



Interim Report
2009/10



VITOP BIOENERGY HOLDINGS LIMITED

天年生物控股有限公司

(Incorporated in the Cayman Islands with limited liability)

Stock Code: 1178

INTERIM RESULTS

The board of directors (the “Board”) of Vitop Bioenergy Holdings Limited (the “Company”) announces the unaudited consolidated interim results of the Company and its subsidiaries (the “Group”) for the six months ended 31 December 2009 (the “Period”) together with comparative figures for the corresponding period in 2008 as follows:

CONDENSED CONSOLIDATED INCOME STATEMENT

	Notes	Six months ended 31 December	
		2009 (Unaudited) HK\$'000	2008 (Unaudited) HK\$'000
REVENUE	3	43,928	52,183
Cost of sales		(28,933)	(31,081)
Gross profit		14,995	21,102
Other income		2,777	1,991
Selling and distribution costs		(9,492)	(13,047)
Administrative expenses		(11,885)	(14,481)
Other operating expenses		(1,125)	(572)
LOSS FROM OPERATING ACTIVITIES	4	(4,730)	(5,007)
Finance incomes	5	72	101
Finance cost	5	(33)	(56)
Finance incomes-net	5	39	45
LOSS BEFORE INCOME TAX EXPENSE		(4,691)	(4,962)
Income tax expense	6	(155)	(39)
LOSS FOR THE PERIOD		(4,846)	(5,001)
ATTRIBUTABLE TO:			
Owners of the Company		(4,939)	(5,087)
Non-controlling interests		93	86
		(4,846)	(5,001)
DIVIDENDS	7	—	—
LOSS PER SHARE	8		
Basic		HK(0.56) cents	HK(0.65) cents
Diluted		N/A	N/A

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Six months ended 31 December	
	2009 (Unaudited) HK\$'000	2008 (Unaudited) HK\$'000
LOSS FOR THE PERIOD	(4,846)	(5,001)
Other comprehensive income/(expense):		
Exchange differences arising on translation of foreign operations and to presentation currency	(863)	204
Total comprehensive income for the period	(5,709)	(4,797)
Total comprehensive income attributable to:		
Owners of the Company	(5,802)	(4,883)
Non-controlling interests	93	86
	(5,709)	(4,797)

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Notes	31 December 2009 (Unaudited) HK\$'000	30 June 2009 (Audited) HK\$'000
ASSETS AND LIABILITIES			
Non-current assets			
Property, plant and equipment	9	4,398	4,939
Intangible assets		827	932
Available-for-sale investments		21,700	21,700
Financial assets designated at fair value through profit or loss		1,704	591
Pledged bank deposit		20	20
		28,649	28,182
Current assets			
Inventories	10	18,637	14,950
Trade receivables	11	5,822	1,593
Deposits, prepayments and other receivables		29,424	24,818
Cash and bank balances		16,568	23,291
		70,451	64,652
Current liabilities			
Trade payables	12	12,614	3,662
Accrued liabilities and other payables		13,296	9,439
Deposits received		8,930	8,926
Obligation under finance lease — current portion		79	79
Interest-bearing bank loans		2,342	2,500
Provision for income tax		242	870
		37,503	25,476
Net current assets		32,948	39,176
Total asset less current liabilities		61,597	67,358
Non-current liabilities			
Obligation under finance lease — non-current portion		95	147
Net assets		61,502	67,211

	Notes	31 December 2009 (Unaudited) HK\$'000	30 June 2009 (Audited) HK\$'000
EQUITY			
Equity attributable to owners of the Company			
Share capital	13	22,070	22,070
Reserves		37,104	42,906
		59,174	64,976
Non-controlling interests		2,328	2,235
Total equity		61,502	67,211

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Share capital	Share premium	Statutory reserve	Capital redemption reserve	Capital reserve	Translation reserve	Share option reserve	Accumulated losses	Total (Unaudited)	Non-controlling interests	Total equity (Unaudited)
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
At 1 July 2008 (Audited)	18,392	45,203	8,789	29	28,764	7,227	8,619	(61,312)	55,711	2,099	57,810
Loss for the Period	—	—	—	—	—	—	—	(5,087)	(5,087)	86	(5,001)
Other comprehensive income:											
Exchange differences on translation	—	—	—	—	—	204	—	—	204	—	204
Total comprehensive income/(expenses) for the period	—	—	—	—	—	204	—	(5,087)	(4,883)	86	(4,797)
Issue of share capital	3,678	11,057	—	—	—	—	—	—	14,735	—	14,735
At 31 December 2008	22,070	56,260	8,789	29	28,764	7,431	8,619	(66,399)	65,563	2,185	67,748
At 1 July 2009 (Audited)	22,070	56,260	8,789	29	28,764	8,197	8,619	(67,752)	64,976	2,235	67,211
Loss for the Period	—	—	—	—	—	—	—	(4,939)	(4,939)	93	(4,846)
Other comprehensive expenses:											
Exchange differences on translation	—	—	—	—	—	(863)	—	—	(863)	—	(863)
Total comprehensive income/(expenses) for the period	—	—	—	—	—	(863)	—	(4,939)	(5,802)	93	(5,709)
At 31 December 2009	22,070	56,260	8,789	29	28,764	7,334	8,619	(72,691)	59,174	2,328	61,502

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOW

	Six months ended 31 December	
	2009 (Unaudited) HK\$'000	2008 (Unaudited) HK\$'000
NET CASH USED IN OPERATING ACTIVITIES	(4,171)	(64)
NET CASH USED IN INVESTING ACTIVITIES	(1,479)	(258)
NET CASH (USED IN)/GENERATED FROM FINANCING ACTIVITIES	(210)	14,297
(DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS	(5,860)	13,975
CASH AND CASH EQUIVALENTS AT 1 JULY	23,291	10,196
EFFECT OF FOREIGN EXCHANGE	(863)	204
CASH AND CASH EQUIVALENTS AT 31 DECEMBER	16,568	24,375
ANALYSIS OF THE BALANCES OF CASH AND CASH EQUIVALENTS		
CASH AND BANK BALANCES	16,568	24,375

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

1. BASIS OF PREPARATION AND PRINCIPAL ACCOUNTING POLICIES

(a) Basis of Preparation

The condensed consolidated financial statements have been prepared in accordance with the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited and Hong Kong Accounting Standard (“HKAS”) 34 “Interim Financial Reporting” issued by the Hong Kong Institute of Certified Public Accountants (the “HKICPA”).

(b) Principal Accounting Policies

The condensed consolidated financial statements have been prepared under the historical cost basis except for certain financial instruments, which are measured at fair values, as appropriate.

In the current Period, the Group has applied, for the first time, a number of new and revised standards, amendments and interpretations issued by the HKICPA which are effective for the financial year beginning on 1 January 2009. Except as described below, the accounting policies used in the interim financial information are consistent with those followed in the preparation of the consolidated financial statements of the Group for the year ended 30 June 2009, included in the annual report of the Group for the year ended 30 June 2009. The adoption of these new standards has resulted in the following changes. The adoption of the other new and revised standards, amendments and interpretations had no material effect on how the results and financial position for the current and prior accounting periods have been prepared and presented.

Presentation of Financial Statements

In the current Period, the Group has adopted HKAS 1 (Revised) “Presentation of Financial Statements” which has introduced a number of terminology changes (including revised titles for the consolidated financial statements) and has resulted in a number of changes in presentation and disclosure. The adoption of HKAS 1 (Revised), however, has no impact on the reported results or financial position of the Group.

Segment Information

In the current Period, the Group has adopted Hong Kong Financial Reporting Standard (“HKFRS”) 8 “Operating Segments”. HKFRS 8 requires the presentation of operating segments in a manner consistent with the internal reports that are regularly reviewed by the Group’s chief operating decision maker. HKFRS 8 replaces HKAS 14 “Segment reporting” which required an entity to identify two sets of segments (business and geographical). The adoption of HKFRS 8 has no impact on the measures of the segment results and segment assets and has not resulted in redesignation of the Group’s reportable segments.

The Group has not early applied the new standards, amendments or interpretations that have been issued but are not yet effective. The directors of the Company anticipate that the application of these standards, amendments or interpretations will have no material impact on the results and the financial position of the Group.

2. SEGMENT INFORMATION

The Group has adopted HKFRS 8 “Operating Segments” with effect from 1 January 2009 as explained in note 1 to the condensed consolidated financial statements, HKFRS 8 requires operating segments to be identified on the basis of internal reports about components of the Group that are regularly reviewed by the chief operating decision maker in order to allocate resources to segments and to assess their performance. In contrast, HKAS 14 “Segment reporting”, the predecessor standard, required an entity to identify two sets of segments (business and geographical) using a risks and returns approach, with the entity’s “system of internal financial reporting to key management personnel” serving only as the starting point for the identification of such segments. In the past, the Group’s primary reporting format was business segments. The application of HKFRS 8 has not resulted in redesignation of the Group’s reportable segments as compared with the primary reportable segment determined in accordance with HKAS 14. Nor has the adoption of HKFRS 8 changed the basis of measurement of segment profit or loss.

The identification of the Group’s reportable segments under HKFRS 8 is consistent with the prior years’ presentation of business segments under HKAS 14 as below:

Operating segments

BIOenergy products

Healthcare food products

Multi-functional water generators

Principal activities

Trading of BIOenergy products

Trading of Healthcare food products

Trading and manufacturing of
Multi-functional water generators

	BIOenergy products		Healthcare food products		Multi-functional water generators		Others		Consolidated	
	2009 HK\$'000	2008 HK\$'000	2009 HK\$'000	2008 HK\$'000	2009 HK\$'000	2008 HK\$'000	2009 HK\$'000	2008 HK\$'000	2009 HK\$'000	2008 HK\$'000
Segment revenue:										
Sales to external customers	6,551	6,320	9,990	13,440	27,194	31,696	193	727	43,928	52,183
Segment results	1,445	1,731	1,978	3,224	3,850	5,781	(336)	(309)	6,937	10,427
Unallocated other income									2,816	2,036
Unallocated expense									(14,444)	(17,425)
Loss before income tax expense									(4,691)	(4,962)
Income tax expenses									(155)	(39)
Loss for the Period									(4,846)	(5,001)

No geographical analysis is presented as all of the Group’s revenue and contribution to loss is attributable to markets in the PRC.

3. REVENUE

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

4. LOSS FROM OPERATING ACTIVITIES

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

	Six months ended 31 December	
	2009 (Unaudited) HK\$'000	2008 (Unaudited) HK\$'000
Cost of inventories sold	28,933	31,081
Amortisation of intangible assets	405	697
Depreciation of property, plant and equipment	976	1,804
Loss on disposal of property, plant and equipment	—	(62)
Reversal of impairment loss on financial assets designated at fair value through profit and loss	(1,114)	—

5. FINANCE INCOMES AND COST

	Six months ended 31 December	
	2009 (Unaudited) HK\$'000	2008 (Unaudited) HK\$'000
Finance incomes:		
— interest income from bank deposits	7	36
— interest income from financial assets designated at fair value through profit or loss	65	65
	72	101
Finance cost:		
— Interest on bank borrowings wholly repayable within five years	(33)	(56)
Net finance incomes	39	45

6. INCOME TAX EXPENSE

	Six months ended 31 December	
	2009	2008
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Current — PRC Charge for the Period	155	39

Hong Kong profits tax has not been provided as the Group had no assessable profits arising in Hong Kong during the Period (2008: Nil). Taxes on profits assessable elsewhere have been calculated at the applicable rates of tax prevailing in the jurisdiction in which the Group operates, based on existing legislation, interpretations and practices in respect thereof during the Period.

As at 31 December 2009, the Group did not have any significant unprovided deferred tax liabilities (30 June 2009: Nil).

7. DIVIDENDS

The Board has resolved not to declare any interim dividend for the Period (2008: Nil).

8. LOSS PER SHARE

The calculation of basic loss per share is based on the loss attributable to owners for the Period of approximately HK\$4,939,000 (2008: loss of approximately HK\$5,087,000) and the weighted average number of 882,785,961 (2008: the weighted average number of 784,719,294) ordinary shares in issue during the Period.

Diluted loss per share amounts for the six months ended 31 December 2009 has not been disclosed as there were no potential dilutive ordinary shares.

No diluted loss per share was presented for the six months ended 31 December 2008 as the impact of the exercise of share options was anti-dilutive.

9. PROPERTY, PLANT AND EQUIPMENT

	Total
	HK\$'000
At 1 July 2009 (audited)	4,939
Additions	435
Depreciation	(976)
At 31 December 2009 (unaudited)	4,398

10. INVENTORIES

	31 December 2009 (Unaudited) HK\$'000	30 June 2009 (Audited) HK\$'000
Raw materials	3,776	5,453
Work in progress	3,555	4,625
Finished goods	14,326	7,892
	21,657	17,970
Less: Provision for obsolete and slow-moving finished goods	(3,020)	(3,020)
	18,637	14,950

11. TRADE RECEIVABLES

The credit terms that the Group offers to customers are generally not more than 90 days. Details of the ageing analysis of trade receivables (net of impairment losses for bad and doubtful debts) are as follows:

	31 December 2009 (Unaudited) HK\$'000	30 June 2009 (Audited) HK\$'000
Within 30 days	1,279	662
Between 31 to 60 days	1,005	143
Between 61 to 180 days	2,206	344
Over 180 days	1,332	444
	5,822	1,593

12. TRADE PAYABLES

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

	31 December 2009 (Unaudited) HK\$'000	30 June 2009 (Audited) HK\$'000
Outstanding balances with ages:		
Within 30 days	5,368	3,457
Between 31 to 60 days	3,556	80
Between 61 to 180 days	1,988	64
Over 180 days	1,702	61
	12,614	3,662

13. SHARE CAPITAL

	Number of ordinary shares (Unaudited)	Share capital HK\$'000 (Unaudited)
Authorised:		
Ordinary shares of HK\$0.025 each		
At 1 July 2008, 1 July 2009 and 31 December 2009	20,000,000,000	500,000
Issued and fully paid:		
Ordinary share of HK\$0.025 each		
At 1 July 2008	735,685,961	18,392
Issuance of ordinary share (note)	147,100,000	3,678
At 1 July 2009 and 31 December 2009	882,785,961	22,070

Note: On 8 September 2008 and 24 September 2008, the Company entered into the Subscription Agreements with each of the Subscribers respectively whereby the Company conditionally agreed to allot and issue and the Subscribers conditionally agreed to subscribe for a total of 23,800,000 and 123,300,000 Subscription Shares at a nominal value of HK\$0.025 each respectively, Subscriptions of such new shares at the Subscription Price of HK\$0.1269 and HK\$0.095 per new Share respectively were completed on 5 November 2008.

14. COMMITMENTS

Operating Lease Commitment

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

As at 31 December 2009, the total future minimum lease payments under non-cancellable operating leases are payable as follows:

	31 December 2009 (Unaudited) HK\$'000	30 June 2009 (Audited) HK\$'000
Within one year	856	856
In the second to fifth years	1,248	1,675
	2,104	2,531

15. CONTINGENT LIABILITIES

The Company has executed a corporate guarantee amounting to HK\$2,500,000 (2008: HK\$5,000,000) with respect to a bank loan to one of its subsidiaries. Under the guarantee, the Company would be liable to pay the bank if the bank is unable to recover the loan. At the balance sheet date, no provision for the Company's obligation under the guarantee has been made as the directors considered that it was not probable that the repayment of the loan would be in default.

Save as disclosed above, neither the Group nor the Company had any significant contingent liabilities at the balance sheet date.

16. EVENT AFTER THE BALANCE SHEET DATE

On 2 December 2009, the Company announced that the completion of the acquisition of 18% equity interest in Skyflying Da Zhong Hua Cigarette Limited shall be postponed to a date on or before 30 June 2010. Please refer to the Company's announcement of 2 December 2009 for further details.

17. COMPARATIVE FIGURES

Certain comparative figures have been reclassified in order to conform with the current Period's presentation.

MANAGEMENT DISCUSSION & ANALYSIS

OPERATION REVIEW

The Group endeavoured to pursue business optimization and development during the Period under review. With the backdrop of the global economic crisis, persistent gloom of China's healthcare industry and keener competition from the rivals as well as facing with our ageing products and unfashionable marketing mode, we identified it "a year of optimization, innovation and development". During the Period, we properly adjusted the composition of our senior management and their duties and functions and streamlined those operations which were recently not profitable accordingly. Under such circumstances, the Group recorded revenue of approximately HK\$43.93 million, representing a decrease of approximately 15.81% as compared with the previous Period, and its loss for the Period decreased approximately by HK\$0.15 million or approximately 3% over last Period, mainly resulting from the stringent control on costs and expenses, particularly the reduction in unnecessary expenditure and the reversal of impairment loss on financial assets designated at fair value through profit and loss amounted to approximately HK\$1.11 million. The Group's gross profit margin for the Period was approximately 34.14%, representing a drop of approximately 6.30 percentage points compared to last Period. The decline in gross profit margin was mainly due to the launching of a series of premium sales and promotion activities by the Company in response to the market penetration by the competitors and in view of arousing the consumption needs of customers.

FINANCIAL REVIEW

Revenue

For the six months ended 31 December 2009, the Group's revenue amounted to approximately HK\$43.93 million (2008: approximately HK\$52.18 million) representing a decrease of approximately 15.81% as compared with the same period of last year. The decrease in revenue was mainly due to the continuous downturn in the multi-functional water generators and healthcare food products as a result of the weakening PRC economy and high competition.

Gross Profit

The gross profit margin of the Group for the Period decreased by approximately 6.30 percentage points to approximately 34.14% from approximately 40.44% in the same period of last year. Gross profit decreased by approximately HK\$6.10 million or approximately 28.91% to approximately HK\$15.00 million for the Period. The decline in gross profit margin was mainly due to the launching of a series of premium sales and promotion activities by the Company in response to the market penetration by the competitors and in view of arousing the consumption needs of customers.

Loss Attributable to Owners

Net loss attributable to owners was approximately HK\$4.94 million for the Period compared with a net loss attributable to owners of approximately HK\$5.09 million for last Period. The decrease of net loss attributable to owners of approximately HK\$0.15 million were mainly resulting from the stringent control on costs and expenses particularly the reduction in unnecessary expenses and the reversal of impairment loss on financial assets designated at fair value through profit and loss amounted to approximately HK\$1.11 million.

LIQUIDITY AND FINANCIAL RESOURCES

The Group finances its operations with internally generated cash flows, banking facilities, and proceeds from the new share placements.

As at 31 December 2009, the Group had aggregate available banking facilities of HK\$2.50 million (30 June 2009: HK\$5.00 million), of which approximately HK\$2.34 million (30 June 2009: approximately HK\$2.50 million) was utilized and subject to floating market rates. The Group's cash and bank balance at that date amounted to approximately HK\$16.57 million (30 June 2009: approximately HK\$23.29 million), which was denominated in mainly Hong Kong dollars, and Renminbi. This together with unutilized banking facilities will enable the Group to finance its operational needs.

As at 31 December 2009, the Group's current ratio and quick ratio were approximately 1.88 (30 June 2009: approximately 2.54) and approximately 1.38 (30 June 2009: approximately 1.94) respectively. As at 31 December 2009, the Group had total bank borrowing of approximately HK\$2.34 million (30 June 2009: HK\$2.50 million).

CONTINGENT LIABILITIES

The details of the contingent liabilities of the Group are set out in note 15 to the condensed consolidated interim financial information.

INTERIM DIVIDEND

The Board has resolved not to declare any interim dividend for the six months ended 31 December 2009 (2008: Nil).

MATERIAL ACQUISITIONS AND DISPOSALS OF SUBSIDIARIES AND ASSOCIATED COMPANIES

There was no material acquisition or disposal of subsidiaries and associated companies during the six months ended 31 December 2009.

EMPLOYEES AND REMUNERATION POLICIES

As at 31 December 2009, the Group employed a total of 180 employees, of which 173 are based in the PRC and 7 are based in Hong Kong. Competitive remuneration packages are structured to commensurate with individual responsibilities, qualification, experience and performance. The Group has a share option scheme for the benefit of its directors and eligible employees of the Group.

DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS IN SECURITIES

As at 31 December 2009, the interests and short positions of the directors and chief executive of the Company in the shares, underlying shares and debentures of the Company or any associated corporation (within the meaning of Part XV of the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) (the "SFO") as recorded in the register required to be kept under section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Companies (the "Model Code"), were as follows:

LONG POSITIONS IN THE SHARES AND UNDERLYING SHARES OF THE COMPANY

Name of directors	Capacity	Number of shares held	Number of underlying shares held pursuant to share options	Aggregate interest	Approximate percentage of interest
Han Qingyun	Interest of controlled corporation	200,000,000 (Note 1)	—	200,000,000	22.66%
Han Xiaoyue	Interest of controlled corporation	3,805,112 (Note 2)	—	3,805,112	0.43%
Chen Henglong	Beneficial owner	52,200,000	1,000,000	53,200,000	6.03%
Chan Yuk Tong	Beneficial owner	—	4,250,000	4,250,000	0.48%
Zhang He (retired as a director of the Company on 17 December 2009)	Beneficial owner	—	1,000,000	1,000,000	0.11%

Note 1: 181,843,836 shares held by Wide Cosmos International Holdings Co Ltd which is beneficially owned by Mr. Han Qingyun. Mr. Han Qingyun also personally holds 18,156,164 shares in the Company.

Note 2: These 3,805,112 shares are owned by Portton Investments Limited (“Portton”), the issued share capital of which is beneficially owned by Mr. Han Xiaoyue (the joint-chairman of the Company) and Mr. Wang Jiandong as to 66.67% and 33.33% respectively. Each of Mr. Han Xiaoyue and Mr. Wang Jiandong are deemed to be interested in these 3,805,112 under Part XV of the SFO. Portton is wholly owned by Power Field International Limited.

Save as disclosed above, as at 31 December 2009, none of the directors or chief executive of the Company had any interests or short positions in the shares, underlying shares and debentures of the Company or any associated corporation (within the meaning of Part XV of the SFO) which were recorded in the register required to be kept under section 352 of the SFO, or otherwise to be notified to the Company and the Stock Exchange pursuant to the Model Code.

SUBSTANTIAL SHAREHOLDERS

According to the records entered into the register required to be kept by the Company under section 336 of the SFO, so far as the directors of the Company are aware of and having made due enquiries, as at 31 December 2009, the interests and short positions of the persons (other than the directors and chief executive of the Company) in the shares and underlying shares of the Company were as follows:

LONG POSITIONS IN THE SHARES AND UNDERLYING SHARES OF THE COMPANY

Name	Capacity	Number of shares held	Number of underlying shares held pursuant to share options	Aggregate interest	Approximate percentage of interest
Wide Cosmos International Holdings Co. Ltd.	Beneficial owner (Note 1)	181,843,836	—	181,843,836	20.60%
Wang Jing	Beneficial owner	66,800,000	—	66,800,000	7.57%
Chen Henglong	Beneficial owner (Note 2)	52,200,000	1,000,000	53,200,000	6.03%
Sae-lao Rakchanok	Beneficial owner	48,902,949	—	48,902,949	5.54%

Note 1: Wide Cosmos International Holdings Co. Ltd. is beneficially owned by Mr. Han Qingyun, the chairman of the Company.

Note 2: Mr. Chen Henglong is the executive director of the Company.

Save as disclosed above, as at 31 December 2009, no person, other than the directors and chief executive of the Company whose interests are set out in the “Directors’ and chief executive’s interests in securities” section above, had an interest or a short position in the shares or underlying shares of the Company as recorded in the register required to be kept by the Company under section 336 of the SFO.

SHARE OPTIONS

Particulars of the share options granted and remained outstanding under the share option scheme (the “Scheme”) adopted by the Company on 23 January 2003 during the six months ended 31 December 2009 were as follows:

	Number of share options			At 31 December 2009	Date of grant*	Exercise period	Exercise price** HK\$
	At 1 July 2009	Granted during the Period	Lapsed during the Period				
Directors:							
Han Xiaoyue	5,584,000	—	(5,584,000)	—	10 Aug 2007	10 Aug 2007 to 9 Aug 2009	0.260
Chen Henglong	5,584,000	—	(5,584,000)	—	10 Aug 2007	10 Aug 2007 to 9 Aug 2009	0.260
	1,000,000	—	—	1,000,000	28 Feb 2008	28 Feb 2008 to 27 Feb 2010	0.217
Zhang He	5,584,000	—	(5,584,000)	—	10 Aug 2007	10 Aug 2007 to 9 Aug 2009	0.260
(retired as a director of the Company on 17 December 2009)	1,000,000	—	—	1,000,000	28 Feb 2008	28 Feb 2008 to 27 Feb 2010	0.217
Chan Yuk Tong	4,250,000	—	—	4,250,000	5 Dec 2006	5 Dec 2006 to 4 Oct 2011	0.100
	<u>23,002,000</u>	<u>—</u>	<u>(16,752,000)</u>	<u>6,250,000</u>			
Other employees:							
In aggregate	37,343,000	—	(37,343,000)	—	10 Aug 2007	10 Aug 2007 to 9 Aug 2009	0.260
In aggregate	18,500,000	—	—	18,500,000	28 Feb 2008	28 Feb 2008 to 27 Feb 2010	0.217
In aggregate	4,000,000	—	—	4,000,000	3 Apr 2008	3 Apr 2008 to 2 Apr 2010	0.255
	<u>59,843,000</u>	<u>—</u>	<u>(37,343,000)</u>	<u>22,500,000</u>			
Suppliers:							
In aggregate	6,000,000	—	(6,000,000)	—	28 Oct 2004	28 Oct 2004 to 27 Oct 2009	0.355
	<u>6,000,000</u>	<u>—</u>	<u>(6,000,000)</u>	<u>—</u>			
	<u>88,845,000</u>	<u>—</u>	<u>(60,095,000)</u>	<u>28,750,000</u>			

* The vesting period of the share options is from the date of the grant until the commencement of the exercise period.

** The exercise price of the share options is subject to adjustment in the case of rights or bonus issues, or other similar changes in the Company’s share capital.

As at 31 December 2009, the Company had 28,750,000 share options outstanding under the Share Option Scheme representing approximately 3.26% of the Shares in issue. Exercise in full of the share options would, under the present capital structure of the Company, result in the issue of 28,750,000 new Shares and additional share capital of approximately HK\$0.72 million and share premium of approximately HK\$5.17 million (before issue expenses).

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

Save as disclosed above, at no time during the six months ended 31 December 2009 was the Company or any of its subsidiaries a party to any arrangement to enable the directors or chief executive of the Company to acquire benefits by means of the acquisition of shares in, or debt securities including debentures of, the Company or any other body corporate and none of the directors or chief executive or their spouses or children under the age of 18 had any right to subscribe for securities of the Company, or had exercised any such right during the Period.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES OF THE COMPANY

During the six months ended 31 December 2009, there were no purchases, sales or redemptions of the Company's listed securities by the Company or any of its subsidiaries.

CORPORATE GOVERNANCE

Overview of Corporate Governance

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

Code on Corporate Governance Practices

During the six months ended 31 December 2009, the Company has complied with the code provisions set out in the Code on Corporate Governance Practices (the “Corporate Governance Code”) contained in Appendix 14 to the Listing Rules, except for the following code provision:

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

The Chairman of the Board, the audit committee and the remuneration committee were unable to attend the annual general meeting of the Company held on 17 December 2009 in person, but the Chairman of the Board has already delegated to one of the executive directors of the Company to chair the meeting on his behalf and on behalf of the chairmen of the audit committee and the remuneration committee.

Directors’ Securities Transaction

The Company has adopted the Model Code contained in Appendix 10 of the Listing Rules as its own code of conduct regarding directors’ securities transactions. After specific enquiry made by the Company, all directors have confirmed that they have fully complied with the Model Code during the six months ended 31 December 2009.

Independent Non-executive Directors

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

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

Audit Committee

The Company has established an audit committee in compliance with the Rules 3.21 and 3.22 of the Listing Rules. The primary duties of the audit committee are to review and supervise the financial reporting process and internal control system of the Company and provide advice and comments to the board of directors.

The audit committee comprises Ms. Zhu Jinghua (chairman of the committee), Mr. Li Xinzhong and Mr. Zhang Wen, all of whom are independent non-executive directors of the Company. Ms. Zhu Jinghua possesses appropriate professional accounting qualifications and related financial management expertise as required under rules 3.10(2) of the Listing Rules.

The audit committee, together with the management team of the Company, has reviewed the accounting principles and practices adopted by the Group and discussed accounting issues, internal control and financial reporting matters with the Directors, including a review of the unaudited interim report for the six months ended 31 December 2009.

MEMBERS OF THE BOARD

As at the date of this interim report, the board of directors of the Company comprises Mr. Han Qingyun as chairman; Dr. Han Xiaoyue as joint chairman; Dr. Chen Henglong, Ms. Guo Yanni, Mr. Long Mingfei and Mr. Xu Nianchun as executive directors; Mr. Chan Yuk Tong as non-executive director; and Mr. Li Xinzhong, Mr. Zhang Wen and Ms. Zhu Jinghua as independent non-executive directors.

By Order of the Board
Han Qingyun
Chairman

Hong Kong, 29 March 2010