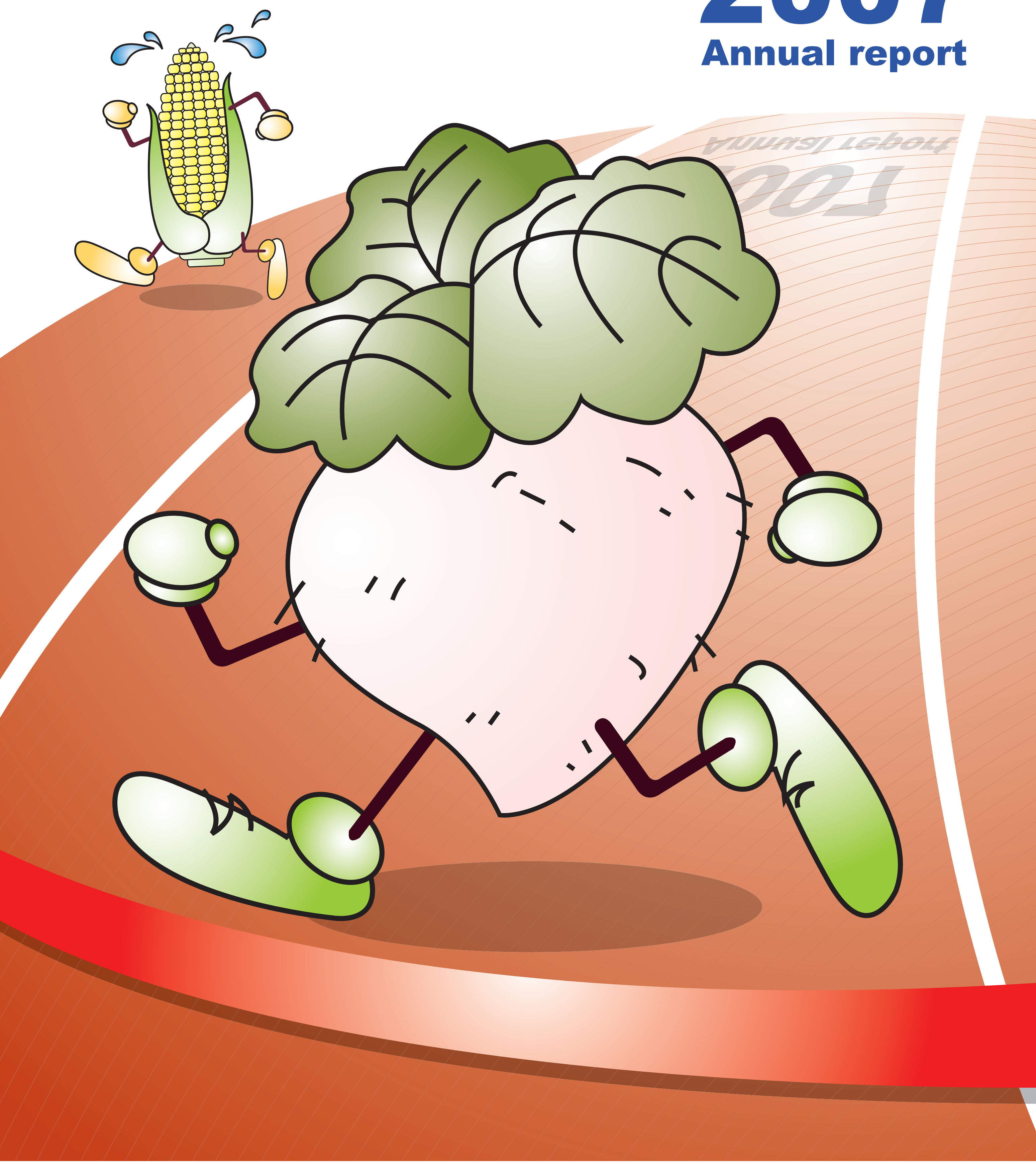
和寶國際控股有限公司
Wealthmark International (Holdings) Limited

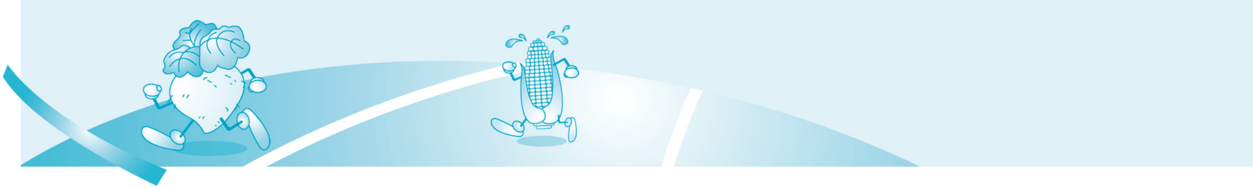
(Incorporated in the Cayman Islands with limited liability)

Stock Code: 39

2007
Annual report



Contents



Corporate Information

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

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

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

* *Audit Committee Members*

COMPANY SECRETARY
Ms. CHAN So Fong

AUDITOR
RSM Nelson Wheeler
Certified Public Accountants

LEGAL ADVISERS
Herbert Smith

PRINCIPAL BANKERS
The Hongkong and Shanghai Banking Corporation Limited
Industrial and Commercial Bank of China

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

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

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

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

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

Stock Code: 039

Chairman's Statement

Dear Shareholders,

Wealthmark International (Holdings) Limited (the "Group") decided to develop ethanol business with your support in July 2007. It was due not only to the promising outlook of the ethanol industry, but also our proprietary technology completely fulfills the needs of China's ethanol development and complies with the government policy.

DEVELOPMENT OF ETHANOL INDUSTRY IN CHINA

With surging oil prices, increasing global concern about environmental issues and the success of fuel ethanol in Brazil, the ethanol industry has been in the spotlight of the world's energy market. In China, the ethanol market is a traditional but not a major industry. Its products are only used in Chinese liquors, chemical and medicinal sectors. As ethanol production generates taxation, adjusts grain demand and supply, value added on agricultural products, increases employment, speeds up industrial development and enjoys export tax rebate, ethanol factories have been built in nearly all grain-producing countries and cities. This has led to excess in production capacity and oversupply of ethanol. The profitability of ethanol plants fluctuates with grain prices. For the first half of 2007, China ethanol prices dropped significantly attributable to factors such as rising grain prices, cancellation of export tax rebate and a general decline in international ethanol prices. In the second half of 2007, China Government strengthened the enforcement of the regulations on energy and environmental protection requirements, market supply reduced and ethanol price rebounded.

As the Chinese liquor market and industrial ethanol market have not grown rapidly, the future of ethanol market hinges on fuel ethanol development. In recent years, as China automotive industry has developed rapidly, the number of passenger cars increased from 8,537,300 in 2000 to 26,200,000 in 2006, representing a compound annual growth rate of over 20%. Not only there was an increase in urban areas, motorcycles owned by every 100 rural families increased from 21.94 to 44.59 during the same period. The average gasoline consumption in 2000 was 96,000 tons per day, rising to 144,000 tons in 2006. The total gasoline consumption in 2006 was 52,420,000 tons. Using E10 (gasoline mixed with 10% ethanol) as the base for projection, the annual demand for fuel ethanol will exceed 6 million tons in the next five years, but the fuel ethanol output was only about 1.45 million tons in 2007. If the Government continues to implement the plan of using fuel ethanol, the market size will be more than double in the next five years. In addition, ethanol can also be used as a substitute of MTBE, a hazardous substance, as gasoline additive. Before the cars can generally use another fuel than gasoline, ethanol is still the important product to reduce gasoline consumption, improve the environment and increase farmers' income.

THE GOVERNMENT POLICY

Since China implemented reforms and opening policies, its economy and people's income have been growing, and people's demand for quantity and quality in clothing, food, housing and transportation has been increasing. Demand for resource keeps stayed in high pace. The current main concern about the China economy is inflation, which has been primarily caused by resource demand.

The major supply constraint of ethanol is mainly raw materials. At present, about 80% of ethanol uses corns as raw materials. The increase in nationwide grain output cannot catch up with the consumption of meat and dairy products. The CAGR of meat and dairy products output were 4.66% and 23.76% from 2000 to 2006, respectively. The growth rate of grain output for the same period was only 1.23%. As a result, if we continue to use corn to produce ethanol, China grain market will be adversely affected and inflation rate will accelerate. China produced about 150 million tons of corn in 2006. Production of 5 million tons of ethanol consumes approximately 16 million tons of corn, more than 10% of the total corn output. If another 5 million tons of ethanol is produced, it will consume

Chairman's Statement

more than 20% of total corn output of China. Inflation will definitely accelerate – "Not to compete grains with the people". Unlike the United States and Brazil, China does not have large areas of land to plant more corn and sugar cane for ethanol, and the per capita arable land is only about 1.5 mu (approximately one tenth of a hectare), thus it is a must to use the raw materials that can grow in non-major arable land to produce ethanol – "Not to compete land with the grains".

In addition, economic growth has also led to energy depletion and environmental pollution which will bring future economic problems. With China's rising status in the international community, the Government pays more attention to global responsibilities, energy-saving and environmental protection become a fundamental and far-reaching issue which cannot be ignored by China. Hence, the ethanol industry has to face another challenge apart from raw materials – "Energy saving and environmental protection".

OUR TECHNOLOGY

Our technology is capable to use different kinds of raw materials and mixed materials to produce ethanol. It shortens fermentation time, increases the yield and can utilise the existing ethanol production facilities without the need of material investments. Our chosen major raw material is sugar beet which can be planted on non-major arable land or marginal land.

In accordance with the information from the Sugar Beet Institute of Chinese Academy of Agricultural Sciences, the features of drought resistance and saline-alkali tolerance of sugar beet can be beneficial to develop 6,517,000 hectares of arable land and marginal land with saline effectively. It increases marginal utilisation rate of land resources. The by-products can be used to produce quality feeds and fertilisers. The development of animal husbandry can reduce grain consumption and provide quality organic fertilisers for agricultural production. In Europe, more than 13 tons of sugar beet are used to produce one ton of ethanol while our technology only requires 11 tons of sugar beet to produce one ton of ethanol. From the point of view of the yield, the average grain output in China is 5,322 kg per hectare and sugar beet is 36,746 kg, a ratio of 1 to 6.9. The raw material consumption ratio is 1 to 3.4. The land required for producing ethanol with sugar beet is 50% less than that required for producing ethanol with grain. In addition, we are capable to use mixed raw materials for production. The Group's production lines in Yinchuan have successfully made use of sugar beet and sugar beet mixed with starch for industrialised ethanol production. The yield is 16.4% higher than the yield of using traditional technology. The production cost of using sugar beet and mixed raw materials is 10%-15% lower than that of using corn with traditional technology.

FUEL ETHANOL POLICY

As China's gasoline price is subject to Government control, fuel ethanol prices are also under control. Nevertheless, the Government provides financial subsidies to ethanol manufacturers, and offers VAT and consumption tax exemption. For 2007 and 2008, the financial subsidy is RMB1,373 per ton of ethanol, adding to about RMB2,500 per ton of financial support if tax exemption is taken into account. Because of these high subsidies, manufacturers have no incentive to seek technological breakthroughs or use other effective raw materials, while farmers do not benefit directly. We suggest that the Government should provide support to farmers directly for their development of non-arable or marginal land, reduce the risk exposure of farmers and support companies to use these agricultural products.

Chairman's Statement

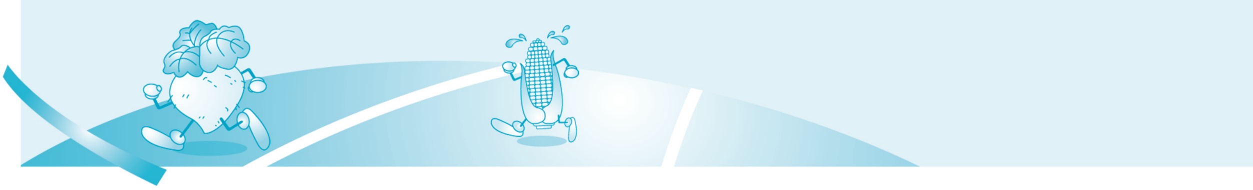
PROSPECTS

Under China current excess ethanol production capacity and the prices of ethanol hinging on raw material prices (raw material cost accounting for about 75% of ethanol production cost), the most appropriate development strategy is to partner with the existing ethanol manufacturers. We can use their existing ethanol production facility and change part of their raw materials to sugar beet. By applying our technology, the capacity can be increased by 20% and cost can be saved by 15%. Based on current market prices, the revenue per ton can be increased by RMB1,000 and cost be saved by RMB800. Our technology makes possible of increasing ethanol output with lower grain consumption, increased development of marginal land and higher farmers' income. The Group will use sugar beet as raw material for the production based in the Northeast, Northwest and North China, and use cassava in the South China to explore business development opportunities.

Finally, the construction of the Group's factory in Harbin is scheduled to be completed for commencing production in coming May, and will supply ethanol of the best quality for China.

Lo Peter
Chairman

Hong Kong, 2 April 2008



Management Discussion and Analysis

SIGNIFICANT ACQUISITIONS AND DISPOSALS

Very substantial and connected transactions

On 11 May 2007, the Company entered into various agreements with its fellow subsidiaries and immediate holding company for certain very substantial and connected transactions. These transactions have been approved by independent shareholders at the Extraordinary General Meeting held on 16 July 2007 and completed on 19 July 2007. Details are set out below:

(i) *Disposal of Handbags and other accessories Business and Dairy Business*

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 was the holding company of the Company's interests in its handbags and other accessories business (the "GAL Group") while Agricapital (Tianjin) Limited was the holding company of the Company's interests in its dairy business (the "ATL Group"). The disposal of the GAL Group and ATL Group (collectively, the "Old Businesses") represented the disposal of all of the Company's subsidiaries at that time.

(ii) *Acquisition of Ethanol Business*

The Company acquired the entire issued share capital in BAPP Ethanol Holdings Limited and CEC Ethanol (Northeast) Limited from its fellow subsidiaries, at considerations of HK$120 million and HK$100 million, respectively. The considerations were satisfied by the Company through the allotment and issuance of 96,000,000 shares and 80,000,000 shares of the Company, respectively, at an issue price of HK$1.25 per share.

BAPP Ethanol Holdings Limited and its subsidiaries (the "BAPP Ethanol Group") were principally engaged in the production and sale of ethanol during the year. 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.

CEC Ethanol (Northeast) Limited and its subsidiary (the "CEC Ethanol Group") were principally engaged in the sale and distribution of ethanol during the year. The CEC Ethanol Group owns brands and sales networks of premium grade ethanol and is currently developing a 150,000 tonnes ethanol production facility in Harbin, the PRC. In order to ensure steady supply of ethanol for the sales and distribution business during the construction period of the production plant, on 23 May 2007, Harbin China Distillery Co., Ltd. ("Harbin Distillery"), the 72.7% owned subsidiary of CEC Ethanol (Northeast) Limited, entered into a processing agreement with a connected party for the production of ethanol on a tolling basis.

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

Management Discussion and Analysis

Discloseable and connected transaction

On 9 November 2007, the Company and its wholly-owned subsidiary, CEC Ethanol (Northeast) Limited, entered into a sale and purchase agreement with Harbin Light Industry Asset Management Co., Ltd. ("Harbin Light Industry"), a minority shareholder of Harbin Distillery, for the acquisition of the remaining 27.3% equity interest in Harbin Distillery held by Harbin Light Industry. The consideration payable by the Company for the acquisition is RMB60 million (approximately HK$62.6 million), which will be satisfied by the Company through the allotment and issuance of 50,040,000 shares of the Company at an issue price of HK$1.25 per share. Further details of the acquisition were set out in the Company's Circular dated 28 November 2007.

On completion of the acquisition, Harbin Distillery will become a wholly-owned subsidiary of the Company. However, as the conditions precedent as set out in the sale and purchase agreement have not been fully fulfilled, the acquisition has not been completed as at the date of this report.

BUSINESS AND FINANCIAL REVIEW

The results generated from the BAPP Ethanol Group and CEC Ethanol Group (collectively, the "New Business") were presented as continuing operations while the results generated from the Old Businesses were presented as discontinued operations.

For the year ended 31 December 2007, loss attributable to equity holders of the Company was approximately HK$34.8 million (2006: HK$26.0 million as restated). The increase in loss was mainly attributable to the recognition of share option expenses of approximately HK$15.3 million (2006: Nil) in respect of 29,600,000 share options granted during the year. Loss per share for the year was HK7.8 cents (2006: HK8.1 cents as restated).

Continuing operations

The Group has transformed to focus its development on ethanol business since 19 July 2007. The ethanol business is still at initial and developing stage. The Group recorded a turnover of approximately HK$65.8 million from its continuing operations, of which the CEC Ethanol Group contributed a turnover of approximately HK$65.5 million. As the CEC Ethanol Group is currently developing a 150,000 tonne ethanol production facility in Harbin, the PRC, its turnover during the year was mainly arising from sale and distribution of ethanol which were produced by a connected party on a tolling basis. However, in November 2007, the connected party ceased its operation and since then, the CEC Ethanol Group recorded no turnover and began to accelerate its pace of construction. The phase one 60,000 tonne capacity production facility is expected to be completed by May 2008 and CEC Ethanol Group will commence operation and start to generate revenue to the Group. The BAPP Ethanol Group has commenced limited production during the year due to seasonality of crop harvest, and hence, its contribution to the Group's turnover was minimal.

Loss attributable to equity holders of the Company from continuing operations was approximately HK$32.8 million (2006: HK$6.1 million), including share option expenses of approximately HK$15.3 million (2006: Nil).

Discontinued operations

Loss attributable to equity holders of the Company from discontinued operations was approximately HK$2.0 million (2006: HK$19.9 million as restated). The Group recorded a gain on disposal of discontinued operations of approximately HK$9.6 million. However, the gain was not sufficient to offset the loss incurred from the discontinued operations.

Management Discussion and Analysis

Prospects

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. Initially, the Group will enter into the ethanol market through the consumable ethanol sector. With the Group's proprietary technology that allows the use of non-feedstock in the production process, the Group is able to manufacture ethanol on a more cost-effective basis than traditional processes. The Group will also explore the options of cooperating with 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 Group's proprietary technology is well positioned to receive a licence for fuel ethanol.

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

LIQUIDITY, FINANCIAL RESOURCES AND CAPITAL STRUCTURE

During the year, the issued share capital of the Company increased by 234,000,000 shares to 566,000,000 shares. 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. On 19 July 2007, a total of 176,000,000 shares at HK$1.25 each were allotted and issued as consideration for acquiring the New Business. Apart from options to subscribe for shares in the Company, there were no other capital instruments in issue.

As at 31 December 2007, the Group has net current assets of approximately HK$44.8 million (2006: HK$24.7 million) and equity attributable to equity holders of the Company of approximately HK$289.6 million (2006: HK$3.0 million as restated). The significant increase in net current assets and equity attributable to equity holders of the Company was mainly attributable to the deconsolidation of the Old Businesses and the consolidation of the New Business. Bank and cash balances amounted to approximately HK$32.9 million as at 31 December 2007 (2006: HK$8.6 million).

Except for an amount due to a minority shareholder of a subsidiary of approximately HK$32.0 million, the Group had no other borrowings as at 31 December 2007 (2006: HK$79.2 million). The amount due to a minority shareholder of a subsidiary is interest-free and has no fixed terms of repayment. The gearing ratio of the Group as at 31 December 2007, calculated as total debt divided by equity attributable to equity holders of the Company, was approximately 21% (2006: 4032%). The significant decrease in borrowings and gearing ratio of the Group was mainly due to the release of the amount due to immediate holding company of approximately HK$76.2 million following the disposal of the Old Businesses.

As the Group's business transactions, assets and liabilities are principally denominated in Hong Kong 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.

Management Discussion and Analysis

CHARGE ON ASSETS

As at 31 December 2007, there was no charge on the Group's assets (2006: Nil).

CONTINGENT LIABILITIES

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

EMPLOYEE AND REMUNERATION POLICY

As at 31 December 2007, the Group had approximately 148 (2006: 2,088) employees with total staff costs amounted to approximately HK$41.2 million (2006: HK$39.7 million). Following the disposal of the Group's labour-intensive Old Businesses, the headcount decreased. However, as the Group adopted a share option scheme to provide incentives to the employees during the year, the recognition of share option expenses of approximately HK$15.3 million increased the staff cost significantly. Remuneration of employees is offered at competitive standards, generally structured with reference to market terms and individual qualifications.

Corporate Governance Report

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

The Company has complied with the Code on Corporate Governance Practices (the "Code") as set out in Appendix 14 of The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") throughout the year ended 31 December 2007.

BOARD OF DIRECTORS

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

At 31 December 2007, the board of the Company comprised six executive directors, namely, Mr. Lo Peter, Mr. Li Wentao, Mr. Sun David Lee, Mr. Zhao Difei, Mr. Li Jian Quan and Mr. Lu Gui Pin; one non-executive director, namely, Mr. Yeung Ting-Lap Derek Emory; and three independent non-executive directors, namely, Dr. Loke Yu, Dr. Leung Kwan-Kwok and Mr. Zuchowski Sam.

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

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

BOARD MEETINGS

For the year ended 31 December 2007, there were ten full board meetings held by the Company to discuss the Group's development strategies, investment projects and the operational and financial performance of the Group. The attendance of the directors at the board meeting is as follows:

		Number of attendance
Executive directors		
Mr. Lo Peter		9/10
Mr. Li Wentao		2/10
Mr. Sun David Lee		9/10
Mr. Zhao Difei	*(appointed on 26 July 2007)*	1/2
Mr. Li Jian Quan	*(appointed on 26 July 2007)*	1/2
Mr. Lu Gui Pin	*(appointed on 26 July 2007)*	2/2
Mr. Fu Hui	*(resigned on 26 July 2007)*	0/7

	Number of attendance
Non-executive director	
Mr. Yeung Ting-Lap Derek Emory	7/10
Independent non-executive directors	
Dr. Loke Yu	9/10
Dr. Leung Kwan-Kwok	7/10
Mr. Zuchowski Sam	9/10

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

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

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

CHAIRMAN AND CHIEF EXECUTIVE OFFICER

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

DIRECTORS' TERMS OF APPOINTMENTS AND RE-ELECTION

In accordance with article 116 of the Company's articles of association, one-third of the directors, including the non-executive directors, shall retire from office by rotation at each annual general meeting. All non-executive directors of the Company were not appointed for a specific term.

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

Corporate Governance Report

DIRECTORS' SECURITIES TRANSACTIONS

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

DIRECTORS' AND AUDITOR'S RESPONSIBILITIES FOR FINANCIAL STATEMENTS

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

The responsibilities of the auditor to the shareholders are set out in the Independent Auditor's Report on pages 25 and 26.

REMUNERATION COMMITTEE

The Remuneration Committee was established on 15 September 2005 with written terms of reference in compliance with the Code. It is responsible for formulating and recommending remuneration policy to the board and determining the remuneration of executive directors and members of senior management. Meetings of the Remuneration Committee shall be held at least once a year. At 31 December 2007, the Remuneration Committee comprised one executive director, Mr. Lo Peter, and two independent non-executive directors, Mr. Zuchowski Sam and Dr. Loke Yu. Mr. Zuchowski Sam is the chairman of the committee. For the year ended 31 December 2007, three meetings were held by the Remuneration Committee. The attendance is as follows:

	Number of attendance
Mr. Zuchowski Sam	3/3
Dr. Loke Yu	3/3
Mr. Lo Peter	3/3

NOMINATION COMMITTEE

The Nomination Committee was established on 15 September 2005 with written terms of reference in compliance with the Code. It is responsible for making recommendations to the board on nominations, appointment of directors and board succession. Meetings of the Nomination Committee are held as and when required. At 31 December 2007, the Nomination Committee comprised one executive director, Mr. Lo Peter, and two independent non-executive directors, Mr. Zuchowski Sam and Dr. Loke Yu. Mr. Zuchowski Sam is the chairman of the committee. For the year ended 31 December 2007, two meetings were held by the Nomination Committee. The attendance is as follows:

	Number of attendance
Mr. Zuchowski Sam	2/2
Dr. Loke Yu	2/2
Mr. Lo Peter	2/2

Corporate Governance Report

AUDIT COMMITTEE

The Company has had an Audit Committee since 2001. The Audit Committee is responsible for reviewing the Group's financial reporting, internal controls and making recommendations to the board. At 31 December 2007, the Audit Committee comprised three independent non-executive directors, Dr. Loke Yu, Dr. Leung Kwan-Kwok and Mr. Zuchowski Sam. Dr. Loke Yu is the chairman of the committee.

For the year ended 31 December 2007, there were three meetings held by the Audit Committee to (i) review with external auditor the external audit findings, the accounting principles and practices adopted by the Group, and Listing Rules and statutory compliance, (ii) discuss auditing and financial reporting matters for the annual report for 2006 and interim report for 2007 before recommending them to the board for approval, and (iii) review the Group's internal control system. The attendance is as follows:

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

AUDITOR'S REMUNERATION

During the year under review, the remuneration paid/payable to the Company's auditor, RSM Nelson Wheeler, amounted to HK$685,000 for audit services and HK$65,000 for tax services.

INTERNAL CONTROL

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

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

COMMUNICATION WITH SHAREHOLDERS

The Group follows a policy of disclosing relevant information to shareholders in a timely manner. Annual and interim reports offer comprehensive operational and financial performance information to shareholders and the annual general meeting ("AGM") provides a forum for shareholders to exchange views directly with the board. The Company regards the AGM as an important event and all directors, senior management and external auditor make an effort to attend the AGM of the Company to address shareholders' queries. All the shareholders of the Company are given a minimum of 21 days' notice of the date and venue of the AGM of the Company. The Company supports the Code's principle to encourage shareholders' participation. The Company has also complied with the requirements concerning voting by poll under the Listing Rules. Details of the poll voting procedures and the rights of shareholders to demand a poll included in circulars to shareholders despatched by the Company where applicable.

Directors' and Senior Management's Biographies

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

DIRECTORS

Mr. LO Peter, aged 52, was appointed an executive director and the chairman of the Company in May 2005. He is responsible for the overall strategic development of the Group. Mr. Lo is currently a director of China Enterprise Capital Limited, an independent non-executive director of China Infrastructure Machinery Holdings Limited, Ajisen (China) Holdings Limited and Uni-President China Holdings Ltd., companies currently listed on the Main Board of the Stock Exchange. From 1998 to 2004, he was the chief executive officer and executive director of Harbin Brewery Group Limited, a company formerly listed on the Main Board of the Stock Exchange. He held senior management positions in the Hong Kong offices of several international companies and has more than 20 years' experience in doing business in the PRC. Mr. Lo received a Bachelor of Science (Economics) Degree in Mathematical Economics and Econometrics from the London School of Economics and Political Science in 1982. He received the "Directors of the Year 2004" award from The Hong Kong Institute of Directors. Mr. Lo is a member of the People's Consultative Conference of Harbin City.

Mr. LI Wentao, aged 52, was appointed an executive director of the Company in May 2006 and the chief executive officer in September 2007. He is currently responsible for supervising the implementation of the Group's strategic plans. Mr. Li joined the Group as a non-executive director in September 2005. Prior to joining the Group, Mr. Li was a director and the chairman of Harbin Brewery Group Limited ("HB Group"). Mr. Li graduated from the Light Industrial Institute of Tianjin majoring in machine and facilities for light industry. Following his graduation in 1982, he joined Harbin Brewery Factory ("HBF") in 1982, and HB Group in 1995. He was appointed as the general manager of Harbin Brewing Company Limited in 1996. He is a senior engineer with more than 20 years' experience in the brewery industry gained from working for HBF and HB Group. He has been awarded a series of awards including the National Light Industrial Labourer Model, one of the Ten Most Outstanding Young Persons in Heilongjiang Province, one of the Ten Best Enterprise Operators in Harbin City and the National "First of May" Labour Medal. He was also one of the representatives of the 11th Harbin City People's Congress.

Mr. SUN David Lee, aged 42, was appointed an executive director of the Company in May 2005. He has served as the chief executive officer of the Company from May 2005 to September 2007. Mr. Sun is currently responsible for the international affairs of the Company and a director of CEC Management Limited. Prior to helping form CEC Management Limited, he was the Managing Director and General Counsel of Pacific Alliance Group Limited. Mr. Sun was the Director for Strategy and Business Development Asia at InBev (formerly known as Interbrew SA). Prior to his position at InBev, he was a consultant in the Corporate Finance and Strategy Practice of McKinsey & Company, Inc. in Hong Kong. Mr. Sun holds a Juris Doctor from the University of Illinois College of Law and a Bachelor of Art degree from Cornell University, USA.

Mr. ZHAO Difei, aged 45, was appointed an executive director of the Company in July 2007. He was the technology controller of Harbin Brewery Group Limited, in charge of the brewing technology department and quality control department. He graduated from the Light Industrial Institute of Dalian majoring in industrial fermentation and holds a Master Degree in food engineering. Mr. Zhao has more than 20 years' experience in the brewing industry.

Directors' and Senior Management's Biographies

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

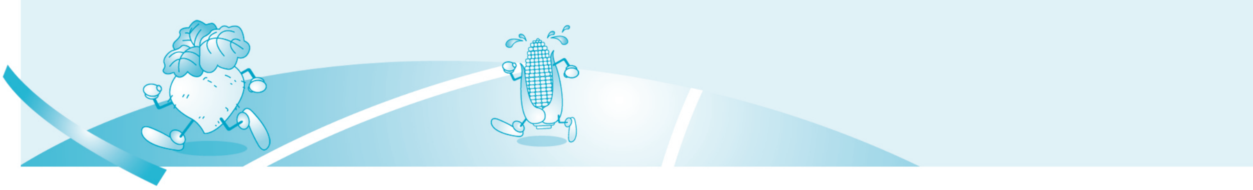
Mr. LU Gui Pin, aged 52, was appointed an executive director of the Company in July 2007. He was the general manager of Ningxia Western Bright Industrial Base Company Limited from 2002 to 2006 and was the general manager of Shenzhen Securities Times Huaiyuan Advertisement Company from 1997 to 2002. Mr. Lu graduated from the Jilin University majoring in Chinese Studies.

Mr. YEUNG Ting-Lap Derek Emory, aged 35, was appointed a non-executive director of the Company in May 2005. He is currently the chief executive officer and co-founder of She Communications Limited ("she.com"), a leading Hong Kong based women's lifestyle communications company. Mr. Yeung is also a non-executive director of Nubrands Group Holdings Limited, a company currently listed on the Main Board of the Stock Exchange. Prior to founding she.com, Mr. Yeung was an associate with Telecom Venture Group Limited and a consultant with Arthur Andersen & Company both in Boston and Hong Kong. Mr. Yeung holds a Bachelor Degree in Applied Mathematics and Economics from Brown University and a Master Degree in Business Administration and Accounting from Northeastern University, both in the United States of America. Mr. Yeung is a certified public accountant and a member of the American Institute of Certified Public Accountants.

Dr. LOKE Yu alias LOKE Hoi Lam, aged 58, was appointed an independent non-executive director and the chairman of the audit committee of the Company in June 2005. He has over 30 years of experience in accounting and auditing for private and public companies, financial consultancy and corporate management. He holds a Master of Business Administration Degree from Universiti Teknologi Malaysia and a Doctor of Business Administration Degree from University of South Australia. Dr. Loke is a fellow of The Institute of Chartered Accountants in England and Wales; Hong Kong Institute of Certified Public Accountants; and The Hong Kong Institute of Directors. He is also an Associate member of The Institute of Chartered Secretaries and Administrators and a member of Malaysian Institute of Accountants. He is currently the Chairman of MHL Consulting Limited and serves as an independent non-executive director of China Fire Safety Enterprise Group Holdings Limited, Shandong Molong Petroleum Machinery Company Limited, United Metals Holdings Limited, New Chinese Medicine Holdings Limited, Winfair Investment Company Limited, Matrix Holdings Limited and VODone Limited, companies currently listed on the Stock Exchange.

Dr. LEUNG Kwan-Kwok, aged 56, was appointed an independent non-executive director of the Company in May 2005. He is a director of the Quality Evaluation Centre and the Associate Professor of Department of Applied Social Studies, City University of Hong Kong. Since 1991, he has been offering consultancy/professional services to the government, public utilities, voluntary agencies, media, and private enterprises in Hong Kong.

Mr. ZUCHOWSKI Sam, aged 60, was appointed an independent non-executive director of the Company in May 2005. He has considerable experience in investment banking and other direct investments where he has held positions with Merrill Lynch International, Inc., First Pacific U.S. Securities (Aust.) Ltd and Capitalcorp Ltd. He was a director of a number of companies listed on the Main Board of the Stock Exchange, namely, G-Prop (Holdings) Limited, SMI Corporation Limited and Freeman Corporation Limited. Mr. Zuchowski obtained a Bachelor Degree in Law from the University of Melbourne, Australia.



Directors' and Senior Management's Biographies

SENIOR MANAGEMENT

Ms. CHAN So Fong, aged 34, is the chief financial officer, qualified accountant and company secretary of the Company. She joined the Group in August 2005. Ms. Chan has over eight years' experience in auditing, budgeting, financial and management accounting. She had worked in Ernst & Young and a company listed on the Main Board of the Stock Exchange. She is a fellow member of The Association of Chartered Certified Accountants and an associate member of the Hong Kong Institute of Certified Public Accountants. Ms. Chan holds a Bachelor Degree in Business Administration with major in Professional Accountancy from The Chinese University of Hong Kong.

Mr. WANG Ming Yan, aged 47, is the regional controller of the Company. He joined the Group in July 2007. He was the general manager of Harbin Brewing Company Limited. Mr. Wang is a senior engineer with more than 20 years' experience in the brewery industry. Mr. Wang graduated from the Light Industrial Institute of Harbin.

Mr. WANG Wenjie, aged 54, is the financial controller of the Company. He joined the Group in July 2007. He was the financial controller of Harbin Brewery Group Limited. Mr. Wang has over 30 years of accounting experience. Mr. Wang graduated from the Industrial University of Harbin majoring in accounting.

Report of the Directors

The directors present their report and the audited financial statements of the Company and the Group for the year ended 31 December 2007.

PRINCIPAL ACTIVITIES

The principal activity of the Company is investment holding. During the year, the principal activities of its subsidiaries consisted of trading and manufacturing of handbag products and related accessories, manufacturing of garments and provision of related subcontracting services ("Handbags and other accessories Business"); production and distribution of dairy products ("Dairy Business") and sale, distribution and production of ethanol products ("Ethanol Business").

On 19 July 2007, the Group disposed of those subsidiaries undertaking the Handbags and other accessories Business and Dairy Business and acquired subsidiaries which engage in Ethanol Business. Details of the disposal and acquisition of subsidiaries are set out in notes 12 and 36 to the financial statements, respectively.

RESULTS AND DIVIDENDS

The Group's loss for the year ended 31 December 2007 and the state of affairs of the Company and the Group at that date are set out in the financial statements on pages 27 to 75.

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

SUMMARY FINANCIAL INFORMATION

A summary of the published results and assets, liabilities and minority interests of the Group for the last five financial years, as extracted from the audited financial statements and restated/reclassified as appropriate, is set out on page 76. This summary does not form part of the audited financial statements.

PROPERTY, PLANT AND EQUIPMENT

Details of movements in the property, plant and equipment of the Company and the Group during the year are set out in note 19 to the financial statements.

SHARE CAPITAL AND SHARE OPTIONS

Details of movements in the Company's share capital and share options during the year, together with the reasons therefor, are set out in notes 29 and 30 to the financial statements.

PRE-EMPTIVE RIGHTS

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

PURCHASE, REDEMPTION OR SALE OF LISTED SECURITIES OF THE COMPANY

Neither the Company, nor any of its subsidiaries purchased, redeemed or sold any of the Company's listed securities during the year.

Report of the Directors

RESERVES

Details of movements in the reserves of the Company and the Group during the year are set out in note 31 to the financial statements and in the consolidated statement of changes in equity, respectively.

DISTRIBUTABLE RESERVES

At 31 December 2007, the Company's reserves available for distribution amounted to approximately HK$220,889,000, representing the share premium account of the Company of approximately HK$359,437,000 less the accumulated losses as at 31 December 2007 of approximately HK$138,548,000. Under the Companies Law, Cap. 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands, the share premium account of the Company is distributable to the shareholders of the Company provided that immediately following the date on which the dividend is proposed to be distributed, the Company will be in a position to pay off its debts as they fall due in the ordinary course of business. The share premium account may also be distributed in the form of fully paid bonus shares.

MAJOR CUSTOMERS AND SUPPLIERS

In the year under review, sales to the Group's five largest customers accounted for 49% of the total sales for the year and sales to the largest customer included therein amounted to 28%. Purchases from the Group's five largest suppliers accounted for less than 30% of the total purchases for the year.

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

DIRECTORS

The directors of the Company during the year were:

Executive directors:

Mr. Lo Peter	
Mr. Li Wentao	
Mr. Sun David Lee	
Mr. Zhao Difei	(appointed on 26 July 2007)
Mr. Li Jian Quan	(appointed on 26 July 2007)
Mr. Lu Gui Pin	(appointed on 26 July 2007)
Mr. Fu Hui	(resigned on 26 July 2007)

Non-executive director:

Mr. Yeung Ting-Lap Derek Emory

Independent non-executive directors:

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

Report of the Directors

In accordance with article 116 of the Company's articles of association, Mr. Li Wentao, Mr. Sun David Lee, Mr. Yeung Ting-Lap Derek Emory and Dr. Loke Yu will retire by rotation and, being eligible, will offer themselves for re-election at the forthcoming annual general meeting. All directors are subject to retirement by rotation under article 116 of the Company's articles of association.

In accordance with article 99 of the Company's articles of association, Mr. Zhao Difei, Mr. Li Jian Quan and Mr. Lu Gui Pin will retire and, being eligible, will offer themselves for re-election at the forthcoming annual general meeting. Directors appointed either to fill a casual vacancy or as an addition to the board shall hold office only until the next following general meeting after their appointment, and shall be subject to re-election by the shareholders under article 99 of the Company's articles of association.

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

DIRECTORS' AND SENIOR MANAGEMENT'S BIOGRAPHIES

Biographical details of the directors of the Company and the senior management of the Group are set out on pages 14 to 16 of the annual report.

DIRECTORS' SERVICE CONTRACTS

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

DIRECTORS' EMOLUMENTS

The directors' fees are subject to shareholders' approval at general meetings. Other emoluments are determined by the Company's board of directors with reference to directors' duties, responsibilities and performance and the results of the Group. Details of the directors' fees are set out in note 15 to the financial statements.

DIRECTORS' INTERESTS IN CONTRACTS

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

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

At 31 December 2007, the interests and short positions of the directors and chief executive in the share capital and underlying shares of the Company or its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")), as recorded in the register required to be kept by the Company pursuant to Section 352 of the SFO, or as otherwise notified to the Company and The Stock Exchange of Hong Kong Limited (the "Stock Exchange") pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers, were as follows:

Long positions in ordinary shares of the Company:

	Number of shares held, capacity and nature of interest			Percentage of the
Name of director	**Directly beneficially owned**	**Through spouse**	**Total**	**Company's issued share capital**
Mr. Lo Peter	3,760,000	–	3,760,000	0.66
Mr. Sun David Lee	–	100,000	100,000	0.02
Mr. Li Jian Quan	6,040,000	–	6,040,000	1.07
Mr. Lu Gui Pin	6,720,000	–	6,720,000	1.19
	16,520,000	100,000	16,620,000	2.94

Long positions in share options of the Company:

Name of director	Number of options directly beneficially owned
Mr. Lo Peter	3,320,000
Mr. Li Wentao	3,320,000
Mr. Sun David Lee	3,320,000
Mr. Zhao Difei	3,320,000
Mr. Li Jian Quan	3,320,000
Mr. Lu Gui Pin	2,500,000
	19,100,000

Save as disclosed above, as at 31 December 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 pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers.

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

Save as disclosed in the section "Share option scheme" below, at no time during the year were rights to acquire benefits by means of the acquisition of shares in or debentures of the Company granted to any director or their respective 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 operates a share option scheme (the "Scheme") for the purpose of providing incentives and rewards to eligible participants for their contribution to, and continuing efforts to promote the interests of, the Group. Further details of the Scheme are disclosed in note 30 to the financial statements.

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

Grantee	Number of options granted during the year	Theoretical value of share options HK$'000
Mr. Lo Peter	3,320,000	3,646,000
Mr. Li Wentao	3,320,000	3,646,000
Mr. Sun David Lee	3,320,000	3,646,000
Mr. Zhao Difei	3,320,000	4,537,000
Mr. Li Jian Quan	3,320,000	4,537,000
Mr. Lu Gui Pin	2,500,000	3,417,000
Other employees	10,500,000	13,142,000
	29,600,000	36,571,000

The binomial model is a generally accepted method of valuing options. The significant assumptions used in the calculation of the values of the share options are set out in note 30 to the financial statements. The measurement dates used in the valuation calculations were the dates on which the options were granted.

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

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

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

At 31 December 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	**Capacity and nature of interest**	**Number of ordinary shares held**	**Percentage of the Company's issued share capital**
China Enterprise Capital Limited *(note)*	Interest of controlled corporations	323,960,000	57.24
Orientelite Investments Limited *(note)*	Beneficial owner	195,000,000	34.45
	Interest of controlled corporations	128,960,000	22.79
CEC Agricapital Group Limited	Beneficial owner	128,960,000	22.79

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

Save as disclosed above, as at 31 December 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.

CONNECTED TRANSACTIONS AND CONTINUING CONNECTED TRANSACTIONS

During the year, the Company and the Group had the following connected and continuing connected transactions, certain details of which are disclosed in compliance with the requirements of Chapter 14A of the Listing Rules.

Connected transactions

(i) On 11 May 2007, the Company entered into a disposal agreement with Orientelite Investments Limited, the immediate holding company of the Company, for the disposal of the entire issued share capital of each of Glory Access Limited and Agricapital (Tianjin) Limited, each a wholly-owned subsidiary of the Company, for a total cash consideration of US$200,000 (approximately HK$1,560,000).

(ii) On 11 May 2007, the Company entered into sale and purchase agreements with the fellow subsidiaries of the Company, for the acquisition of the entire issued share capital in BAPP Ethanol Holdings Limited and CEC Ethanol (Northeast) Limited, at considerations of HK$120 million and HK$100 million, which were satisfied by the Company through the allotment and issuance of 96,000,000 and 80,000,000 shares of the Company, respectively, at an issue price of HK$1.25 per share.

(iii) On 9 November 2007, the Company and its wholly-owned subsidiary, CEC Ethanol (Northeast) Limited, entered into a sale and purchase agreement with Harbin Light Industry Asset Management Co., Ltd. ("Harbin Light Industry"), a minority shareholder of Harbin China Distillery Co., Ltd. ("Harbin Distillery"), for the acquisition of 27.3% equity interest in Harbin Distillery held by Harbin Light Industry. Harbin Distillery is a 72.7% owned subsidiary of the Company. On completion of the acquisition, Harbin Distillery will become a wholly-owned subsidiary of the Company. The consideration payable by the Company for the acquisition is RMB60 million (approximately HK$62.6 million), which will be satisfied by the Company through the allotment and issuance of 50,040,000 shares of the Company at an issue price of HK$1.25 per share.

Further details of the transactions (i) and (ii) are included in notes 12 and 36 to the financial statements, respectively. As at the date of this report, the transaction (iii) has not been completed.

Continuing connected transactions

(i) On 26 May 2006, Beilei (Tianjin) Dairy Co., Ltd. ("Beilei"), a 70% owned subsidiary of the Company at that time, entered into a raw milk purchase agreement with Tianjin State Farms Agribusiness Group Company ("Tianjin Agribusiness"), the minority shareholder of Beilei holding the remaining 30% equity interest in Beilei, for the supply of raw milk to Beilei. The relevant details for the above transactions were set out in the Company's announcement dated 26 May 2006. On 19 July 2007, the Group completed the disposal of the entire issued share capital of Agricapital (Tianjin) Limited, the immediate holding company of Beilei. The Company was then ceased to have any interest in Beilei and accordingly, the above raw milk purchase agreement no longer constituted a continuing connected transaction of the Company. For the period from 1 January 2007 to 19 July 2007, total purchases from Tianjin Agribusiness and its subsidiaries amounted to approximately HK$3,750,000.

(ii) On 23 May 2007, Harbin Distillery entered into a processing agreement with Harbin China Distillery Factory, an associate of Harbin Light Industry, for the production of ethanol on a tolling basis. Details of the aforesaid transactions were set out in the Company's announcement dated 25 May 2007. Harbin Distillery became a 72.7% owned subsidiary of the Company on 19 July 2007. For the period from 19 July 2007 to 31 December 2007, total processing fees paid to Harbin China Distillery Factory was approximately HK$14,318,000.

The independent non-executive directors of the Company have reviewed the continuing connected transactions set out above and have confirmed that these continuing connected transactions were entered into (i) in the ordinary and usual course of business of the Group; (ii) on normal commercial terms or on terms no less favourable to the Group than terms available to independent third parties; and (iii) in accordance with the relevant agreements governing them on terms that are fair and reasonable and in the interests of the shareholders of the Company as a whole.

Report of the Directors

SUFFICIENCY OF PUBLIC FLOAT

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

AUDITOR

RSM Nelson Wheeler retire and a resolution for their reappointment as auditor of the Company will be proposed at the forthcoming annual general meeting.

ON BEHALF OF THE BOARD

LO Peter
Chairman

Hong Kong, 2 April 2008

Independent Auditor's Report

RSM! Nelson Wheeler
羅 申 美 會 計 師 行
Certified Public Accountants

TO THE SHAREHOLDERS OF
WEALTHMARK INTERNATIONAL (HOLDINGS) LIMITED
(Incorporated in the Cayman Islands with limited liability)

We have audited the consolidated financial statements of Wealthmark International (Holdings) Limited (the "Company") set out on pages 27 to 75, which comprise the consolidated and Company balance sheets as at 31 December 2007, and the consolidated income statement, consolidated statement of changes in equity and consolidated cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory notes.

DIRECTORS' RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

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

AUDITOR'S RESPONSIBILITY

Our responsibility is to express an opinion on these financial statements based on our audit and to report our opinion solely to you, as a body, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report. We conducted our audit in accordance with Hong Kong Standards on Auditing issued by the HKICPA. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance as to whether the financial statements are free from material misstatement.

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

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

OPINION

In our opinion, the consolidated financial statements give a true and fair view of the state of affairs of the Company and of the Group as at 31 December 2007 and of the Group's results and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards and have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

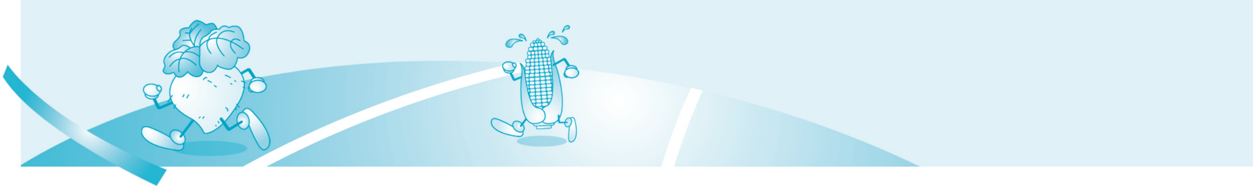
RSM Nelson Wheeler
Certified Public Accountants

Hong Kong
2 April 2008

Consolidated Income Statement

For the year ended 31 December 2007

	Note	2007 HK$'000	2006 HK$'000 (Restated)
Continuing operations			
Turnover	7	**65,815**	–
Cost of sales		**(70,472)**	–
Gross loss		**(4,657)**	–
Other income	8	**555**	76
Distribution costs		**(1,091)**	–
Administrative expenses		**(29,001)**	(5,763)
Loss from operations		**(34,194)**	(5,687)
Finance costs	10	**–**	(366)
Loss before tax		**(34,194)**	(6,053)
Income tax credit	11	**127**	–
Loss for the year from continuing operations		**(34,067)**	(6,053)
Discontinued operations	12		
Loss of discontinued operations		**(14,889)**	(25,880)
Gain on disposal of discontinued operations		**9,618**	–
Loss for the year from discontinued operations		**(5,271)**	(25,880)
Loss for the year	13	**(39,338)**	(31,933)
Attributable to:			
Equity holders of the Company	16	**(34,757)**	(25,986)
Minority interests		**(4,581)**	(5,947)
		(39,338)	(31,933)
Dividends	17	**–**	–
Loss per share – basic	18		
For loss for the year		**HK (7.8) cents**	HK (8.1) cents
For loss for the year from continuing operations		**HK (7.4) cents**	HK (1.9) cents



Consolidated Balance Sheet

At 31 December 2007

	Note	2007 HK$'000	2006 HK$'000 (Restated)
Non-current assets			
Property, plant and equipment	19	**149,702**	49,097
Prepaid land lease payments	20	**33,297**	6,296
Goodwill	21	**2,328**	11,010
Other intangible assets	22	**145,265**	–
Deferred tax assets	33	**505**	–
		331,097	66,403
Current assets			
Inventories	24	**2,616**	30,831
Trade and other receivables	25	**68,377**	34,225
Due from immediate holding company	26	**1,560**	–
Due from a fellow subsidiary	27	**435**	–
Current tax assets		**154**	2,021
Bank and cash balances	28	**32,854**	8,614
		105,996	75,691
TOTAL ASSETS		**437,093**	142,094
Capital and reserves			
Share capital	29	**56,600**	33,200
Reserves	31	**232,994**	(30,152)
Equity attributable to equity holders of the Company		**289,594**	3,048
Minority interests		**62,245**	11,771
Total equity		**351,839**	14,819

Consolidated Balance Sheet

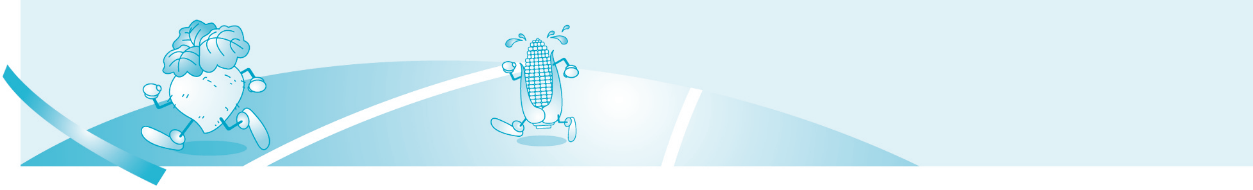
At 31 December 2007

	Note	**2007** **HK$'000**	2006 HK$'000 (Restated)
Non-current liabilities			
Due to immediate holding company	32	**–**	76,150
Deferred tax liabilities	33	**24,103**	183
		24,103	76,333
Current liabilities			
Trade and other payables	34	**29,091**	43,650
Due to a minority shareholder of a subsidiary	35	**32,034**	3,084
Current tax payable		**26**	4,208
		61,151	50,942
Total liabilities		**85,254**	127,275
TOTAL EQUITY AND LIABILITIES		**437,093**	142,094
Net current assets		**44,845**	24,749
Total assets less current liabilities		**375,942**	91,152

Approved by the Board of Directors on 2 April 2008.

LO Peter
Director

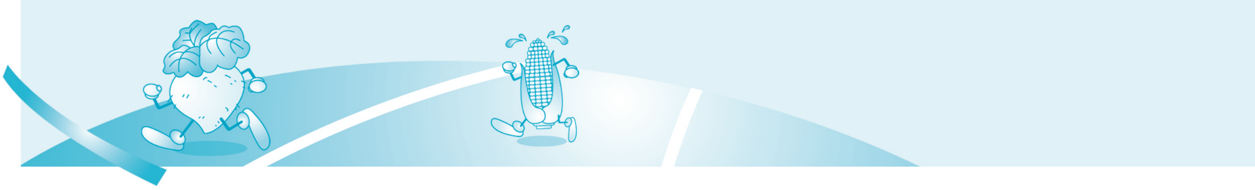
SUN David Lee
Director



Consolidated Statement of Changes in Equity

For the year ended 31 December 2007

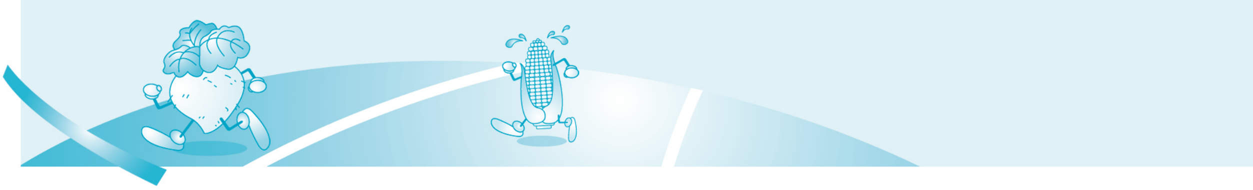
	Attributable to equity holders of the Company										
	Share capital	Share premium	Share option reserve	Properties revaluation reserve	Merger reserve	Statutory reserves	Exchange reserve	Accumulated losses	Sub-total	Minority interests	Total
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
At 1 January 2006, as previously reported	30,000	70,342	–	434	2,150	2,223	165	(96,060)	9,254	17,464	26,718
Effect of change in accounting policy *(note 3)*	–	–	–	(434)	–	–	(68)	3,043	2,541	–	2,541
At 1 January 2006, as restated	30,000	70,342	–	–	2,150	2,223	97	(93,017)	11,795	17,464	29,259
Currency translation differences	–	–	–	–	–	–	549	–	549	450	999
Share issue expenses	–	(590)	–	–	–	–	–	–	(590)	–	(590)
Net income recognised directly in equity	–	(590)	–	–	–	–	549	–	(41)	450	409
Loss for the year	–	–	–	–	–	–	–	(25,986)	(25,986)	(5,947)	(31,933)
Total recognised income and expense for the year	–	(590)	–	–	–	–	549	(25,986)	(26,027)	(5,497)	(31,524)
Issue of shares	3,200	14,080	–	–	–	–	–	–	17,280	–	17,280
Dividend paid to a minority shareholder of a subsidiary	–	–	–	–	–	–	–	–	–	(196)	(196)
At 31 December 2006 and 1 January 2007	**33,200**	**83,832**	**–**	**–**	**2,150**	**2,223**	**646**	**(119,003)**	**3,048**	**11,771**	**14,819**
Currency translation differences	**–**	**–**	**–**	**–**	**–**	**–**	**6,614**	**–**	**6,614**	**1,953**	**8,567**
Share issue expenses	**–**	**(2,155)**	**–**	**–**	**–**	**–**	**–**	**–**	**(2,155)**	**–**	**(2,155)**
Net income recognised directly in equity	**–**	**(2,155)**	**–**	**–**	**–**	**–**	**6,614**	**–**	**4,459**	**1,953**	**6,412**
Loss for the year	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**(34,757)**	**(34,757)**	**(4,581)**	**(39,338)**
Total recognised income and expense for the year	**–**	**(2,155)**	**–**	**–**	**–**	**–**	**6,614**	**(34,757)**	**(30,298)**	**(2,628)**	**(32,926)**
Issue of shares	**23,400**	**277,760**	**–**	**–**	**–**	**–**	**–**	**–**	**301,160**	**–**	**301,160**
Business combination *(note 36)*	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**51,221**	**51,221**
Capital contribution from a minority shareholder of a subsidiary	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**10,678**	**10,678**
Disposal of subsidiaries *(note 12)*	**–**	**–**	**–**	**–**	**–**	**(2,223)**	**376**	**2,223**	**376**	**(8,797)**	**(8,421)**
Employees' share option benefits	**–**	**–**	**15,308**	**–**	**–**	**–**	**–**	**–**	**15,308**	**–**	**15,308**
At 31 December 2007	**56,600**	**359,437**	**15,308**	**–**	**2,150**	**–**	**7,636**	**(151,537)**	**289,594**	**62,245**	**351,839**



Consolidated Cash Flow Statement

For the year ended 31 December 2007

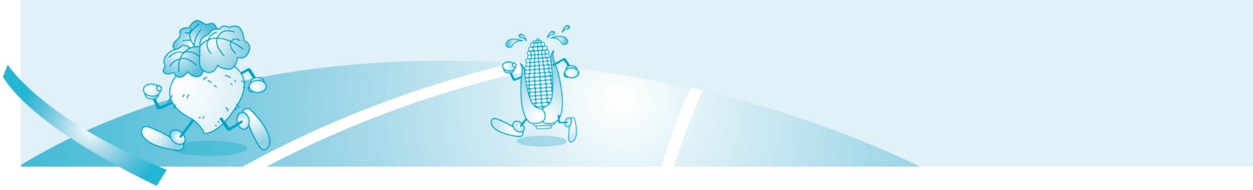
	Note	**2007** **HK$'000**	2006 HK$'000 (Restated)
CASH FLOWS FROM OPERATING ACTIVITIES			
Loss before tax			
From continuing operations		**(34,194)**	(6,053)
From discontinued operations		**(6,871)**	(27,002)
		(41,065)	(33,055)
Adjustments for:			
Finance costs		**3,482**	6,570
Interest income		**(728)**	(239)
Depreciation		**4,743**	8,795
Amortisation of other intangible assets		**2,654**	–
Amortisation of prepaid land lease payments		**351**	169
Employees' share option benefits		**15,308**	–
Write down of inventories		**–**	5,812
Loss on disposal of property, plant and equipment		**921**	944
Property, plant and equipment written off		**–**	152
Bad debts written off		**–**	62
Reversal of allowance for impairment of receivables		**(193)**	(2,155)
Gain on disposal of prepaid land lease payments		**(898)**	–
Gain on disposal of discontinued operations		**(9,618)**	–
Operating loss before working capital changes		**(25,043)**	(12,945)
Increase in inventories		**(1,600)**	(15,725)
Decrease/(increase) in trade and other receivables		**35,431**	(11,446)
Decrease in amount due from a fellow subsidiary		**817**	511
(Decrease)/increase in trade and other payables		**(12,243)**	15,751
Cash used in operations		**(2,638)**	(23,854)
Income taxes paid		**(219)**	(38)
Interest paid		**(119)**	(366)
Net cash used in operating activities		**(2,976)**	(24,258)



Consolidated Cash Flow Statement

For the year ended 31 December 2007

	Note	**2007** **HK$'000**	2006 HK$'000 (Restated)
CASH FLOWS FROM INVESTING ACTIVITIES			
Acquisition of subsidiaries	36	**5,844**	–
Transaction costs of acquisition of subsidiaries	36	**(2,317)**	–
Disposal of subsidiaries	12	**(14,135)**	–
Transaction costs of disposal of subsidiaries	12	**(642)**	–
Interest received		**728**	239
Purchases of property, plant and equipment		**(100,359)**	(3,767)
Purchases of prepaid land lease payments		**(12,548)**	–
Proceeds from disposal of prepaid land lease payments		**6,729**	–
Proceeds from disposal of property, plant and equipment		**2,023**	1,628
Net cash used in investing activities		**(114,677)**	(1,900)
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from issue of shares		**93,960**	17,280
Share issue expenses paid		**(2,155)**	(590)
Repayment of other loan		**–**	(10,000)
Advance from a minority shareholder of a subsidiary		**35,209**	686
Capital contribution from a minority shareholder of a subsidiary		**10,678**	–
Dividend paid to a minority shareholder of a subsidiary		**–**	(196)
Net cash generated from financing activities		**137,692**	7,180
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS		**20,039**	(18,978)
Effect of foreign exchange rate changes, net		**4,201**	121
CASH AND CASH EQUIVALENTS AT 1 JANUARY		**8,614**	27,471
CASH AND CASH EQUIVALENTS AT 31 DECEMBER		**32,854**	8,614
ANAYSIS OF CASH AND CASH EQUIVALENTS			
Bank and cash balances		**32,854**	8,614



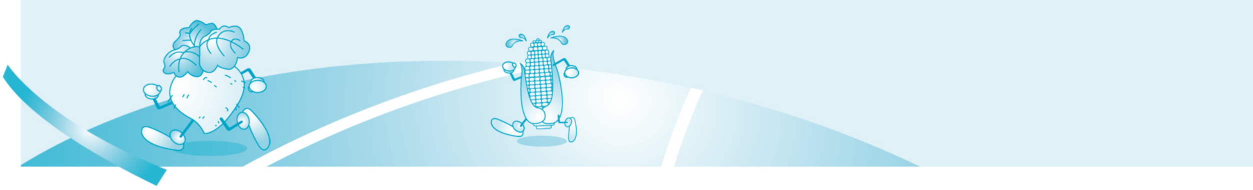
Balance Sheet

At 31 December 2007

	Note	2007 HK$'000	2006 HK$'000
Non-current assets			
Property, plant and equipment	19	**39**	54
Investments in subsidiaries	23	**209,517**	–
		209,556	54
Current assets			
Prepayments, deposits and other receivables	25	**394**	278
Due from subsidiaries	23	**79,476**	53,360
Due from immediate holding company	26	**1,560**	–
Bank and cash balances		**2,998**	495
		84,428	54,133
TOTAL ASSETS		**293,984**	54,187
Capital and reserves			
Share capital	29	**56,600**	33,200
Reserves	31	**236,197**	19,703
Total equity		**292,797**	52,903
Current liabilities			
Other payables	34	**1,161**	1,258
Current tax payable		**26**	26
Total liabilities		**1,187**	1,284
TOTAL EQUITY AND LIABILITIES		**293,984**	54,187
Net current assets		**83,241**	52,849
Total assets less current liabilities		**292,797**	52,903

Approved by the Board of Directors on 2 April 2008.

LO Peter	**SUN David Lee**
Director	*Director*



1. GENERAL INFORMATION

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

The Company is an investment holding company. The principal activities of its subsidiaries are set out in note 23 to the financial statements.

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

2. ADOPTION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS

In the current year, the Group has adopted all the new and revised Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants that are relevant to its operations and effective for accounting periods beginning on or after 1 January 2007. HKFRSs comprise Hong Kong Financial Reporting Standards ("HKFRS"); Hong Kong Accounting Standards and Interpretations. The adoption of these new and revised HKFRSs did not result in substantial changes to the Group's accounting polices and amounts reported for the current year and prior years.

The Group has not applied the new HKFRSs, that have been issued but are not yet effective, in these financial statements. 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. CHANGE IN ACCOUNTING POLICY

In prior years, the Group carried its buildings at revalued amounts, based on periodic valuations by external independent valuers, less subsequent depreciation and impairment losses (the "Revaluation Model"). During the year, the Company disposed of the entire issued share capital of Glory Access Limited ("GAL") and Agricapital (Tianjin) Limited ("ATL"), details of which are set out in note 12 to the financial statements. Since then, the Group decided to carry its buildings at cost less accumulated depreciation and impairment losses as in the opinion of the directors, the Revaluation Model would involve expense out of proportion to the value to the shareholders of the Company. The change in accounting policy has been applied by the Group retrospectively and resulted in a decrease in accumulated losses at 1 January 2006 by approximately HK$3,043,000 and resulted in changes in the amounts reported in the financial statements as follows:

3. CHANGE IN ACCOUNTING POLICY (CONT'D)

	2007	2006
	HK$'000	HK$'000
Increase in property, plant and equipment	**–**	2,216
Decrease in properties revaluation reserve	**–**	434
Decrease in deferred tax liabilities	**–**	110
Decrease in exchange reserve	**–**	68
Decrease in accumulated losses	**–**	2,828
Increase in loss for the year from discontinued operations	**–**	215
Increase in loss per share (HK cent)	**–**	0.1

4. SIGNIFICANT ACCOUNTING POLICIES

These financial statements have been prepared in accordance with HKFRSs, accounting principles generally accepted in Hong Kong and the applicable disclosures required by The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") and by the Hong Kong Companies Ordinance.

These financial statements have been prepared under the historical cost convention.

The preparation of financial statements in conformity with HKFRSs requires the use of certain key assumptions and estimates. It also requires management to exercise its judgements in the process of applying the accounting policies. The areas involving critical judgements and areas where assumptions and estimates are significant to these financial statements, are disclosed in note 5 to the financial statements.

The significant accounting policies applied in the preparation of these financial statements are set out below.

(a) Consolidation

The consolidated financial statements include the financial statements of the Company and its subsidiaries made up to 31 December. Subsidiaries are entities over which the Group has control. Control is the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Group has control.

Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are de-consolidated from the date the control ceases.

The gains or losses on the disposal of subsidiaries represent the difference between the proceeds of the sale and the Group's share of net assets together with any goodwill relating to the subsidiaries which were not previously charged or recognised in the consolidated income statement and also any related accumulated exchange reserve.

4. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(a) Consolidation (Cont'd)

Inter-company transactions, balances and unrealised profits on transactions between group companies are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

Minority interests represent the interests of minority shareholders in the operating results and net assets of subsidiaries. Minority interests are presented in the consolidated balance sheet and consolidated statement of changes in equity within equity. Minority interests are presented in the consolidated income statement as an allocation of profit or loss for the year between minority and shareholders of the Company. Losses applicable to the minority in excess of the minority's interests in the subsidiary's equity are allocated against the interests of the Group except to the extent that the minority has a binding obligation and is able to make an additional investment to cover the losses. If the subsidiary subsequently reports profits, such profits are allocated to the interests of the Group until the minority's share of losses previously absorbed by the Group has been recovered.

In the Company's balance sheet the investments in subsidiaries are stated at cost less allowance for impairment losses. The results of subsidiaries are accounted for by the Company on the basis of dividends received and receivable.

(b) Business combination and goodwill

The purchase method of accounting is used to account for the acquisition of subsidiaries by the Group. The cost of an acquisition is measured as the fair value of the assets given, equity instruments issued and liabilities incurred or assumed at the date of exchange, plus costs directly attributable to the acquisition. Identifiable assets, liabilities and contingent liabilities of the subsidiary in an acquisition are measured at their fair values at the acquisition date.

The excess of the cost of acquisition over the Group's share of the net fair value of the subsidiary's identifiable assets, liabilities and contingent liabilities is recorded as goodwill. Any excess of the Group's share of the net fair value of the identifiable assets, liabilities and contingent liabilities over the cost of acquisition is recognised in the consolidated income statement.

Goodwill is tested annually for impairment and carried at cost less accumulated impairment losses. Impairment losses of goodwill are recognised in the consolidated income statement and are not subsequently reversed. Goodwill is allocated to cash-generating units for the purpose of impairment testing.

The interests of minority shareholders in the subsidiary is initially measured at the minority's proportion of the net fair value of the subsidiary's identifiable assets, liabilities and contingent liabilities at the acquisition date.

4. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(c) Foreign currency translation

(i) Functional and presentation currency

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates (the "functional currency"). The consolidated financial statements are presented in Hong Kong dollars, which is the Company's functional and presentation currency.

(ii) Transactions and balances in each entity's financial statements

Transactions in foreign currencies are translated into the functional currency using the exchange rates prevailing on the transaction dates. Monetary assets and liabilities in foreign currencies are translated at the rates ruling on the balance sheet date. Profits and losses resulting from this translation policy are included in the income statement.

(iii) Translation on consolidation

The results and financial position of all the Group entities that have a functional currency different from the Company's presentation currency are translated into the Company's presentation currency as follows:

– Assets and liabilities for each balance sheet presented are translated at the closing rate at the date of that balance sheet;
– Income and expenses for each income statement are translated at average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the exchange rates on the transaction dates); and
– All resulting exchange differences are recognised in the exchange reserve.

On consolidation, exchange differences arising from the translation of the net investment in foreign entities and of borrowings are recognised in the exchange reserve. When a foreign operation is sold, such exchange differences are recognised in the consolidated income statement as part of the profit or loss on disposal.

Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated at the closing rate.

4. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(d) Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation and impairment losses.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. All other repairs and maintenance are expensed in the income statement during the period in which they are incurred.

Depreciation of property, plant and equipment is calculated at rates sufficient to write off their cost less their residual values over the estimated useful lives on a straight-line basis. The principal annual rates are as follows:

Buildings	3 1/3%
Plant and machinery	10%
Leasehold improvements, furniture and fixtures	20%
Motor vehicles	20%-33 1/3%

The residual values, useful lives and depreciation method are reviewed and adjusted, if appropriate, at each balance sheet date.

Construction in progress represents buildings under construction and plant and machinery pending installation, and is stated at cost less impairment losses. Depreciation begins when the relevant assets are available for use.

The gain or loss on disposal of property, plant and equipment is the difference between the net sales proceeds and the carrying amount of the relevant asset, and is recognised in the income statement.

(e) Operating leases

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Lease payments (net of any incentives received from the lessor) are expensed in the income statement on a straight-line basis over the lease term.

(f) Other intangible assets

Other intangible assets representing technology, trademark and customer base are measured initially at purchase cost and are amortised on a straight-line basis over their estimated useful lives of 20 to 30 years. The remaining amortisation period for technology, trademark and customer base are 29 years, 29 years and 19 years, respectively.

4. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(g) Discontinued operations

A discontinued operation is a component of the Group, the operations and cash flows of which can be clearly distinguished from the rest of the Group and which represents a separate major line of business or geographical area of operations, or is part of a single co-ordinated plan to dispose of a separate major line of business or geographical area of operations, or is a subsidiary acquired exclusively with a view to resale.

Classification as a discontinued operation occurs upon disposal or when the operation meets the criteria to be classified as held for sale in accordance with HKFRS 5, if earlier. It also occurs when the operation is abandoned.

When an operation is classified as discontinued, a single amount is presented on the face of the income statement, which comprises:

- the post-tax profit or loss of the discontinued operation; and
- the post-tax gain or loss recognised on the measurement to fair value less costs to sell, or on the disposal, of the assets or disposal group constituting the discontinued operation.

(h) Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined using the weighted average basis. The cost of finished goods and work in progress comprises raw materials, direct labour and an appropriate proportion of all production overhead expenditure, and where appropriate, subcontracting charges. Net realisable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and the estimated costs necessary to make the sale.

(i) Recognition and derecognition of financial instruments

Financial assets and financial liabilities are recognised in the balance sheet when the Group becomes a party to the contractual provisions of the instruments.

Financial assets are derecognised when the contractual rights to receive cash flows from the assets expire; the Group transfers substantially all the risks and rewards of ownership of the assets; or the Group neither transfers nor retains substantially all the risks and rewards of ownership of the assets but has not retained control on the assets. On derecognition of a financial asset, the difference between the asset's carrying amount and the sum of the consideration received and receivable and the cumulative gain or loss that had been recognised directly in equity is recognised in the income statement.

Financial liabilities are derecognised when the obligation specified in the relevant contract is discharged, cancelled or expires. The difference between the carrying amount of the financial liability derecognised and the consideration paid is recognised in the income statement.

4. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(j) Trade and other receivables

Trade and other receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market and are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less allowance for impairment. An allowance for impairment of trade and other receivables is established when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of receivables. The amount of the allowance is the difference between the receivables' carrying amount and the present value of estimated future cash flows, discounted at the effective interest rate computed at initial recognition. The amount of the allowance is recognised in the income statement.

Impairment losses are reversed in subsequent periods and recognised in the income statement when an increase in the receivables' recoverable amount can be related objectively to an event occurring after the impairment was recognised, subject to the restriction that the carrying amount of the receivables at the date the impairment is reversed shall not exceed what the amortised cost would have been had the impairment not been recognised.

(k) Cash and cash equivalents

For the purpose of the cash flow statement, cash and cash equivalents represent cash at bank and on hand, demand deposits with banks and other financial institutions, and short-term highly liquid investments which are readily convertible into known amounts of cash and subject to an insignificant risk of change in value. Bank overdrafts which are repayable on demand and form an integral part of the Group's cash management are also included as a component of cash and cash equivalents.

(l) Financial liabilities and equity instruments

Financial liabilities and equity instruments are classified according to the substance of the contractual arrangements entered into and the definitions of a financial liability and an equity instrument under HKFRSs. An equity instrument is any contract that evidences a residual interest in the assets of the Group after deducting all of its liabilities. The accounting policies adopted for specific financial liabilities and equity instruments are set out below.

(m) Borrowings

Borrowings are recognised initially at fair value, net of transaction costs incurred, and subsequently measured at amortised cost using the effective interest method.

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the balance sheet date.

(n) Trade and other payables

Trade and other payables are stated initially at their fair value and subsequently measured at amortised cost using the effective interest method unless the effect of discounting would be immaterial, in which case they are stated at cost.

4. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(o) Equity instruments

Equity instruments issued by the Company are recorded at the proceeds received, net of direct issue costs.

(p) Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable and is recognised when it is probable that the economic benefits will flow to the Group and the amount of revenue can be measured reliably.

Revenues from the sales of goods are recognised on the transfer of significant risks and rewards of ownership, which generally coincides with the time when the goods are delivered and the title has passed to the customers.

Subcontracting fee income is recognised when the subcontracting services are rendered.

Interest income is recognised on a time-proportion basis using the effective interest method.

(q) Employee benefits

(i) Employee leave entitlements

Employee entitlements to annual leave and long service leave are recognised when they accrue to employees. A provision is made for the estimated liability for annual leave and long service leave as a result of services rendered by employees up to the balance sheet date.

Employee entitlements to sick leave and maternity leave are not recognised until the time of leave.

(ii) Pension obligations

The Group contributes to defined contribution retirement schemes which are available to all employees. Contributions to the schemes by the Group and employees are calculated as a percentage of employees' basic salaries. The retirement benefit scheme cost charged to the income statement represents contributions payable by the Group to the funds.

(iii) Termination benefits

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

(r) Share-based payments

The Group issues equity-settled share-based payments to certain employees (including directors). Equity-settled share-based payments are measured at fair value (excluding the effect of non market-based vesting conditions) of the equity instruments at the date of grant. The fair value determined at the grant date of the equity-settled share-based payments is expensed on a straight-line basis over the vesting period, based on the Group's estimate of shares that will eventually vest and adjusted for the effect of non market-based vesting conditions.

4. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(s) Borrowing costs

All borrowing costs are recognised in the income statement in the period in which they are incurred.

(t) Taxation

Income tax represents the sum of the current tax and deferred tax.

The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit as reported in the income statement because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the balance sheet date.

Deferred tax is recognised on differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit, and is accounted for using the balance sheet liability method. Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences, unused tax losses or unused tax credits can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

Deferred tax liabilities are recognised for taxable temporary differences arising on investments in subsidiaries and associates, and interests in joint ventures, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised, based on tax rates that have been enacted or substantively enacted by the balance sheet date. Deferred tax is charged or credited to the income statement, except when it relates to items charged or credited directly to equity, in which case the deferred tax is also dealt with in equity.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Group intends to settle its current tax assets and liabilities on a net basis.

4. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(u) Related parties

A party is related to the Group if:

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

(ii) the party is an associate;

(iii) the party is a joint venture;

(iv) the party is a member of the key management personnel of the Company or its parent;

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

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

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

(v) Segment reporting

A segment is a distinguishable component of the Group that is engaged either in providing products and services (business segment), or in providing products or services within a particular economic environment (geographical segment), which is subject to risks and rewards that are different from those of other segments.

In accordance with the Group's internal financial reporting, the Group has determined that business segments be presented as the primary reporting format and geographical segments as the secondary reporting format.

Segment revenue, expenses, assets and liabilities include items directly attributable to a segment as well as those that can be allocated on a reasonable basis to the segment. Unallocated costs mainly represent corporate expenses. Segment assets consist primarily of property, plant and equipment, goodwill, other intangible assets, inventories and trade receivables. Segment liabilities comprise operating liabilities and exclude items such as tax liabilities and corporate borrowings.

Segment revenue, expenses, assets and liabilities are determined before intra-group balances and intra-group transactions are eliminated as part of the consolidation process, except to the extent that such intra-group balances and transactions are between Group enterprises within a single segment. Inter-segment pricing is based on similar terms as those available to other external parties.

Segment capital expenditure is the total cost incurred during the period to acquire segment assets (both tangible and intangible) that are expected to be used for more than one period.

4. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(w) Impairment of assets

At each balance sheet date, the Group reviews the carrying amounts of its tangible and other intangible assets except goodwill, deferred tax assets, inventories and receivables to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of any impairment loss. Where it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs.

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

If the recoverable amount of an asset or cash-generating unit is estimated to be less than its carrying amount, the carrying amount of the asset or cash-generating unit is reduced to its recoverable amount. An impairment loss is recognised immediately in the income statement, unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease.

Where an impairment loss subsequently reverses, the carrying amount of the asset or cash-generating unit is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined (net of amortisation or depreciation) had no impairment loss been recognised for the asset or cash-generating unit in prior years. A reversal of an impairment loss is recognised immediately in the income statement, unless the relevant asset is carried at a revalued amount, in which case the reversal of the impairment loss is treated as a revaluation increase.

(x) Provisions and contingent liabilities

Provisions are recognised for liabilities of uncertain timing or amount when the Group has a present legal or constructive obligation arising as a result of a past event, it is probable that an outflow of economic benefits will be required to settle the obligation and a reliable estimate can be made. Where the time value of money is material, provisions are stated at the present value of the expenditures expected to settle the obligation.

Where it is not probable that an outflow of economic benefits will be required, or the amount cannot be estimated reliably, the obligation is disclosed as a contingent liability, unless the probability of outflow is remote. Possible obligations, whose existence will only be confirmed by the occurrence or non-occurrence of one or more future events are also disclosed as contingent liabilities unless the probability of outflow is remote.

(y) Events after the balance sheet date

Events after the balance sheet date that provide additional information about the Group's position at the balance sheet date or those that indicate the going concern assumption is not appropriate are adjusting events and are reflected in the financial statements. Events after the balance sheet date that are not adjusting events are disclosed in the notes to the financial statements when material.

5. CRITICAL JUDGEMENTS AND KEY ESTIMATES

Key sources of estimation uncertainty

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

(a) Cost of business combination

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

(b) Impairment test of goodwill

The Group determines whether goodwill is impaired at least on an annual basis. This requires an estimation of the value in use of the cash-generating unit to which the goodwill is allocated. Estimating the value in use requires the Group to make an estimate of the expected future cash flows from the cash-generating unit and also to choose a suitable discount rate in order to calculate the present value of those cash flows. The carrying amount of goodwill at 31 December 2007 was approximately HK$2,328,000 (2006: HK$11,010,000). More details are given in note 21.

(c) Useful lives of other intangible assets

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

(d) Share-based payment expenses

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

6. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group's activities expose it to a variety of financial risks: foreign currency risk, credit risk, liquidity risk and interest rate risk. The Group's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Group's financial performance.

(a) Foreign currency risk

The Group has minimal exposure to foreign currency risk as most of its business transactions, assets and liabilities are principally denominated in the functional currencies of the Group's entities. The Group currently does not have a foreign currency hedging policy in respect of foreign currency transactions, assets and liabilities. The Group will monitor its foreign currency exposure closely and will consider hedging significant foreign currency exposure should the need arise.

(b) Credit risk

The Group's major exposure to the credit risk arising from the default of the trade and other receivables, with a maximum exposure equal to their carrying amounts in the consolidated balance sheet. The Group only grants credits after due credit risk assessments. In addition, receivable balances are monitored on an ongoing basis and the Group's exposure to bad debts is not significant.

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

(c) Liquidity risk

The Group's policy is to regularly monitor current and expected liquidity requirements to ensure that it maintains sufficient reserves of cash to meet its liquidity requirements in the short and longer term. All of the Group's financial liabilities are due less than 1 year.

(d) Interest rate risk

The Group's interest rate risk relates primarily to variable rate for bank deposits which are all short term in nature. Therefore, any future variations in interest rates will not have a significant impact on the results of the Group.

(e) Fair values

The carrying amounts of the Group's financial assets and financial liabilities as reflected in the consolidated balance sheet approximate their respective fair values.

(f) Capital management

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

The Group manages its capital structure and makes adjustments to it, in light of changes in economic conditions. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares. No changes were made in the objectives, policies or processes during the years ended 31 December 2007 and 2006.

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

(f) Capital management (Cont'd)

The Group monitors capital using a gearing ratio, which is total debt divided by the capital. The Group's policy is to maintain an optimal capital structure which reduces cost of capital. Total debt includes trade and other payables, amounts due to immediate holding company and a minority shareholder of a subsidiary. Capital includes equity attributable to equity holders of the Company. The gearing ratios as at the balance sheet dates were as follows:

	Group	
	2007	2006
	HK$'000	HK$'000
Trade and other payables	**29,091**	43,650
Due to a minority shareholder of a subsidiary	**32,034**	3,084
Due to immediate holding company	**–**	76,150
Total debt	**61,125**	122,884
Equity attributable to equity holders of the Company	**289,594**	3,048
Gearing ratio	**21%**	4032%

The significant decrease in gearing ratio in the current year was due to the release of the amount due to immediate holding company following the disposal of subsidiaries as detailed in note 12 to the financial statements.

7. TURNOVER

Turnover represents the net invoiced value of goods sold, after allowances for returns and trade discounts and revenue from provision of subcontracting services during the year:

	2007	2006
	HK$'000	HK$'000
Sales of goods	**164,456**	163,031
Subcontracting fee income	**–**	4,389
	164,456	167,420
Attributable to:		
Continuing operations	**65,815**	–
Discontinued operations *(note 12)*	**98,641**	167,420
	164,456	167,420

8. OTHER INCOME

	2007 HK$'000	2006 HK$'000
Interest income	**728**	239
Net foreign exchange gains	**398**	306
Rental income	**17**	36
Other income	**47**	–
	1,190	581
Attributable to:		
Continuing operations	**555**	76
Discontinued operations *(note 12)*	**635**	505
	1,190	581

9. SEGMENT INFORMATION

(a) Primary reporting format – business segments

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

The Group is organised into three main business segments:

(i) the ethanol products segment comprises the manufacture, sale and distribution of ethanol products;
(ii) the handbags and other accessories segment comprises the manufacture and sale of handbags, garments and other accessories and provision of related subcontracting services; and
(iii) the dairy products segment comprises the manufacture and sale of liquid milk and yogurt.

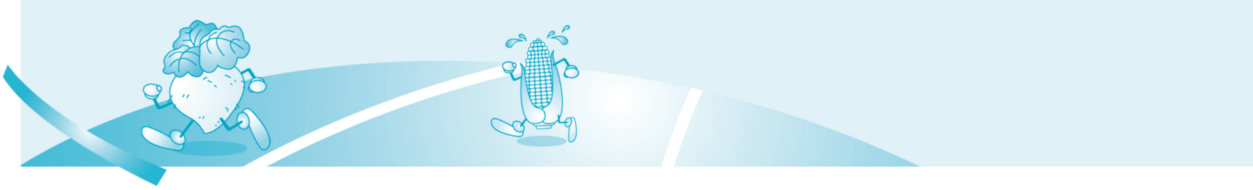
There are no sales or other transactions among the business segments.

9. SEGMENT INFORMATION (CONT'D)

(a) Primary reporting format – business segments (Cont'd)

The following tables present revenue, results and certain asset, liability and expenditure information for the Group's business segments for the years ended 31 December 2007 and 2006:

	Continuing operations	Discontinued operations			
	Ethanol products HK$'000	Handbags and other accessories HK$'000	Dairy products HK$'000	Sub-total HK$'000	Total HK$'000
Year ended 31 December 2007					
Segment revenue	65,815	76,902	21,739	98,641	164,456
Segment results	(4,657)	4,416	319	4,735	78
Other income	555			635	1,190
Reversal of allowance for impairment of receivables	–			193	193
Unallocated costs	(30,092)			(8,952)	(39,044)
Loss from operations	(34,194)			(3,389)	(37,583)
Finance costs	–			(3,482)	(3,482)
Loss before tax	(34,194)			(6,871)	(41,065)
As at 31 December 2007					
Segment assets	432,102	–	–	–	432,102
Unallocated assets	4,991			–	4,991
Total assets	437,093			–	437,093
Segment liabilities	84,067	–	–	–	84,067
Unallocated liabilities	1,187			–	1,187
Total liabilities	85,254			–	85,254
Year ended 31 December 2007					
Other segment information					
Capital expenditure	99,545	575	239	814	100,359
Depreciation	1,178	1,479	2,071	3,550	4,728
Unallocated amounts	15			–	15
	1,193			3,550	4,743
Amortisation of prepaid land lease payments	345	6	–	6	351
Amortisation of other intangible assets	2,654	–	–	–	2,654
Reversal of allowance for impairment of receivables	–	193	–	193	193



9. SEGMENT INFORMATION (CONT'D)

(a) Primary reporting format – business segments (Cont'd)

	Continuing operations	Discontinued operations			
	Ethanol products HK$'000	Handbags and other accessories HK$'000	Dairy products HK$'000	Sub-total HK$'000	Total HK$'000
Year ended 31 December 2006					
Segment revenue	–	142,551	24,869	167,420	167,420
Segment results	–	13,303	(6,129)	7,174	7,174
Other income	76			505	581
Reversal of allowance for impairment of receivables	–			2,155	2,155
Unallocated costs	(5,763)			(30,632)	(36,395)
Loss from operations	(5,687)			(20,798)	(26,485)
Finance costs	(366)			(6,204)	(6,570)
Loss before tax	(6,053)			(27,002)	(33,055)
As at 31 December 2006					
Segment assets	–	77,400	49,933	127,333	127,333
Unallocated assets	827			13,934	14,761
Total assets	827			141,267	142,094
Segment liabilities	–	35,564	9,982	45,546	45,546
Unallocated liabilities	1,284			80,445	81,729
Total liabilities	1,284			125,991	127,275
Year ended 31 December 2006					
Other segment information					
Capital expenditure	–	898	2,862	3,760	3,760
Unallocated amounts	7			–	7
	7			3,760	3,767
Depreciation	–	4,757	4,025	8,782	8,782
Unallocated amounts	13			–	13
	13			8,782	8,795
Amortisation of prepaid land lease payments	–	169	–	169	169
Reversal of allowance for impairment of receivables	–	2,155	–	2,155	2,155
Write down of inventories	–	4,276	1,536	5,812	5,812
Bad debts written off	–	62	–	62	62

9. SEGMENT INFORMATION (CONT'D)

(b) Secondary reporting format – geographical segments

In determining the Group's geographical segments, revenues are attributed to the segments based on the location of the customers.

Sales or transactions between the geographical segments are eliminated on presentation of segment information of the Group.

	Segment revenue		Total assets		Capital expenditure	
	2007 HK$'000	2006 HK$'000	**2007 HK$'000**	2006 HK$'000	**2007 HK$'000**	2006 HK$'000
United States of America	**9,930**	44,194	**–**	–	**–**	–
Europe	**14,390**	29,587	**–**	–	**–**	–
The People's Republic of China ("PRC")	**138,286**	93,639	**429,774**	98,317	**100,219**	3,452
Asia region except the PRC	**1,850**	–	**4,991**	32,767	**140**	315
	164,456	167,420	**434,765**	131,084	**100,359**	3,767
Goodwill			**2,328**	11,010		
Total assets			**437,093**	142,094		

10. FINANCE COSTS

	2007 HK$'000	2006 HK$'000
Interest on other loan wholly repayable within five years	**119**	366
Interest on amount due to immediate holding company wholly repayable within five years	**3,363**	6,204
	3,482	6,570
Attributable to:		
Continuing operations	**–**	366
Discontinued operations *(note 12)*	**3,482**	6,204
	3,482	6,570

11. INCOME TAX CREDIT

	2007 HK$'000	2006 HK$'000
Current tax – Hong Kong profits tax		
Provision for the year	**146**	456
Underprovision in prior years	**5**	–
	151	456
Current tax – Overseas		
Overprovision in prior years	**(1,565)**	(1,578)
Deferred tax *(note 33)*	**(313)**	–
Income tax credit	**(1,727)**	(1,122)
Attributable to:		
Continuing operations	**(127)**	–
Discontinued operations *(note 12)*	**(1,600)**	(1,122)
	(1,727)	(1,122)

Hong Kong profits tax is provided at 17.5% (2006: 17.5%) based on the estimated assessable profit for the year. Tax charge on profits assessable elsewhere have 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.

The subsidiaries of the Company in the PRC are exempt from PRC enterprise income tax for the first two profitable years of operations and, thereafter, are entitled for a 50% relief from PRC enterprise income tax for the following three years. Tax exemption periods for these subsidiaries have not yet commenced as these subsidiaries have no assessable profit since its date of registration.

The reconciliation between the income tax credit and the product of loss before tax multiplied by the Hong Kong profits tax rate is as follows:

	2007 HK$'000	2006 HK$'000
Loss before tax	**(41,065)**	(33,055)
Tax at the domestic income tax rate of 17.5% (2006: 17.5%)	**(7,186)**	(5,785)
Tax effect of income not subject to tax	**(2,021)**	(76)
Tax effect of expenses not deductible for tax	**5,000**	1,572
Tax effect of temporary differences not recognised	**(300)**	149
Tax effect of tax losses not recognised	**7,879**	9,464
Tax effect of tax losses utilised from previous periods	**(1,266)**	(1,768)
Overprovision in prior years	**(1,560)**	(1,578)
Effect of different tax rates of subsidiaries	**(2,273)**	(3,100)
Income tax credit	**(1,727)**	(1,122)

12. DISCONTINUED OPERATIONS

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

The results of the disposed subsidiaries are presented below:

	Period from 1 January 2007 to 19 July 2007 HK$'000	Year ended 31 December 2006 HK$'000
Turnover	**98,641**	167,420
Cost of sales	**(93,906)**	(160,246)
Gross profit	**4,735**	7,174
Other income	**635**	505
Reversal of allowance for impairment of receivables	**193**	2,155
Expenses	**(18,570)**	(30,632)
Loss from operations	**(13,007)**	(20,798)
Finance costs	**(3,482)**	(6,204)
Loss before tax	**(16,489)**	(27,002)
Income tax credit	**1,600**	1,122
Loss of discontinued operations	**(14,889)**	(25,880)

12. DISCONTINUED OPERATIONS (CONT'D)

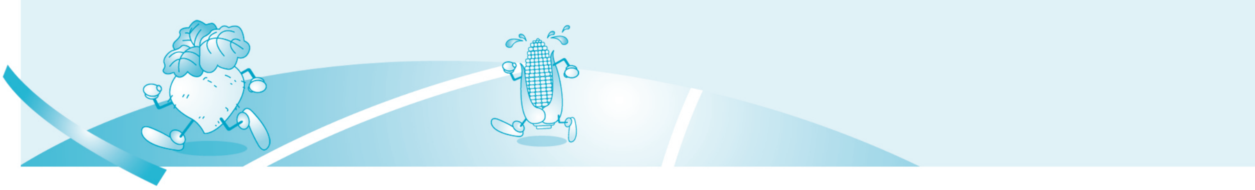
Net liabilities of the disposed subsidiaries on the completion date were as follows:

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

* The consideration receivable was outstanding and included in the amount due from immediate holding company.

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

	Period from 1 January 2007 to 19 July 2007 HK$'000	Year ended 31 December 2006 HK$'000
Operating activities	**(4,503)**	(17,371)
Investing activities	**8,017**	(1,976)
Financing activities	**3,078**	490
Net cash inflow/(outflow)	**6,592**	(18,857)
	HK cent	HK cents
Basic loss per share from discontinued operations	**0.4**	6.2



12. DISCONTINUED OPERATIONS (CONT'D)

The calculations of basis loss per share from discontinued operations are based on:

	Period from 1 January 2007 to 19 July 2007 HK$'000	Year ended 31 December 2006 HK$'000
Loss from discontinued operations attributable to equity holder of the Company	**2,008**	19,933
Weighted average number of ordinary shares in issue during the year	**443,347,945**	320,646,575

13. LOSS FOR THE YEAR

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

	Continuing operations		**Discontinued operations**		**Total**	
	2007 HK$'000	2006 HK$'000	**2007 HK$'000**	2006 HK$'000	**2007 HK$'000**	2006 HK$'000
Cost of inventories sold (including write down of inventories)	**52,496**	–	**64,202**	104,847	**116,698**	104,847
Depreciation	**1,193**	13	**3,550**	8,782	**4,743**	8,795
Amortisation of other intangible assets (included in administrative expenses)	**2,654**	–	**–**	–	**2,654**	–
Amortisation of prepaid land lease payments	**345**	–	**6**	169	**351**	169
Staff costs (including directors' emoluments) *(note 14)*	**20,562**	2,266	**20,620**	37,466	**41,182**	39,732
Auditors' remuneration	**695**	818	**–**	–	**695**	818
Operating lease charges on land and buildings	**360**	360	**264**	557	**624**	917
Write down of inventories	**–**	–	**–**	5,812	**–**	5,812
Loss on disposal of property, plant and equipment	**–**	–	**921**	944	**921**	944
Property, plant and equipment written off	**–**	–	**–**	152	**–**	152
Bad debts written off	**–**	–	**–**	62	**–**	62
Gain on disposal of prepaid land lease payments	**–**	–	**(898)**	–	**(898)**	–
Net foreign exchange losses/(gains)	**132**	–	**(530)**	(306)	**(398)**	(306)

14. STAFF COSTS (INCLUDING DIRECTORS' EMOLUMENTS)

	2007	2006
	HK$'000	HK$'000
Wages and salaries	**23,972**	37,028
Write back of provision for long service payments	**–**	(38)
Contributions to pension schemes		
– to the MPF Scheme *(note (a))*	**138**	179
– to the PRC retirement scheme *(note (b))*	**806**	1,140
Employee share option benefits	**15,308**	–
Other benefits	**958**	1,423
	41,182	39,732

Notes:

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

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

15. DIRECTORS' AND EMPLOYEES' EMOLUMENTS

The emoluments of each director were as follows:

		Fees		Basic salaries, allowances and benefits in kind		Employee share option benefits		Contributions to pension scheme		Total	
		2007 HK$'000	2006 HK$'000	2007 HK$'000	2006 HK$'000	2007 HK$'000	2006 HK$'000	2007 HK$'000	2006 HK$'000	2007 HK$'000	2006 HK$'000
Executive Directors											
Mr. Lo Peter		150	150	–	–	1,524	–	8	8	1,682	158
Mr. Li Wentao	(a)	150	90	301	–	1,524	–	–	–	1,975	90
Mr. Sun David Lee		150	150	–	–	1,524	–	8	8	1,682	158
Mr. Zhao Difei	(b)	65	N/A	281	N/A	1,901	N/A	–	N/A	2,247	N/A
Mr. Li Jian Quan	(b)	65	N/A	281	N/A	1,901	N/A	–	N/A	2,247	N/A
Mr. Lu Gui Pin	(b)	65	N/A	152	N/A	1,432	N/A	–	N/A	1,649	N/A
Mr. Fu Hui	(c)	85	68	–	–	–	–	–	–	85	68
Mr. Au Peter Jeva	(d)	N/A	–	N/A	–	–	–	N/A	–	N/A	–
		730	458	1,015	–	9,806	–	16	16	11,567	474
Non-executive Directors											
Mr. Yeung Ting-Lap Derek Emory		150	150	–	–	–	–	–	–	150	150
Mr. Li Wentao	(a)	N/A	60	N/A	–	–	–	N/A	–	N/A	60
Mr. Greer Thomas	(d)	N/A	–	N/A	–	–	–	N/A	–	N/A	–
Mr. Chau Wai-Kau	(e)	N/A	60	N/A	–	–	–	N/A	–	N/A	60
		150	270	–	–	–	–	–	–	150	270
Independent Non-executive Directors											
Dr. Leung Kwan-Kwok		150	150	–	–	–	–	–	–	150	150
Mr. Zuchowski Sam		150	150	–	–	–	–	–	–	150	150
Dr. Loke Yu		150	150	–	–	–	–	–	–	150	150
		450	450	–	–	–	–	–	–	450	450
		1,330	1,178	1,015	–	9,806	–	16	16	12,167	1,194

Notes:

N/A Not a director during the year
(a) re-designated as an executive director on 26 May 2006
(b) appointed on 26 July 2007
(c) appointed on 18 July 2006 and resigned on 26 July 2007
(d) resigned on 1 January 2006
(e) retired on 26 May 2006

There was no arrangement under which a director waived or agreed to waive any emoluments during the year.

15. DIRECTORS' AND EMPLOYEES' EMOLUMENTS (CONT'D)

The five highest paid individuals in the Group during the year ended 31 December 2007 included four (2006: none) directors whose emoluments are reflected in the analysis presented above.

The emoluments of the five highest paid individuals (including directors) in the Group are set out below:

	2007	2006
	HK$'000	HK$'000
Basic salaries, allowances and benefits in kind	**1,833**	2,163
Employee share option benefits	**7,998**	–
Contributions to pension scheme	**19**	48
	9,850	2,211

The emoluments fell within the following bands:

	Number of individuals	
	2007	2006
Nil to HK$1,000,000	**–**	5
HK$1,500,001 to HK$2,000,000	**3**	–
HK$2,000,001 to HK$2,500,000	**2**	–
	5	5

During the year, share options were granted to certain employees (including directors) in respect of their services to the Group, further details of which are included in note 30 to the financial statements. The fair value of such options, which has been recognised to the consolidated income statement over the vesting period, was determined as at the date of grant and the amount included in the financial statements for the current year is included in the above five highest paid individuals' emoluments disclosures.

During the year, no emoluments were paid by the Group to any of the directors or the highest paid individuals as an inducement to join or upon joining the Group or as compensation for loss of office.

16. LOSS FOR THE YEAR ATTRIBUTABLE TO EQUITY HOLDERS OF THE COMPANY

The loss for the year attributable to equity holders of the Company included a loss of approximately HK$74,419,000 (2006: HK$6,053,000) which has been dealt with in the financial statements of the Company.

17. DIVIDENDS

The directors do not recommend the payment of a dividend for the year ended 31 December 2007 (2006: Nil).

18. LOSS PER SHARE

The calculation of basic loss per share attributable to equity holders of the Company is based on the loss for the year attributable to equity holders of the Company of approximately HK$34,757,000 (2006: HK$25,986,000 as restated) and the weighted average number of ordinary shares of 443,347,945 (2006: 320,646,575) in issue during the year.

	2007 **HK$'000**	2006 HK$'000
Loss for the year attributable to equity holders of the Company		
Continuing operations	**(32,749)**	(6,053)
Discontinued operations	**(2,008)**	(19,933)
	(34,757)	(25,986)

	2007 **HK cents**	2006 HK cents
Basic loss per share		
Continuing operations	**(7.4)**	(1.9)
Discontinued operations *(note 12)*	**(0.4)**	(6.2)
	(7.8)	(8.1)

Diluted loss per share amount for the years ended 31 December 2007 and 2006 have not been disclosed as there were no diluting events existed during these two years.

19. PROPERTY, PLANT AND EQUIPMENT

Group

	Buildings HK$'000	Plant and machinery HK$'000	Leasehold improvements, furniture and fixtures HK$'000	Motor vehicles HK$'000	Moulds HK$'000	Construction in progress HK$'000	Total HK$'000
Cost							
At 1 January 2006	22,402	61,639	31,154	4,243	2,221	–	121,659
Additions	–	2,321	492	940	14	–	3,767
Disposals/write off	–	(2,593)	(32)	(1,858)	–	–	(4,483)
Exchange differences	402	1,604	507	81	50	–	2,644
At 31 December 2006 and 1 January 2007	22,804	62,971	32,121	3,406	2,285	–	123,587
Acquisition of subsidiaries *(note 36)*	8,208	21,413	41	113	–	19,584	49,359
Disposal of subsidiaries *(note 12)*	(19,166)	(63,199)	(32,298)	(3,457)	(2,288)	–	(120,408)
Additions	2,227	234	289	51	3	97,555	100,359
Disposals/write off	(3,921)	–	–	–	–	–	(3,921)
Exchange differences	331	864	2	5	–	789	1,991
At 31 December 2007	10,483	22,283	155	118	–	117,928	150,967
Accumulated depreciation and impairment							
At 1 January 2006	7,424	25,579	28,715	2,240	2,161	–	66,119
Charge for the year	802	5,949	1,441	565	38	–	8,795
Disposals/write off	–	(267)	(5)	(1,487)	–	–	(1,759)
Exchange differences	219	561	477	30	48	–	1,335
At 31 December 2006 and 1 January 2007	8,445	31,822	30,628	1,348	2,247	–	74,490
Disposal of subsidiaries *(note 12)*	(7,845)	(34,348)	(30,932)	(1,639)	(2,259)	–	(77,023)
Charge for the year	546	3,531	344	310	12	–	4,743
Disposals/write off	(977)	–	–	–	–	–	(977)
Exchange differences	4	28	–	–	–	–	32
At 31 December 2007	173	1,033	40	19	–	–	1,265
Carrying amount							
At 31 December 2007	10,310	21,250	115	99	–	117,928	149,702
At 31 December 2006	14,359	31,149	1,493	2,058	38	–	49,097

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

Company

	Leasehold improvements, furniture and fixtures HK$'000
Cost	
At 1 January 2006	65
Additions	7
At 31 December 2006 and 2007	72
Accumulated depreciation	
At 1 January 2006	5
Charge for the year	13
At 31 December 2006 and 1 January 2007	18
Charge for the year	15
At 31 December 2007	33
Carrying amount	
At 31 December 2007	39
At 31 December 2006	54

20. PREPAID LAND LEASE PAYMENTS

At 31 December 2007, the Group's prepaid land lease payments represent payments for land use rights in the PRC with medium lease term. At 31 December 2006, prepaid land lease payments represented prepaid operating lease payments of the land element of properties situated in Hong Kong held under medium leases.

21. GOODWILL

	Group HK$'000
Cost	
At 1 January 2006 and 31 December 2006	11,010
Acquisition of subsidiaries *(note 36)*	2,328
Disposal of subsidiaries *(note 12)*	(11,010)
At 31 December 2007	2,328
Accumulated amortisation and impairment	
At 1 January 2006 and 31 December 2006 and 2007	–
Carrying amount	
At 31 December 2007	2,328
At 31 December 2006	11,010

At 31 December 2007, goodwill acquired through a business combination has been allocated to the ethanol products (2006: dairy products) cash-generating unit ("CGU") that is expected to attributable to the opportunity to improve the Group's earnings base.

The recoverable amount of the ethanol products CGU is determined based on a value in use calculation using cash flow projections based on financial budgets covering a five-year period approved by senior management. The discount rates applied to the cash flow projections are 22.15% to 23.65%. The growth rate used to extrapolate the cash flows of the ethanol products CGU beyond the five-year period is 3%. This growth rate does not exceed the average long-term growth rate of the industry in which the ethanol products CGU operates.

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

Budgeted gross margins – The basis used to determine the value assigned to the budgeted gross margins is based on historical figures, increased for expected efficiency improvements, and expected market development.

Discount rate – The discount rate used is before tax and reflects specific risks relating to the CGU.

22. OTHER INTANGIBLE ASSETS

Group

	Technology	Trademark	Customer base	Total
	HK$'000	HK$'000	HK$'000	HK$'000
Cost				
Acquisition of subsidiaries *(note 36)*	95,888	24,971	25,070	145,929
Exchange differences	–	1,007	1,011	2,018
At 31 December 2007	95,888	25,978	26,081	147,947
Accumulated amortisation				
Charge for the year	1,598	421	635	2,654
Exchange differences	–	11	17	28
At 31 December 2007	1,598	432	652	2,682
Carrying amount				
At 31 December 2007	94,290	25,546	25,429	145,265

The Group's technology, trademark and customer base are used for the manufacture, sale and distribution of ethanol products.

23. INVESTMENTS IN SUBSIDIARIES

	Company	
	2007	2006
	HK$'000	HK$'000
Unlisted investments, at cost	**209,517**	16,000
Less: impairment losses	**–**	(16,000)
	209,517	–
Due from subsidiaries	**79,476**	82,468
Less: impairment losses	**–**	(29,108)
	79,476	53,360
	288,993	53,360

The amounts due from subsidiaries are unsecured, interest-free and have no fixed terms of repayment.

23. INVESTMENTS IN SUBSIDIARIES (CONT'D)

Particulars of the subsidiaries as at 31 December 2007 are as follows:

Name	Place of incorporation/ registration and operation	Issued and paid up capital	Percentage of ownership/interest/ voting power/ profit sharing		Principal activities
			Direct	Indirect	
BAPP Ethanol	The British Virgin Islands (The "BVI")	4,450,682 ordinary shares of US$1 each	100%	–	Investment holding
BAPP (Northwest) Limited	The BVI	1 ordinary share of US$1 each	–	100%	Investment holding
CEC Ethanol	The BVI	12,750,315 ordinary shares of US$1 each	100%	–	Investment holding
寧夏西部光彩新能源高新技術有限公司 Ningxia West Bright New Resource Technology Co., Ltd. (1)(2)	The PRC	RMB40,000,000	–	100%	Manufacture and sale of ethanol
哈爾濱中國釀酒有限公司 Harbin China Distillery Co., Ltd. ("Harbin China Distillery") (1)(3)	The PRC	RMB220,000,000	–	72.7%	Sale and distribution of ethanol
Skymax International Investment Enterprise Limited	Hong Kong	1 ordinary share of HK$1 each	–	100%	Inactive

(1) For identification purposes only.
(2) The Company is a wholly foreign owned enterprise established in the PRC.
(3) The Company is a Sino-foreign equity joint venture established in the PRC.

24. INVENTORIES

	Group 2007 HK$'000	2006 HK$'000
Raw materials	**2,066**	10,316
Work in progress	**250**	412
Finished goods	**300**	20,103
	2,616	30,831

25. TRADE AND OTHER RECEIVABLES

	Group		Company	
	2007	2006	**2007**	2006
	HK$'000	HK$'000	**HK$'000**	HK$'000
Trade receivables	**–**	30,933	**–**	–
Less: allowance for impairment of receivables	**–**	(779)	**–**	–
Trade receivables, net	**–**	30,154	**–**	–
Prepayments, deposits and other receivables	**68,377**	4,071	**394**	278
	68,377	34,225	**394**	278

The Group's trading terms with customers are mainly on credit. The credit terms generally range from 30 to 120 days. The Group seeks to maintain strict control over its outstanding receivables. Overdue balances are reviewed regularly by senior management.

The ageing analysis of trade receivables, based on the invoice date, and net of allowance, is as follows:

	Group	
	2007	2006
	HK$'000	HK$'000
Current to 30 days	**–**	21,623
31 to 60 days	**–**	8,176
61 to 90 days	**–**	170
Over 90 days	**–**	185
	–	30,154

26. DUE FROM IMMEDIATE HOLDING COMPANY

The amount due from immediate holding company is unsecured, interest-free and has no fixed terms of repayment.

27. DUE FROM A FELLOW SUBSIDIARY

The amount due from a fellow subsidiary is unsecured, interest-free and has no fixed terms of repayment.

28. BANK AND CASH BALANCES

As at 31 December 2007, the bank and cash balances of the Group denominated in Renminbi ("RMB") amounted to HK$17,684,000 (2006: HK$7,140,000). Conversion of RMB into foreign currencies is subject to the PRC's Foreign Exchange Control Regulations and Administration of Settlement, Sale and Payment of Foreign Exchange Regulations.

29. SHARE CAPITAL

	2007 **HK$'000**	2006 HK$'000
Authorised:		
1,000,000,000 (2006: 1,000,000,000) ordinary shares of HK$0.1 each	**100,000**	100,000
Issued and fully paid:		
566,000,000 (2006: 332,000,000) ordinary shares of HK$0.1 each	**56,600**	33,200

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

	Number of shares	**Par value** HK$'000
At 1 January 2006	300,000,000	30,000
Shares issued on 21 April 2006 *(note (a))*	20,000,000	2,000
Shares issued on 12 June 2006 *(note (b))*	12,000,000	1,200
At 31 December 2006 and 1 January 2007	332,000,000	33,200
Shares issued on 18 June 2007 *(note (c))*	58,000,000	5,800
Consideration shares issued *(note (d))*	176,000,000	17,600
	566,000,000	56,600

29. SHARE CAPITAL (CONT'D)

Notes:

(a) On 21 April 2006, 20,000,000 new shares of HK$0.1 each were issued at HK$0.54 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$10,429,000 have been used for the Group's general working capital purposes.

(b) On 12 June 2006, 12,000,000 new shares of HK$0.1 each were issued at HK$0.54 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$6,261,000 have been used for the Group's general working capital purposes.

(c) 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.

(d) On 19 July 2007, 176,000,000 new shares of HK$0.1 each were issued to certain fellow subsidiaries to satisfy the considerations for the acquisitions of BAPP Ethanol and CEC Ethanol. More details of the acquisitions are given in note 36 to the financial statements.

30. SHARE OPTION SCHEME

The Company operates a share option scheme (the "Scheme") for the purpose of providing incentive and reward to eligible participants for their contributions to, and continuing efforts to promote the interests of, the Company. The Scheme became effective on 23 May 2007 and, unless otherwise cancelled or amended, will remain in force for 10 years from that date.

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

Share options granted to a director, chief executive or substantial shareholder of the Company, or to any of their associates, are subject to approval in advance by the independent non-executive directors. In addition, any share options granted to a substantial shareholder or an independent non-executive director of the Company, or to any of their associates, in excess of 0.1% of the shares of the Company in issue at any time or with an aggregate value (based on the price of the Company's shares at the date of the grant) in excess of HK$5,000,000, within any 12-month period, are subject to shareholders' approval in advance in a general meeting.

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

30. SHARE OPTION SCHEME (CONT'D)

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

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

Details of the specific categories of share options are as follows:

Name or category of participant	Number of share options			Date of grant of share options	Exercise period of share options	Exercise price of share options	Price of the Company's shares at grant date
	At 1 January 2007	Granted during the year	At 31 December 2007 *(note (a))*	*(note (b))*		*(note (c))* HK$	*(note (d))* HK$
Directors							
Mr. Lo Peter	–	1,660,000	1,660,000	7 June 2007	7 June 2008 to 6 June 2017	1.97	1.97
	–	1,660,000	1,660,000	7 June 2007	7 June 2009 to 6 June 2017	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 6 June 2017	1.97	1.97
	–	1,660,000	1,660,000	7 June 2007	7 June 2009 to 6 June 2017	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 6 June 2017	1.97	1.97
	–	1,660,000	1,660,000	7 June 2007	7 June 2009 to 6 June 2017	1.97	1.97
	–	3,320,000	3,320,000				
Mr. Zhao Difei	–	1,660,000	1,660,000	26 July 2007	26 July 2008 to 25 July 2017	2.44	2.42
	–	1,660,000	1,660,000	26 July 2007	26 July 2009 to 25 July 2017	2.44	2.42
	–	3,320,000	3,320,000				
Mr. Li Jian Quan	–	1,660,000	1,660,000	26 July 2007	26 July 2008 to 25 July 2017	2.44	2.42
	–	1,660,000	1,660,000	26 July 2007	26 July 2009 to 25 July 2017	2.44	2.42
	–	3,320,000	3,320,000				
Mr. Lu Gui Pin	–	1,250,000	1,250,000	26 July 2007	26 July 2008 to 25 July 2017	2.44	2.42
	–	1,250,000	1,250,000	26 July 2007	26 July 2009 to 25 July 2017	2.44	2.42
	–	2,500,000	2,500,000				
	–	19,100,000	19,100,000				
Other employees	–	2,250,000	2,250,000	7 June 2007	7 June 2008 to 6 June 2017	1.97	1.97
	–	2,250,000	2,250,000	7 June 2007	7 June 2009 to 6 June 2017	1.97	1.97
	–	3,000,000	3,000,000	26 July 2007	26 July 2008 to 25 July 2017	2.44	2.42
	–	3,000,000	3,000,000	26 July 2007	26 July 2009 to 25 July 2017	2.44	2.42
	–	10,500,000	10,500,000				
	–	29,600,000	29,600,000				

30. SHARE OPTION SCHEME (CONT'D)

Notes:

(a) The options outstanding at 31 December 2007 have a weighted average remaining contractual life of 9.5 years and the exercise prices range from HK$1.97 to HK$2.44. None of these share options were exercisable at 31 December 2007. The weighted average exercise price of share options granted during the year and as at 31 December 2007 is HK$2.21 per share.

(b) The vesting period of the share options is from the date of grant until the commencement of the exercise period.

(c) 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.

(d) 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.

(e) All share options granted were accepted, and none were exercised, cancelled or lapsed during the year ended 31 December 2007.

The fair value of the share options granted during the year was approximately HK$36,571,000 of which the Group recognised employees' share option benefits of approximately HK$15,308,000 during the year ended 31 December 2007.

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

	Date of grant	
	6 June 2007	**26 July 2007**
Dividend yield (%)	0.00	0.00
Expected volatility (%)	97.97	102.31
Historical volatility (%)	97.97	102.31
Risk-free interest rate (%)	4.695	4.711
Expected life of options (years)	10.00	10.00

The expected life of the options is based on the Group's best estimate and is not necessarily indicative of the exercise patterns that may occur. The expected volatility reflects the assumption that the historical volatility is indicative of future trends, which may also not necessarily be the actual outcome.

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

At the balance sheet date and at the date of approval of these financial statements, the Company had 29,600,000 share options outstanding under the Scheme. The exercise in full of the share options would, under the present capital structure of the Company, result in the issue of 29,600,000 additional ordinary shares of the Company and additional share capital of approximately HK$2,960,000 and share premium of approximately HK$62,468,000 (before share issue expenses).

31. RESERVES

(a) Group

The amounts of the Group's reserves and the movements therein are presented in the consolidated statement of changes in equity.

(b) Company

	Share premium	Share option reserve	Accumulated losses	Total
	HK$'000	HK$'000	HK$'000	HK$'000
At 1 January 2006	70,342	–	(58,076)	12,266
Loss for the year	–	–	(6,053)	(6,053)
Issue of shares	14,080	–	–	14,080
Share issue expenses	(590)	–	–	(590)
At 31 December 2006 and 1 January 2007	83,832	–	(64,129)	19,703
Loss for the year	–	–	(74,419)	(74,419)
Employees' share option benefits	–	15,308	–	15,308
Issue of shares	277,760	–	–	277,760
Share issue expenses	(2,155)	–	–	(2,155)
At 31 December 2007	359,437	15,308	(138,548)	236,197

(c) Nature and purpose of reserves

(i) Share premium

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

(ii) Share option reserve

The share option reserve represents the fair value of the actual or estimated number of unexercised share options granted to the eligible participants recognised in accordance with the accounting policy adopted for equity-settled share-based payments in note 4(r) to the financial statements.

(iii) Merger reserve

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

31. RESERVES (CONT'D)

(c) Nature and purpose of reserves (Cont'd)

(iv) Exchange reserve

The exchange reserve comprises all foreign exchange differences arising from the translation of the financial statements of foreign operations as well as the effective portion of any foreign exchange differences arising from hedges of the net investment in these foreign operations. The reserve is dealt with in accordance with the accounting policies set out in note 4(c) to the financial statements.

32. DUE TO IMMEDIATE HOLDING COMPANY

At 31 December 2006, the amount due to immediate holding company was unsecured, interest bearing at the prevailing Hong Kong prime rate plus 1% per annum and not repayable within the next twelve months.

33. DEFERRED TAX

The following are the major deferred tax liabilities and assets recognised by the Group:

	Accelerated tax depreciation	**Other intangible assets**	**Total**
	HK$'000	HK$'000	HK$'000
At 1 January 2006	180	–	180
Exchange differences	3	–	3
At 31 December 2006	183	–	183
Acquisition of subsidiaries *(note 36)*	–	23,725	23,725
Credit to income statement for the year	(186)	(127)	(313)
Exchange differences	3	–	3
At 31 December 2007	–	23,598	23,598

The amount of the deferred tax liabilities and assets recognised in the balance sheet are as follows:

	2007	2006
	HK$'000	HK$'000
Deferred tax liabilities	**24,103**	183
Deferred tax assets	**(505)**	–
	23,598	183

33. DEFERRED TAX (CONT'D)

At the balance sheet date, the Group has unused tax losses of approximately HK$13,667,000 (2006: HK$141,565,000) available for offset against future profits of which an aggregate amount of approximately HK$13,441,000 (2006: HK$131,933,000) is subject to the approval of the respective tax authorities. No deferred tax asset has been recognised due to the unpredictability of future profit streams. Included in unrecognised tax losses are losses of approximately HK$Nil (2006: HK$17,388,000), HK$Nil (2006: HK$9,526,000), HK$Nil (2006: HK$23,408,000) and HK$13,441,000 (2006: HK$Nil) will expire in 2009, 2010, 2011 and 2012 respectively. Other tax losses may be carried forward indefinitely.

34. TRADE AND OTHER PAYABLES

	Group		**Company**	
	2007	2006	**2007**	2006
	HK$'000	HK$'000	**HK$'000**	HK$'000
Trade payables	**–**	7,235	**–**	–
Other payables	**29,091**	36,415	**1,161**	1,258
	29,091	43,650	**1,161**	1,258

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

	Group	
	2007	2006
	HK$'000	HK$'000
Current to 30 days	**–**	5,683
31 to 60 days	**–**	974
61 to 90 days	**–**	140
Over 90 days	**–**	438
	–	7,235

35. DUE TO A MINORITY SHAREHOLDER OF A SUBSIDIARY

The amount due to a minority shareholder of a subsidiary is unsecured, interest-free and has no fixed terms of repayment.

36. BUSINESS COMBINATION

As mentioned in note 5(a), the acquisition of BAPP Ethanol and CEC Ethanol was completed on 19 July 2007. BAPP Ethanol and CEC Ethanol were engaged in investment holding. Their subsidiaries are engaged in the manufacture, sale and distribution of ethanol products.

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

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

The acquisition constituted a non-cash transaction.

36. BUSINESS COMBINATION (CONT'D)

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

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

37. COMMITMENTS

(a) Lease commitments

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

	2007 **HK$'000**	2006 HK$'000
Within one year	**–**	1,807
In the second to fifth years inclusive	**–**	871
	–	2,678

(b) Capital and other commitments

The Group's capital and other commitments at the balance sheet date are as follows:

	2007 **HK$'000**	2006 HK$'000
Property, plant and equipment		
Contracted but not provided for	**58,032**	55
Acquisition of additional interests in a non-wholly owned subsidiary		
Contracted but not provided for *	**64,068**	–

* The consideration will be satisfied by the Company by the allotment and issuance of 50,040,000 new shares of the Company at the date of completion of the acquisition.

38. RELATED PARTY TRANSACTIONS

In addition to those related party transactions and balances disclosed elsewhere in the financial statements, the Group had the following transactions with its related parties during the year:

	2007 **HK$'000**	2006 HK$'000
Rental paid to a related company *(note)*	**360**	360
Interest paid to immediate holding company	**3,363**	6,204
Acquisition of subsidiaries from fellow subsidiaries	**207,200**	–
Disposal of subsidiaries to immediate holding company	**1,560**	–

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

39. COMPARATIVE FIGURES

Certain comparative figures have been reclassified to conform to the presentation requirement of HKFRS 5.

40. APPROVAL OF FINANCIAL STATEMENTS

The financial statements were approved and authorised for issue by the Board of Directors on 2 April 2008.

Five Year Financial Summary

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

	Year ended 31 December				
	2007	2006	2005	2004	2003
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
		(Restated)	(Restated)	(Restated)	(Restated)
RESULTS					
Turnover					
Continuing operations	**65,815**	–	–	–	–
Discontinued operations	**98,641**	167,420	115,786	235,719	322,651
	164,456	167,420	115,786	235,719	322,651
Loss before tax	**(34,194)**	(6,053)	(10,388)	(42,131)	(110)
Income tax credit	**127**	–	–	–	–
(Loss)/profit for the year					
Continuing operations	**(34,067)**	(6,053)	(10,388)	(42,131)	(110)
Discontinued operations	**(5,271)**	(25,880)	(17,544)	(62,422)	11,236
	(39,338)	(31,933)	(27,932)	(104,553)	11,126
Attributable to:					
Equity holders of the Company	**(34,757)**	(25,986)	(27,303)	(104,667)	11,126
Minority interests	**(4,581)**	(5,947)	(629)	114	–
	(39,338)	(31,933)	(27,932)	(104,553)	11,126

	At 31 December				
	2007	2006	2005	2004	2003
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
		(Restated)	(Restated)	(Restated)	(Restated)
ASSETS AND LIABILITIES					
Non-current assets	**331,097**	66,403	72,970	35,197	41,517
Current assets	**105,996**	75,691	71,608	58,177	160,323
Non-current liabilities	**(24,103)**	(76,333)	(69,833)	(288)	(17,718)
Current liabilities	**(61,151)**	(50,942)	(45,596)	(106,579)	(89,933)
Net assets/(liabilities)	**351,839**	14,819	29,149	(13,493)	94,189
Attributable to:					
Equity holders of the Company	**289,594**	3,048	11,685	(13,612)	94,189
Minority interests	**62,245**	11,771	17,464	119	–
	351,839	14,819	29,149	(13,493)	94,189