



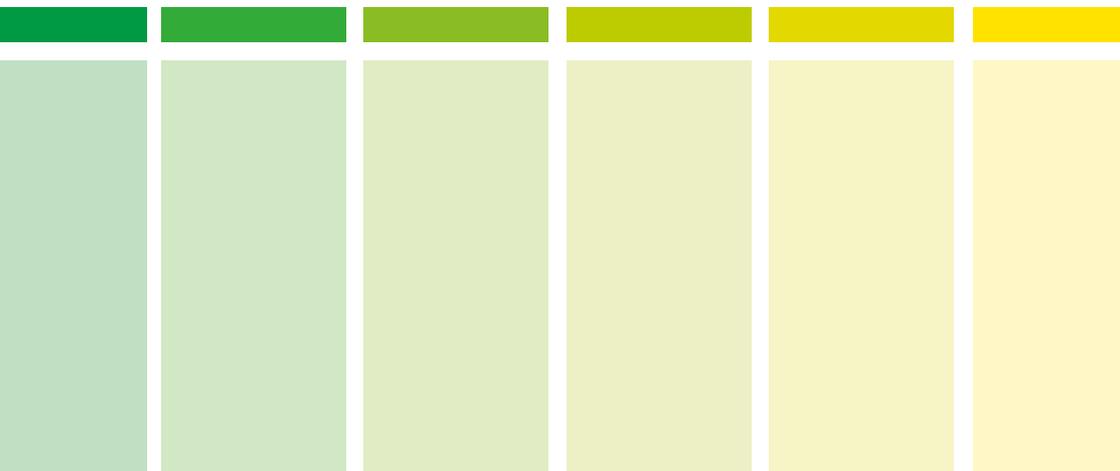
BIO-DYNAMIC GROUP LIMITED
生物動力集團有限公司

(Incorporated in the Cayman Islands with limited liability)

Stock code: 039

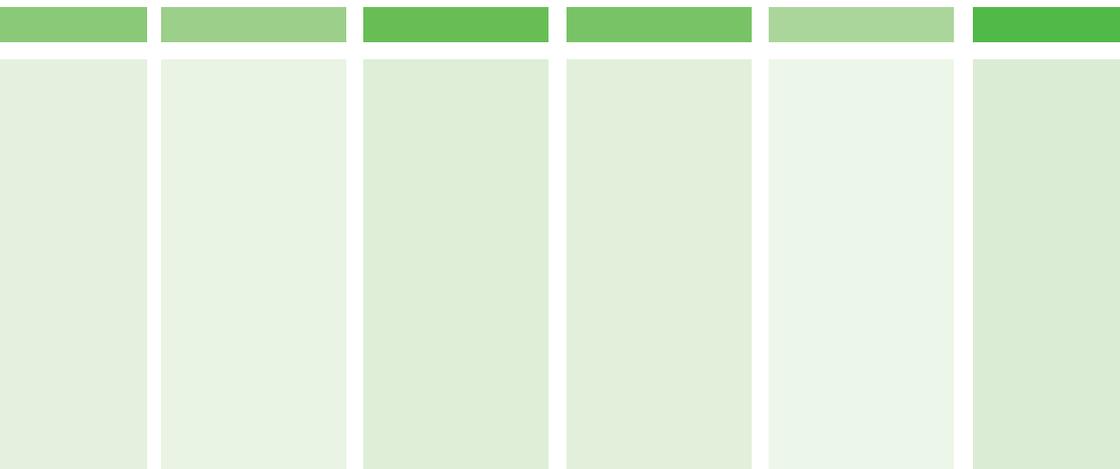
Interim Report

2009



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The Board of Directors (the "Board") of BIO-DYNAMIC GROUP LIMITED (the "Company") is pleased to announce the unaudited consolidated results of the Company and its subsidiaries (collectively, the "Group") for the six months ended 30 June 2009. These interim results have been reviewed by Ernst & Young, the auditor of the Company, in accordance with Hong Kong Standard on Review Engagements 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the Hong Kong Institute of Certified Public Accountants, and by the Audit Committee of the Company, comprising the three independent non-executive directors of the Company.

INTERIM CONDENSED CONSOLIDATED INCOME STATEMENT

For the six months ended 30 June 2009

	Notes	Six months ended 30 June 2009 (Unaudited) HK\$'000	2008 (Unaudited) HK\$'000
REVENUE	5	–	3,975
Cost of sales		–	(7,219)
Gross loss		–	(3,244)
Other income	5	230	97
Administrative expenses		(16,381)	(23,768)
Finance costs	6	(703)	–
LOSS BEFORE TAX	7	(16,854)	(26,915)
Tax	8	271	1,100
LOSS FOR THE PERIOD		(16,583)	(25,815)
Attributable to:			
Equity holders of the parent		(14,979)	(24,647)
Minority interests		(1,604)	(1,168)
		(16,583)	(25,815)
Dividends	9	–	–
LOSS PER SHARE ATTRIBUTABLE TO EQUITY HOLDERS OF THE PARENT			
Basic	10	HK(2.6) cents	HK(4.4) cents

INTERIM CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30 June 2009

	Six months ended 30 June	
	2009	2008
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
LOSS FOR THE PERIOD	(16,583)	(25,815)
Exchange differences on translation of foreign operations	(268)	17,318
OTHER COMPREHENSIVE INCOME /(LOSS) FOR THE PERIOD, NET OF TAX	(268)	17,318
TOTAL COMPREHENSIVE LOSS FOR THE PERIOD, NET OF TAX	(16,851)	(8,497)
Attributable to:		
Equity holders of the parent	(15,181)	(12,109)
Minority interests	(1,670)	3,612
	(16,851)	(8,497)

INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 June 2009

	Notes	30 June 2009 (Unaudited) HK\$'000	31 December 2008 (Audited) HK\$'000
NON-CURRENT ASSETS			
Property, plant and equipment	11	353,092	355,440
Prepaid land lease payments	12	32,831	33,173
Other intangible assets	13	76,552	77,939
Prepayments for acquisition of property, plant and equipment		1,486	1,487
Total non-current assets		463,961	468,039
CURRENT ASSETS			
Inventories		3,129	461
Prepayments and other receivables		4,194	3,969
Due from the immediate holding company		-	17
Due from a fellow subsidiary		329	560
Cash and bank balances		806	3,724
Total current assets		8,458	8,731
CURRENT LIABILITIES			
Trade payables		3,477	-
Other payables and accruals		102,670	99,240
Interest-bearing bank and other borrowings		45,376	44,864
Due to a fellow subsidiary		286	286
Due to a minority shareholder of a subsidiary		34,032	34,074
Total current liabilities		185,841	178,464
NET CURRENT LIABILITIES		(177,383)	(169,733)
TOTAL ASSETS LESS CURRENT LIABILITIES		286,578	298,306
NON-CURRENT LIABILITIES			
Deferred tax liability		15,188	15,460
Deferred income		12,642	12,887
Total non-current liabilities		27,830	28,347
Net assets		258,748	269,959
EQUITY			
Equity attributable to equity holders of the parent			
Issued capital	14	57,451	57,301
Reserves		148,671	158,362
Minority interests		206,122	215,663
		52,626	54,296
Total equity		258,748	269,959

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2009

	Attributable to equity holders of the parent								Total equity HK\$'000
	Issued capital HK\$'000	Share premium account HK\$'000	Share option reserve HK\$'000	Merger reserve HK\$'000	Exchange fluctuation reserve HK\$'000	Accumulated losses HK\$'000	Total HK\$'000	Minority interests HK\$'000	
At 1 January 2008	56,600	359,437	15,308	2,150	7,636	(151,537)	289,594	62,245	351,839
Loss for the period	-	-	-	-	-	(24,647)	(24,647)	(1,168)	(25,815)
Other comprehensive income	-	-	-	-	12,538	-	12,538	4,780	17,318
Total comprehensive income/(loss)	-	-	-	-	12,538	(24,647)	(12,109)	3,612	(8,497)
Equity-settled share option arrangement	-	-	10,802	-	-	-	10,802	-	10,802
At 30 June 2008 (Unaudited)	56,600	359,437	26,110	2,150	20,174	(176,184)	(288,287)	65,857	354,144
At 1 January 2009	57,301	369,232	24,277	2,150	19,156	(256,453)	215,663	54,296	269,959
Loss for the period	-	-	-	-	-	(14,979)	(14,979)	(1,604)	(16,583)
Other comprehensive loss	-	-	-	-	(202)	-	(202)	(66)	(268)
Total comprehensive loss	-	-	-	-	(202)	(14,979)	(15,181)	(1,670)	(16,851)
Issue of shares	150	1,777	(1,494)	-	-	-	433	-	433
Equity-settled share option arrangement	-	-	5,207	-	-	-	5,207	-	5,207
At 30 June 2009 (Unaudited)	57,451	371,009*	27,990*	2,150*	18,954*	(271,432)*	206,122	52,626	258,748

* These reserve accounts comprise the consolidated reserves of HK\$148,671,000 (31 December 2008: HK\$158,362,000) in the consolidated statement of financial position.

INTERIM CONDENSED CONSOLIDATED CASH FLOW STATEMENT

For the six months ended 30 June 2009

	Six months ended 30 June	
	2009	2008
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Net cash (outflow)/inflow from operating activities	(2,935)	3,531
Net cash outflow from investing activities	(398)	(34,323)
Net cash inflow from financing activities	242	–
NET DECREASE IN CASH AND CASH EQUIVALENTS	(3,091)	(30,792)
Effect of foreign exchange rate changes, net	173	2,604
Cash and cash equivalents at beginning of period	3,724	32,854
CASH AND CASH EQUIVALENTS AT END OF PERIOD	806	4,666
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS		
Cash and bank balances	806	4,666

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

At 30 June 2009

I. BASIS OF PRESENTATION

At 30 June 2009, the Group had net current liabilities of HK\$177,383,000 and had bank and other borrowings of HK\$45,376,000 which were due for repayment or renewal within the next 12 months. The Group incurred a consolidated net loss of HK\$16,583,000 for the six months ended 30 June 2009.

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

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

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

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

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

2. BASIS OF PREPARATION

The unaudited interim condensed consolidated financial statements have been prepared in accordance with Hong Kong Accounting Standard (“HKAS”) 34 “Interim Financial Reporting” issued by the Hong Kong Institute of Certified Public Accountants.

The interim condensed consolidated financial statements do not include all the information and disclosures required in the annual financial statements, and should be read in conjunction with the Group’s annual financial statements for the year ended 31 December 2008.

3. IMPACT OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS

The accounting policies adopted in the preparation of the interim condensed consolidated financial statements are consistent with those followed in the preparation of the Group’s annual financial statements for the year ended 31 December 2008, except for the adoption of the new Standards and Interpretations as of 1 January 2009, noted below.

HKFRS 1 and HKAS 27 Amendments	Amendments to HKFRS 1 <i>First-time Adoption of HKFRSs</i> and HKAS 27 <i>Consolidated and Separate Financial Statements – Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate</i>
HKFRS 2 Amendments	Amendments to HKFRS 2 <i>Share-based Payment – Vesting Conditions and Cancellations</i>
HKFRS 7 Amendments	<i>Financial Instruments: Disclosures – Improving Disclosures about Financial Instruments</i>
HKFRS 8	<i>Operating Segments</i>
HKAS 1 (Revised)	<i>Presentation of Financial Statements</i>
HKAS 23 (Revised)	<i>Borrowing Costs</i>
HKAS 32 and HKAS 1 Amendments	Amendments to HKAS 32 <i>Financial Instruments: Presentation</i> and HKAS 1 <i>Presentation of Financial Statements – Puttable Financial Instruments and Obligations Arising on Liquidation</i>
HK(IFRIC)-Int 9 and HKAS 39 Amendments	Amendments to HK(IFRIC)-Int 9 <i>Reassessment of Embedded Derivatives</i> and HKAS 39 <i>Financial Instruments: Recognition and Measurement</i>
HK(IFRIC)-Int 13	<i>Customer Loyalty Programmes</i>
HK(IFRIC)-Int 15	<i>Agreements for the Construction of Real Estate</i>
HK(IFRIC)-Int 16	<i>Hedges of a Net Investment in a Foreign Operation</i>

The adoption of the above new standards and interpretations has had no material effect on the accounting policies of the Group and the methods of computation in the interim condensed consolidated financial statements except for the impact as described below.

HKAS 1 (Revised) separates owner and non-owner changes in equity. The statement of changes in equity includes only details of transactions with owners, with non-owner changes in equity presented as a single line. In addition, the Standard introduces the statement of comprehensive income: it presents all items of recognised income and expense, either in one single statement, or in two linked statements. The Group has elected to present two statements.

4. SEGMENT INFORMATION

During the six months ended 30 June 2009, no operations related to the manufacture and sale of ethanol products were incurred. Accordingly, no segment information has been disclosed.

During the six months ended 30 June 2008, over 90% of the Group's operations related to the manufacture and sale of ethanol products and over 90% of the Group's products were sold to customers located in Mainland China. Accordingly, no segment information has been disclosed.

5. REVENUE AND OTHER INCOME

	Six months ended 30 June	
	2009	2008
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Revenue		
Sale of goods	–	3,975
Other income		
Government grants	230	–
Others	–	97
	230	97

6. FINANCE COSTS

	Six months ended 30 June	
	2009	2008
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Interest on bank loans	703	—

7. LOSS BEFORE TAX

	Six months ended 30 June	
	2009	2008
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Depreciation	2,317	1,284
Amortisation of other intangible assets	1,367	2,721
Amortisation of prepaid land lease payments	499	291

8. TAX

During the period, no Hong Kong profits tax has been provided as there was no assessable profit arising from Hong Kong and no tax on profits assessable elsewhere has been provided.

Under the new corporate income tax law of the PRC effective from 1 January 2008, the tax rate applicable to domestic-invested enterprises and foreign-invested enterprises has been standardised at 25%. One of the Group's subsidiaries is exempted from PRC corporate income tax for its first two profit-making years (after deducting losses incurred in previous years) and is entitled to a 50% tax reduction for the succeeding three years. Although this subsidiary has no assessable profit since its date of registration, based on the State Council Circular on the Implementation of Transitional Concession Policies for Corporate Income Tax (Guo Fa [2007] No. 39), this subsidiary should be subject to the second year exemption in 2009 whether or not it has assessable profit.

	Six months ended 30 June	
	2009	2008
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Current income tax charge		
Provision for the period	-	-
Overprovision in prior years	-	(26)
	-	(26)
Deferred income tax	(271)	(1,074)
Total tax credit for the period	(271)	(1,100)

9. DIVIDENDS

The directors do not recommend the payment of any dividend for the six months ended 30 June 2009 (2008: Nil).

10. LOSS PER SHARE ATTRIBUTABLE TO EQUITY HOLDERS OF THE PARENT

The calculation of basic loss per share amounts is based on the loss for the period attributable to equity holders of the parent of HK\$14,979,000 (2008: HK\$24,647,000) and the weighted average of 573,057,000 (2008: 566,000,000) ordinary shares in issue during the period.

Dilutive loss per share amounts for the six months ended 30 June 2009 and 2008 have not been disclosed, as the share options outstanding during these periods had no dilutive effect on the basic loss per share for these periods.

11. PROPERTY, PLANT AND EQUIPMENT

	30 June	31 December
	2009	2008
	(Unaudited)	(Audited)
	HK\$'000	HK\$'000
Carrying amount at 1 January	355,440	149,702
Additions	398	209,462
Impairment	–	(9,662)
Depreciation charge for the period/year	(2,317)	(3,420)
Exchange realignment	(429)	9,358
	353,092	355,440

12. PREPAID LAND LEASE PAYMENTS

	30 June	31 December
	2009	2008
	(Unaudited)	(Audited)
	HK\$'000	HK\$'000
Carrying amount at 1 January	34,370	33,297
Amortisation provided during the period/year	(499)	(1,034)
Exchange realignment	(42)	2,107
	33,829	34,370
Carrying amount at 30 June/31 December	33,829	34,370
Current portion included in prepayments and other receivables	(998)	(1,197)
	32,831	33,173

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

13. OTHER INTANGIBLE ASSETS

	Technology	Trademark	Customer base	Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Cost at 1 January 2009, net of accumulated amortisation and impairment	61,839	16,100	–	77,939
Amortisation provided during the period	(1,085)	(282)	–	(1,367)
Exchange realignments	–	(20)	–	(20)
At 30 June 2009 (Unaudited)	60,754	15,798	–	76,552
At 30 June 2009:				
Cost	95,888	27,599	27,708	151,195
Accumulated amortisation and impairment	(35,134)	(11,801)	(27,708)	(74,643)
Net carrying amount	60,754	15,798	–	76,552
Cost at 1 January 2008, net of accumulated amortisation	94,290	25,546	25,429	145,265
Amortisation provided during the year	(3,196)	(909)	(1,369)	(5,474)
Impairment during the year	(29,255)	(10,017)	(25,319)	(64,591)
Exchange realignments	–	1,480	1,259	2,739
At 31 December 2008 (Audited)	61,839	16,100	–	77,939
At 31 December 2008:				
Cost	95,888	27,633	27,742	151,263
Accumulated amortisation and impairment	(34,049)	(11,533)	(27,742)	(73,324)
Net carrying amount	61,839	16,100	–	77,939

The Group assesses whether there are any indicators of impairment for all non-financial assets at each reporting date. During the six months ended 30 June 2009, no impairment provision on non-financial assets other than goodwill has been made.

14. ISSUED CAPITAL

	30 June 2009 (Unaudited) HK\$'000	31 December 2008 (Audited) HK\$'000
Authorised: 1,000,000,000 (2007: 1,000,000,000) ordinary shares of HK\$0.1 each	100,000	100,000
Issued and fully paid: 574,507,000 (2008: 573,007,000) ordinary shares of HK\$0.1 each	57,451	57,301

15. COMMITMENTS

	30 June 2009 (Unaudited) HK\$'000	31 December 2008 (Audited) HK\$'000
Contracted, but not provided for: Acquisition of additional interests in a non-wholly-owned subsidiary	-	68,148

16. RELATED PARTY TRANSACTIONS

The Group had the following transactions with a related party during the period:

	Six months ended 30 June	
	2009	2008
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Rental paid/payable to a related company *	180	180

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

17. APPROVAL OF THE FINANCIAL STATEMENTS

The interim condensed consolidated financial statements were approved and authorised for issue by the board of directors of the Company on 15 September 2009.

INDEPENDENT AUDITORS' REVIEW REPORT



To the board of directors of **BIO-DYNAMIC GROUP LIMITED**

(Incorporated in the Cayman Islands with limited liability)

Introduction

We have reviewed the interim condensed consolidated financial statements set out on pages 2 to 14, which comprises the interim condensed consolidated statement of financial position of BIO-DYNAMIC GROUP LIMITED and its subsidiaries as at 30 June 2009 and the related interim condensed consolidated statements of income, comprehensive income, changes in equity and cash flows for the six month period then ended, and the explanatory notes. The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of a report on interim financial information to be in compliance with the relevant provisions thereof and Hong Kong Accounting Standard 34 "Interim Financial Reporting" ("HKAS 34") issued by the Hong Kong Institute of Certified Public Accountants.

The directors are responsible for the preparation and presentation of these interim condensed consolidated financial statements in accordance with HKAS 34. Our responsibility is to express a conclusion on these interim condensed consolidated financial statements based on our review. Our report is made solely to you, as a body, in accordance with our agreed terms of engagement and for no other purpose. We do not assume responsibility towards, or accept liability to any other person for the contents of this report.

Scope of review

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

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the interim condensed consolidated financial statements are not prepared, in all material respects, in accordance with HKAS 34.

Without qualifying our opinion, we draw attention to Note 1 to the interim condensed consolidated financial statements which indicates that the Group incurred a consolidated net loss of HK\$16,583,000 during the six months ended 30 June 2009, and, as at that date, the Group's consolidated current liabilities exceeded its consolidated current assets by HK\$177,383,000. In addition, during the period, one of the Company's major subsidiaries was not put into operation as that subsidiary had not yet obtained a manufacturing permit from the relevant government body in Mainland China. Accordingly, no operating activities were conducted by this subsidiary during the period. These conditions indicate the existence of a material uncertainty which may cast significant doubt about the Group's ability to continue as a going concern.

Ernst & Young

Certified Public Accountants

15 September 2009

MANAGEMENT DISCUSSION AND ANALYSIS

REVIEW

As the Group's Harbin production facility has not yet commenced operation, the Group recorded no turnover (2008: HK\$4.0 million) for the six months ended 30 June 2009 (the "Period"). Loss attributable to equity holders of the parent was approximately HK\$15.0 million (2008: HK\$24.6 million). The decrease in loss for the Period was mainly attributable to the decrease in recognition of share option expenses of approximately HK\$5.6 million and the remuneration cut of around 50% on average of all directors effective from 1 January 2009. Loss per share for the Period was HK2.6 cents (2008: HK4.4 cents).

Trial run of the Group's Harbin production facility has started in late August 2009 and is expected to be completed in around two to three months. According to the current plan, the facility will commence production in late 2009 and gradually contribute turnover to the Group.

During the Period, the Group's Yinchuan production facility remained idle. The management is currently considering various plans for the idle assets, however, no definite plan has been formed as at the date of this report.

PROSPECTS

With the production of the Harbin production facility to be commenced very soon, the Group is also considering the development of alcoholic beverage products, the downstream products of ethanol. The Group is under discussion and negotiation in relation to an acquisition of a potential wine and liquor wholesaler and retailer in the PRC. However, up to the date of this report, no legally binded agreement has been entered by the Group in respect of such acquisition. In the event that such acquisition being concluded, a separate announcement will be made to the public.

LIQUIDITY, FINANCIAL RESOURCES AND CAPITAL STRUCTURE

During the Period, the issued share capital of the Company increased by 1,500,000 shares to 574,507,000 shares due to exercise of share options by a director. Apart from options to subscribe for shares in the Company, there were no other capital instruments in issue.

As at 30 June 2009, the Group has equity attributable to equity holders of the parent of approximately HK\$206.1 million (31 December 2008: HK\$215.7 million). Non-current assets and net current liabilities of the Group as at 30 June 2009 amounted to approximately HK\$464.0 million (31 December 2008: HK\$468.0 million) and approximately HK\$177.4 million (31 December 2008: HK\$169.7 million), respectively. In order to improve the Group's financial position, immediate liquidity and cash flows, the management is considering various alternatives to strengthen the capital base of the Company.

As at 30 June 2009, the Group's cash and bank balances amounted to approximately HK\$0.8 million (31 December 2008: HK\$3.7 million), which were denominated in Hong Kong dollars and Renminbi. As at 30 June 2009, the Group's total borrowings amounted to approximately HK\$79.4 million (31 December 2008: HK\$78.9 million) including an amount due to a minority shareholder of a subsidiary of approximately HK\$34.0 million (31 December 2008: HK\$34.1 million), short term borrowings of approximately HK\$26.8 million (31 December 2008: HK\$26.2 million) and a bank loan of approximately HK\$18.6 million (31 December 2008: HK\$18.6 million). All the borrowings are denominated in Renminbi. The amount due to a minority shareholder of a subsidiary is unsecured, interest-free and has no fixed terms of repayment. The short term borrowings and the bank loan are unsecured, bear fixed interest rates and are repayable within one year. The gearing ratio of the Group as at 30 June 2009, calculated as net debt divided by equity attributable to equity holders of the parent plus net debt, was 47% (31 December 2008: 45%).

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

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

CHARGE ON ASSETS

As at 30 June 2009, there was no charge on the Group's assets (31 December 2008: Nil).

CONTINGENT LIABILITIES

As at 30 June 2009, the Group had no material contingent liabilities (31 December 2008: Nil).

EMPLOYEE AND REMUNERATION POLICY

As at 30 June 2009, the Group had approximately 224 (2008: 138) employees in Hong Kong and the PRC with total staff costs amounted to approximately HK\$8.8 million (2008: HK\$16.1 million). Remuneration of employees is offered at competitive standards, generally structured with reference to market terms and individual qualifications. The Company has adopted a share option scheme and the purpose of which is to provide incentives to participants for their contribution to the Group, and to enable the Group to recruit and retain quality employees to serve the Group on a long-term basis.

OTHER INFORMATION

DIRECTORS' INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES

At 30 June 2009, the interests and short positions of the directors in the share capital and underlying shares of the Company or its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")), as recorded in the register required to be kept by the Company pursuant to Section 352 of the SFO, or as otherwise notified to the Company and The Stock Exchange of Hong Kong Limited (the "Stock Exchange") pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers, were as follows:

Long positions in ordinary shares of the Company:

Name of director	Number of shares held, capacity and nature of interest		Total	Percentage of the Company's issued share capital
	Directly beneficially owned	Through spouse		
Mr. Lo Peter	3,160,000	–	3,160,000	0.55
Mr. Li Wentao	950,000	–	950,000	0.16
Mr. Sun David Lee	–	230,000	230,000	0.04
Mr. Zhao Difei	2,220,000	–	2,220,000	0.39
Mr. Li Jian Quan	5,040,000	–	5,040,000	0.88
Mr. Lu Gui Pin	6,864,000	–	6,864,000	1.19
	18,234,000	230,000	18,464,000	3.21

Long positions in share options of the Company:

Name of director	Number of options directly beneficially owned
Mr. Lo Peter	3,320,000
Mr. Li Wentao	4,050,000
Mr. Sun David Lee	3,320,000
Mr. Zhao Difei	3,000,000
Mr. Li Jian Quan	3,000,000
Mr. Lu Gui Pin	2,400,000
Mr. Yeung Ting-Lap Derek Emory	200,000
Dr. Loke Yu	200,000
Mr. Zuchowski Sam	200,000
	<hr/>
	19,690,000
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Save as disclosed above, as at 30 June 2009, none of the directors had registered an interest or short position in the shares, underlying shares of the Company or any of its associated corporations that was required to be recorded pursuant to Section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers.

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

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

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. The Scheme was adopted on 23 May 2007 and, unless otherwise cancelled or amended, will remain in force for 10 years from that date. Details of the Scheme are set out in the published annual report of the Company for the year ended 31 December 2008.

The following table discloses movements in the Company's share options outstanding during the six months ended 30 June 2009:

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 2009	Granted during the period	Exercised during the period	At 30 June 2009				
							HK\$ per share	HK\$ per share
Directors								
Mr. Lo Peter	1,660,000	-	-	1,660,000	31-10-08	31-10-08 to 30-10-11	0.288	0.28
	1,660,000	-	-	1,660,000	31-10-08	31-10-09 to 30-10-12	0.288	0.28
	3,320,000	-	-	3,320,000				
Mr. Li Wentao	1,550,000	-	-	1,550,000	31-10-08	31-10-08 to 30-10-11	0.288	0.28
	2,500,000	-	-	2,500,000	31-10-08	31-10-09 to 30-10-12	0.288	0.28
	4,050,000	-	-	4,050,000				
Mr. Sun David Lee	1,660,000	-	-	1,660,000	31-10-08	31-10-08 to 30-10-11	0.288	0.28
	1,660,000	-	-	1,660,000	31-10-08	31-10-09 to 30-10-12	0.288	0.28
	3,320,000	-	-	3,320,000				
Mr. Zhao Difei	750,000	-	-	750,000	31-10-08	31-10-08 to 30-10-11	0.288	0.28
	2,250,000	-	-	2,250,000	31-10-08	31-10-09 to 30-10-12	0.288	0.28
	3,000,000	-	-	3,000,000				
Mr. Li Jian Quan	2,250,000	-	(1,500,000)	750,000	31-10-08	31-10-08 to 30-10-11	0.288	0.28
	2,250,000	-	-	2,250,000	31-10-08	31-10-09 to 30-10-12	0.288	0.28
	4,500,000	-	(1,500,000)	3,000,000				
Mr. Lu Gui Pin	600,000	-	-	600,000	31-10-08	31-10-08 to 30-10-11	0.288	0.28
	1,800,000	-	-	1,800,000	31-10-08	31-10-09 to 30-10-12	0.288	0.28
	2,400,000	-	-	2,400,000				

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 2009	Granted during the period	Exercised during the period	At 30 June 2009				
							<i>HK\$ per share</i>	<i>HK\$ per share</i>
Mr. Yeung Ting-Lap Derek Emory	-	100,000	-	100,000	11-2-09	11-2-09 to 10-2-12	0.19	0.187
	-	100,000	-	100,000	11-2-09	11-2-10 to 10-2-13	0.19	0.187
	-	200,000	-	200,000				
Dr. Loke Yu	-	100,000	-	100,000	11-2-09	11-2-09 to 10-2-12	0.19	0.187
	-	100,000	-	100,000	11-2-09	11-2-10 to 10-2-13	0.19	0.187
	-	200,000	-	200,000				
Mr. Zuchowski Sam	-	100,000	-	100,000	11-2-09	11-2-09 to 10-2-12	0.19	0.187
	-	100,000	-	100,000	11-2-09	11-2-10 to 10-2-13	0.19	0.187
	-	200,000	-	200,000				
	20,590,000	600,000	(1,500,000)	19,690,000				
Other employees								
In aggregate	4,088,000	-	-	4,088,000	31-10-08	31-10-08 to 30-10-11	0.288	0.28
	7,445,000	-	-	7,445,000	31-10-08	31-10-09 to 30-10-12	0.288	0.28
	11,533,000	-	-	11,533,000				
	32,123,000	600,000	(1,500,000)	31,223,000				

Notes to the table of share options outstanding:

- * The vesting period of the share options is from the date of grant until the commencement of the exercise period.
- ** The exercise price of the share options is subject to adjustment in the case of rights or bonus issues, or other similar changes in the Company's share capital.
- *** The closing price of the Company's shares immediately before the exercise date of the share options was HK\$0.40.

The fair value of the share options granted during the period was approximately HK\$57,000. The fair value of equity-settled share options granted during the period 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:

	Vest on 11 February 2009	Vest on 11 February 2010
Dividend yield (%)	0.00	0.00
Expected volatility (%)	104.44	98.22
Historical volatility (%)	104.44	98.22
Risk-free interest rate (%)	0.922	1.209
Expected life of options (<i>year</i>)	3	4
Weighted average share price (<i>HK\$</i>)	0.19	0.19

The Group recognised a share option expense of approximately HK\$5,207,000 (2008: HK\$10,802,000) during the six months ended 30 June 2009.

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

At 30 June 2009, 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 (<i>note</i>)	Interest of controlled corporations	323,960,000	56.39
Orientelite Investments Limited (<i>note</i>)	Beneficial owner	195,000,000	33.94
	Interest of a controlled corporation	128,960,000	22.45
CEC Agricapital Group Limited	Beneficial owner	128,960,000	22.45

Note:

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

Save as disclosed above, as at 30 June 2009, no person, other than the directors of the Company, whose interests are set out in the section "Directors' interests and short positions in shares and underlying shares" above, had registered an interest or short position in the shares or underlying shares of the Company that was required to be recorded pursuant to Section 336 of the SFO.

PURCHASE, REDEMPTION OR SALE OF LISTED SECURITIES OF THE COMPANY

Neither the Company, nor any of its subsidiaries purchased, redeemed or sold any of the Company's listed securities during the six months ended 30 June 2009.

MODEL CODE FOR SECURITIES TRANSACTIONS

The Company has adopted a code on ethics and securities transactions, which incorporates a code of conduct regarding directors' securities transactions on terms no less exacting than the required standard set out in Model Code for Securities Transactions by Directors of Listed Issuers of the Listing Rules. Specified employees who are likely to be in possession of unpublished price-sensitive information of the Company are also subject to the compliance with the code. Based on specific enquiry of the Company's directors, the directors have complied with the required standard set out in the code on ethics and securities transactions throughout the six months ended 30 June 2009.

COMPLIANCE WITH THE CODE ON CORPORATE GOVERNANCE PRACTICES

The Company has complied with the Code on Corporate Governance Practices as set out in Appendix 14 of the Listing Rules throughout the six months ended 30 June 2009.

By order of the Board

Peter Lo

Chairman

Hong Kong, 15 September 2009