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## **China Asean Resources Limited**

**神州東盟資源有限公司**

*(Incorporated in Bermuda with limited liability)*

**(Stock no. 8186)**

### **SECOND QUARTERLY RESULTS ANNOUNCEMENT FOR THE SIX MONTHS ENDED 30 JUNE 2008**

#### **CHARACTERISTICS OF THE GROWTH ENTERPRISE MARKET (“GEM”) OF THE STOCK EXCHANGE OF HONG KONG LIMITED (THE “STOCK EXCHANGE”)**

**GEM has been established as a market designed to accommodate companies to which a high investment risk may be attached. In particular, companies may list on GEM with neither a track record of profitability nor any obligation to forecast future profitability. Furthermore, there may be risks arising out of the emerging nature of companies listed on GEM and the business sectors or countries in which the companies operate. Prospective investors should be aware of the potential risks of investing in such companies and should make the decision to invest only after due and careful consideration. The greater risk profile and other characteristics of GEM mean that it is a market more suited to professional and other sophisticated investors.**

**Given the emerging nature of companies listed on GEM, there is a risk that securities traded on GEM may be more susceptible to high market volatility than securities traded on the Main Board and no assurance is given that there will be a liquid market in the securities traded on GEM.**

**The principal means of information dissemination on GEM is publication on the internet website operated by the Stock Exchange. Listed companies are not generally required to issue paid announcements in gazetted newspapers. Accordingly, prospective investors should note that they need to have access to the GEM website in order to obtain up-to-date information on GEM-listed issuers.**

## FINANCIAL HIGHLIGHTS

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

## INTERIM RESULTS (UNAUDITED)

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

### CONSOLIDATED INCOME STATEMENT

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

## CONSOLIDATED BALANCE SHEET

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

## CONDENSED CONSOLIDATED CASH FLOW STATEMENT

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

## CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (UNAUDITED)

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

## NOTES TO THE UNAUDITED INTERIM FINANCIAL STATEMENTS

### 1. BASIS OF PREPARATION

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

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

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

### 2. TURNOVER

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

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

Turnover recognised during the period is analysed as follows:

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

### 3. SEGMENT INFORMATION

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

#### Business segments

The Group comprises the following main business segments:

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

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

### 4. OTHER INCOME

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

## 5. FINANCE COSTS

|   | For the three months<br>ended 30 June |                 | For the six months<br>ended 30 June |                 |
|---|---------------------------------------|-----------------|-------------------------------------|-----------------|
|   | 2008                                  | 2007            | 2008                                | 2007            |
|   | <i>HK\$'000</i>                       | <i>HK\$'000</i> | <i>HK\$'000</i>                     | <i>HK\$'000</i> |
| Interest on bank borrowings<br>wholly repayable within five years | <b>73</b>                             | <b>2</b>        | <b>135</b>                          | <b>24</b>       |

## 6. PROFIT/(LOSS) BEFORE TAXATION

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

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

## 7. TAXATION

### (a) Hong Kong Profits Tax

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

### (b) PRC Income Tax

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

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

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

## 8. EARNINGS/(LOSS) PER SHARE

### (a) Basic earnings/(loss) per share

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

### (b) Diluted earnings/(loss) per share

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

## 9. DIVIDENDS

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

## 10. PROPERTY, PLANT AND EQUIPMENT

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

## 11. CONSTRUCTION IN PROGRESS

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

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

## 12. BIOLOGICAL ASSETS

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

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

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

|                                 | <i>HK\$'000</i>     |
|---------------------------------|---------------------|
| <b>Cost</b>                     |                     |
| At 1 January 2007               | 2,635               |
| Exchange adjustments            | 191                 |
|                                 | <hr/>               |
| At 31 December 2007             | 2,826               |
| Exchange adjustments            | 184                 |
|                                 | <hr/>               |
| <b>At 30 June 2008</b>          | <b><u>3,010</u></b> |
| <b>Accumulated amortisation</b> |                     |
| At 1 January 2007               | 126                 |
| Charge for the year             | 123                 |
| Exchange adjustments            | 14                  |
|                                 | <hr/>               |
| At 31 December 2007             | 263                 |
| Charge for the period           | 67                  |
| Exchange adjustments            | 18                  |
|                                 | <hr/>               |
| <b>At 30 June 2008</b>          | <b><u>348</u></b>   |
| <b>Net book value</b>           |                     |
| <b>At 30 June 2008</b>          | <b><u>2,662</u></b> |
|                                 | <hr/>               |
| At 31 December 2007             | <u>2,563</u>        |

- (a) The leasehold land entitlements held by the Group are under medium-term leases and situated in the PRC.
- (b) At 30 June 2008, one of the leasehold land assets amounting to HK\$1,158,000 (31 December 2007: HK\$1,109,000) had been pledged to a bank as security for Group bank borrowing and banking facilities.

## 14. INTANGIBLE ASSETS

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

### Forest exploitation rights

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

## 15. INVENTORIES

|                  | At 30 June<br>2008<br><i>HK\$'000</i> | At 31 December<br>2007<br><i>HK\$'000</i> |
|------------------|---------------------------------------|---|
| Raw materials    | 5,546                                 | 3,483                                     |
| Work in progress | 1,646                                 | 434                                       |
| Finished goods   | 3,751                                 | 2,102                                     |
|                  | <hr/>                                 | <hr/>                                     |
|                  | <b>10,943</b>                         | <b>6,019</b>                              |
|                  | <hr/> <hr/>                           | <hr/> <hr/>                               |

## 16. TRADE AND OTHER RECEIVABLES

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

### Notes:

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

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

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

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

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

## 17. TRADE AND OTHER PAYABLES

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

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

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

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

## 18. BANK LOAN

The bank loan is repayable as follows:

|                              | <b>At 30 June<br/>2008<br/>HK\$'000</b> | At 31 December<br>2007<br>HK\$'000 |
|------------------------------|---|------------------------------------|
| Within one year or on demand | <u>5,118</u>                            | <u>–</u>                           |

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

## 19. SHARE CAPITAL

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

## 20. COMMITMENTS

### (a) Capital commitments

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

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

**(b) Operating lease commitments**

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

|                                 | <b>At 30 June<br/>2008<br/>HK\$'000</b> | At 31 December<br>2007<br>HK\$'000 |
|---------------------------------|---|------------------------------------|
| Within 1 year                   | 229                                     | 257                                |
| After 1 year but within 5 years | –                                       | 220                                |
| After 5 years                   | –                                       | 251                                |
|                                 | <u>229</u>                              | <u>728</u>                         |

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

**21. MATERIAL RELATED PARTY TRANSACTIONS**

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

**22. SUBSEQUENT EVENTS**

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

**BUSINESS REVIEW**

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

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

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

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

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

## OUTLOOK

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

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

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

## FINANCIAL REVIEW

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

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

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

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

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

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

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

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

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

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

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

## **EMPLOYEE INFORMATION**

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

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

## **OTHER INFORMATION**

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

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

| <b>Name</b>             | <b>Number of ordinary shares of HK\$0.01 each in the share capital and options of the Company held</b> | <b>Nature of interests</b>                              | <b>Percentage of interest</b> |
|-------------------------|--|---|-------------------------------|
| Dr. Li Nga Kuk, James   | 32,800,000   | Personal  | 3.93%                         |
| Mr. Li Tai To, Titus    | 16,400,000   | Personal  | 1.96%                         |
| Mr. Leung Sze Yuan Alan | 7,800,000<br>17,000,000  | Personal<br>Share options granted but not yet exercised | 1.96%                         |
| Mr. Zhang Zhenzhong     | 17,000,000   | Share options granted but not yet exercised             |                               |

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

## **DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBT SECURITIES**

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

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

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

## **INTERESTS DISCLOSEABLE UNDER THE SFO AND SUBSTANTIAL SHAREHOLDERS**

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

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

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

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

#### **DIRECTORS' INTEREST IN CONTRACTS**

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

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

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

#### **COMPETING INTERESTS**

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

#### **CORPORATE GOVERNANCE AND AUDIT COMMITTEE**

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

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

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

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

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

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

By order of the Board  
**Leung Sze Yuan Alan**  
*Chairman*

Hong Kong, 8 August 2008

*As at the date of this announcement, the Board comprises two executive Directors, namely, Mr. Leung Sze Yuan, Alan, and Mr. Zhang Zhenzhong, two non-executive Directors, namely, Mr. Li Nga Kuk, James, and Mr. Li Tai To, Titus and three independent non-executive Directors, namely Mr. Fan Wan Tat, Mr. Tam Wai Leung, Joseph and Mr. Chan Kim Chung, Daniel.*