period	Exercise price HK\$
	At 1 July 2007	Granted during the Period	Lapsed during the Period	At 31 December 2007			
Directors:							
Hung Kai So	–	5,584,000	–	5,584,000	10 Aug 2007	10 Aug 2007 to 9 Aug 2009	0.26
Han Xiaoyue	–	5,584,000	–	5,584,000	10 Aug 2007	10 Aug 2007 to 9 Aug 2009	0.26
Chen Henglong	–	5,584,000	–	5,584,000	10 Aug 2007	10 Aug 2007 to 9 Aug 2009	0.26
Zhang He	–	5,584,000	–	5,584,000	10 Aug 2007	10 Aug 2007 to 9 Aug 2009	0.26
Chan Yuk Tong	10,000,000	–	(2,250,000)	7,750,000	5 Dec 2006	5 Dec 2006 to 4 Oct 2011	0.10
Liu Jun	–	2,792,000	–	2,792,000	10 Aug 2007	10 Aug 2007 to 9 Aug 2009	0.26
Chan Chiu Hung Alex	–	500,000	–	500,000	10 Aug 2007	10 Aug 2007 to 9 Aug 2009	0.26
Ying Yoke Nean (resigned as a director of the Company on 23 April 2007)	14,000,000	–	(14,000,000)	–	5 Dec 2006	5 Dec 2006 to 4 Oct 2011	0.10
	24,000,000	25,628,000	(16,250,000)	33,378,000			
Other employees:							
In aggregate	15,901,364	–	(15,901,364)	–	14 Oct 2004	14 Oct 2004 to 13 Oct 2007	0.371
In aggregate	20,000,000	–	(20,000,000)	–	5 Dec 2006	5 Dec 2006 to 4 Dec 2011	0.10
In aggregate		28,967,000		28,967,000	10 Aug 2007	10 Aug 2007 to 9 Aug 2009	0.26
	35,901,364	28,967,000	(35,901,364)	28,967,000			
Suppliers:							
In aggregate	9,000,000	–	(9,000,000)	–	14 Oct 2004	14 Oct 2004 to 13 Oct 2007	0.371
In aggregate	6,000,000	–	–	6,000,000	28 Oct 2004	28 Oct 2004 to 27 Oct 2007	0.355
	15,000,000	–	(9,000,000)	6,000,000			
Customers:							
In aggregate	4,250,000	–	(4,250,000)	–	14 Oct 2004	14 Oct 2004 to 13 Oct 2007	0.371
	4,250,000	–	(4,250,000)	–			
	79,151,364	54,595,000	(65,401,364)	68,345,000			

* The vesting period of the share options is from the date of the 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.

As at 31 December 2007, the Company had 68,345,000 share options outstanding under the Share Option Scheme representing approximately 9.29% of the Shares in issue. Exercise in full of the share options would, under the present capital structure of the Company, result in the issue of 68,345,000 new Shares and additional share capital of HK\$1.71 million and share premium of HK\$15.39 million (before issue expenses).

The consideration for the grant of share options is HK\$1.00 per grant.

Save as disclosed above, at no time during the six months ended 31 December 2007 was the Company or any of its subsidiaries a party to any arrangement to enable the directors or chief executive of the Company to acquire benefits by means of the acquisition of shares in, or debt securities including debentures of, the Company or any other body corporate and none of the directors or chief executive or their spouses or children under the age of 18 had any right to subscribe for securities of the Company, or had exercised any such right during the Period.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES OF THE COMPANY

During the six months ended 31 December 2007, there were no purchases, sales or redemptions of the Company's listed securities by the Company or any of its subsidiaries.

CORPORATE GOVERNANCE

Overview of Corporate Governance

The Company recognises the importance of the provision of transparency and accountability to its shareholders. The Company is committed to achieving high standards of corporate governance and believes that sound corporate governance is essential for the Company to maximise shareholders' value.

Code on Corporate Governance Practices

During the six months ended 31 December 2007, the Company has complied with the code provisions set out in the Code on Corporate Governance Practices (the "Corporate Governance Code") contained in Appendix 14 to the Listing Rules, except for the following code provisions:

- (1) Under code provision A.4.1 of the Corporate Governance Code, non-executive directors should be appointed for a specific term and be subject to re-election.

The independent non-executive directors of the Company (other than Mr. Yuan Tsu I) were not appointed for a specific term, but are subject to retirement by rotation and re-election at the annual general meetings of the Company in accordance with the articles of association of the Company.

- (2) Under code provision E.1.2 of the Corporate Governance Code, the chairman of the Board should attend, and the chairmen of the audit and remuneration committees should be available to answer questions at the annual general meeting of the Company.

The chairman of the Board, the audit committee and the remuneration committee were unable to attend the annual general meeting of the Company held on 10 December 2007 in person, but the chairman of the Board has already delegated to one of the executive directors of the Company to chair the meeting on his behalf and on behalf of the chairmen of the audit committee and the remuneration committee.

Directors' Securities Transaction

The Company has adopted the Model Code contained in Appendix 10 of the Listing Rules as its own code of conduct regarding directors' securities transactions. After specific enquiry made by the Company, all directors have confirmed that they have fully complied with the Model Code during the six months ended 31 December 2007.

Independent Non-executive Directors

The board of directors has been in compliance with Rule 3.10(1) of the Listing Rules, which requires a company to maintain at least three independent non-executive directors in the board of directors, and with Rule 3.10(2) of the Listing Rules, which requires one of those independent non-executive directors to be specialised in accounting or relevant financial management.

The Company has received the written confirmation of each of the independent non-executive directors confirming that they are in compliance with Rule 3.13 of the Listing Rules in respect of their independence. The Company is of the opinion that all of the independent non-executive directors are independent.

Audit Committee

The Company has established an audit committee in compliance with the Rules 3.21 and 3.22 of the Listing Rules. The primary duties of the audit committee are to review and supervise the financial reporting process and internal control system of the Company and provide advice and comments to the board of directors. The audit committee consists of three members who are all independent non-executive directors of the Company. During the period under review, the Chairman of the audit committee was Mr. Chan Chiu Hung Alex, a member of the Hong Kong Institute of Certified Public Accountants. The other members of the audit committee were Mr. Yuan Tsu I and Professor Li Li Te. Both Mr. Chan and Mr. Yuan resigned from the Company on 25 February 2008. As stated in the announcement of the Company dated 14 March 2008, the Company is recruiting appropriate candidate to assume the position of Mr. Chan as independent non-executive director and as chairman of the audit committee in order to meet the requirements set out in Rules 3.10(2) and 3.21 of the Listing Rules.

The unaudited condensed consolidated interim financial statements of the Company for the six months ended 31 December 2007 has been reviewed by the current members of the audit committee, namely Mr. Li Li Te, Mr. Zhang Fan and Mr. Li Xinzhong.

MEMBERS OF THE BOARD

As at the date of this interim report, the executive directors of the Company are Dr. Han Xiaoyue, Mr. Zhang He, Mr. Chen Henglong, Mr. Liu Jun and Mr. Tse Kam Fai; Mr. Chan Yuk Tong as non-executive director; and Mr. Li Li Te, Mr. Li Xinzhong and Mr. Zhang Fan as independent non-executive directors.

By Order of the Board
Dr. Han Xiaoyue
Chairman

Hong Kong, 29 March 2008