



中國植物開發控股有限公司

CHINA BOTANIC DEVELOPMENT HOLDINGS LIMITED

(Formerly known as Wah Yuen Holdings Limited 華園控股有限公司)

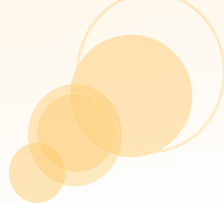
(incorporated in the Cayman Islands with limited liability)

Stock Code: 2349



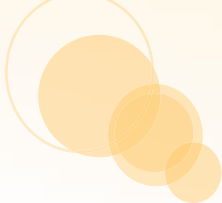
Interim
Report

2008



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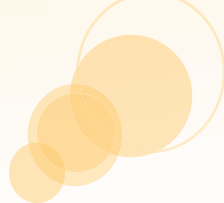
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The board (the “Board”) of directors (the “Directors”) of China Botanic Development Holdings Limited (the “Company” or “China Botanic”) is pleased to present the unaudited interim results of the Company and its subsidiaries (together, the “Group”) for the six months ended 30 June 2008 together with the unaudited comparative figures for the corresponding period in 2007 as follows:

CONDENSED CONSOLIDATED INCOME STATEMENT

		For the six months ended 30 June	
	<i>Note</i>	2008 (unaudited) HK\$'000	2007 (unaudited) HK\$'000
Turnover	3	128,136	110,014
Cost of sales		(88,962)	(74,678)
Gross profit		39,174	35,336
Gain from changes in fair value of biological assets less estimated point-of-sales costs	9	60,211	–
Other operating income		2,756	954
Selling and distribution expenses		(13,388)	(12,229)
Administrative expenses		(20,779)	(8,857)
Profit from operations	4	67,974	15,204
Finance costs	5	(20,186)	(6,016)
Profit before taxation		47,788	9,188
Taxation	6	(3,972)	(1,868)
Profit for the period		43,816	7,320
Attributable to:			
– Equity holders of the Company		16,124	7,320
– Minority interests		27,692	–
		43,816	7,320
Earnings per share	7		
– Basic		2.33 cents	1.36 cents
– Diluted		1.10 cents	1.35 cents

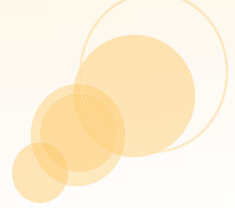


CONDENSED CONSOLIDATED BALANCE SHEET

		As at 30 June 2008 (unaudited) HK\$'000	As at 31 December 2007 (audited) HK\$'000
	<i>Note</i>		
NON-CURRENT ASSETS			
Prepaid lease payments		3,191	3,147
Property, plant and equipment		205,130	174,508
Biological assets	9	139,893	74,909
Intangible assets		832	532
Deposits paid on acquisition of a subsidiary		–	6,000
Deposits paid on acquisition of property, plant and equipment		–	17,391
Goodwill		182,340	171,613
		531,386	448,100
CURRENT ASSETS			
Inventories		88,836	64,794
Trade and other receivables	10	189,626	215,354
Pledged bank deposits		32,898	23,622
Bank balances and cash		103,891	134,649
		415,251	438,419

CONDENSED CONSOLIDATED BALANCE SHEET (Continued)

	<i>Note</i>	As at 30 June 2008 (unaudited) HK\$'000	As at 31 December 2007 (audited) HK\$'000
CURRENT LIABILITIES			
Trade and other payables	11	30,074	49,285
Obligations under finance leases		6,845	9,830
Tax payable		3,267	5,742
Amounts due to minority shareholders		7,959	5,493
Amount due to a shareholder		2,000	11,626
Borrowings		156,486	119,346
		206,631	201,322
NET CURRENT ASSETS			
		208,620	237,097
TOTAL ASSETS LESS CURRENT LIABILITIES			
		740,006	685,197
NON-CURRENT LIABILITIES			
Obligations under finance leases		1,429	3,666
Borrowings		16,426	23,098
Convertible notes	12	253,495	244,834
Deferred tax liabilities		429	379
		271,779	271,977
		468,227	413,220
CAPITAL AND RESERVES			
Share capital	13	6,919	6,919
Reserves		360,747	333,554
Equity attributable to equity holders of the Company		367,666	340,473
Minority interests		100,561	72,747
TOTAL EQUITY		468,227	413,220



CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Unaudited six months ended 30 June 2008

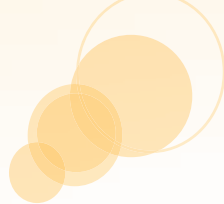
	Share capital	Share premium	Convertible notes equity reserve	Special reserve	PRC statutory reserves	Share option reserve	Translation reserves	Accumulated profits	Total	Minority interests	Total equity
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
At 1 January 2008	6,919	85,883	58,645	10,816	25,565	3,890	9,669	139,086	340,473	72,747	413,220
Equity-settled share option arrangement	-	-	-	-	-	2,465	-	-	2,465	-	2,465
Exchange differences	-	-	-	-	-	-	8,604	-	8,604	122	8,726
Profit for the period	-	-	-	-	-	-	-	16,124	16,124	27,692	43,816
At 30 June 2008	6,919	85,883	58,645	10,816	25,565	6,355	18,273	155,210	367,666	100,561	468,227

Unaudited six months ended 30 June 2007

	Share capital	Share premium	Convertible notes equity reserve	Special reserve	PRC statutory reserves	Share option reserve	Translation reserves	Accumulated profits	Total	Minority interests	Total equity
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
At 1 January 2007	5,350	68,551	-	10,816	23,917	-	(2,933)	88,842	194,543	-	194,543
Equity-settled share option arrangement	-	-	-	-	-	153	-	-	153	-	153
Issue of shares	186	3,640	-	-	-	(153)	-	-	3,673	-	3,673
Share issue expenses	-	(8)	-	-	-	-	-	-	(8)	-	(8)
Exchange differences	-	-	-	-	-	-	1,021	-	1,021	-	1,021
Profit for the period	-	-	-	-	-	-	-	7,320	7,320	-	7,320
At 30 June 2007	5,536	72,183	-	10,816	23,917	-	(1,912)	96,162	206,702	-	206,702

CONDENSED CONSOLIDATED CASH FLOW STATEMENT

	For the six months ended 30 June	
	2008 (unaudited) HK\$'000	2007 (unaudited) HK\$'000
NET CASH USED IN OPERATING ACTIVITIES	(26,500)	(1,560)
NET CASH USED IN INVESTING ACTIVITIES	(29,121)	(7,816)
NET CASH FROM FINANCING ACTIVITIES	15,546	11,720
NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS	(40,075)	2,344
CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD	123,441	20,784
EFFECT OF FOREIGN EXCHANGE RATE CHANGES	(2,849)	(4,363)
CASH AND CASH EQUIVALENTS AT END OF PERIOD	80,517	18,765
ANALYSIS OF THE BALANCES OF CASH AND CASH EQUIVALENTS		
Bank balances and cash	103,891	28,755
Bank overdrafts	(23,374)	(9,990)
	80,517	18,765



NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

For the period ended 30 June 2008

1. BASIS OF PREPARATION AND ACCOUNTING POLICIES

The interim financial report has been prepared in accordance with the applicable disclosure provisions of the Rules Governing the Listing of Securities on the Stock Exchange, including compliance with Hong Kong Accounting Standard (“HKAS”) 34 “Interim Financial Reporting” issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”).

The preparation of an interim financial report in conformity with HKAS 34 requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses on a year to date basis. Actual results may differ from these estimates. In preparing this interim financial report, the significant judgements made by management, in applying the Group’s accounting policies and key sources of estimation uncertainty were the same as those that were applied to the annual financial statements for the year ended 31 December 2007.

This interim financial report contains condensed consolidated financial statements and selected explanatory notes. The notes include an explanation of events and transactions that are significant to an understanding of the changes in financial position and performance of the Group since the annual financial statements for the year ended 31 December 2007. The condensed consolidated interim financial statements and notes thereon do not include all of the information required for full set of financial statements prepared in accordance with Hong Kong Financial Reporting Standards (“HKFRSs”, which term collectively includes HKASs and Interpretations).

The interim financial report has been prepared in accordance with the same accounting policies adopted in the annual financial statements for the year ended 31 December 2007 and the Group adopted the following new interpretations for the accounting period beginning on or after 1 January 2008:

HK(IFRIC) – Int 11	HKFRS 2 – Group and treasury share transactions
HK(IFRIC) – Int 12	Service Concession Arrangements
HK(IFRIC) – Int 14	HKAS 19 – The limit on a defined benefit asset, minimum funding requirements and their interaction

The adoption of these new interpretations do not have a significant impact on the Group’s results and financial position. The Group has not early adopted the new/revised standards and interpretations to existing standards that have been issued but not yet effective for the financial year beginning 1 January 2008. The Group is in the process of assessing their impact to the Group’s results and financial position.

2. FINANCIAL RISK MANAGEMENT

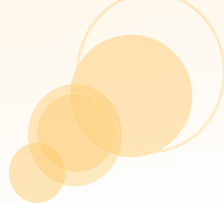
All aspects of the Group's financial risk management objectives and policies are consistent with those disclosed in the annual financial statements for the year ended 31 December 2007.

3. TURNOVER AND 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 system. Turnover represents the sales value of goods sold less returns, discounts, value added taxes and other sale taxes. The Group is engaged in the following main business segments:

- (i) Wah Yuen Foods Business Segment engages in production and distribution of snack food, convenience frozen food and other food products.
- (ii) Seabuckthorn Business Segment engages in cultivation of seabuckthorn seedlings, as well as manufacture, sales, research and development of seabuckthorn-related health products.

	Wah Yuen Foods Business		Seabuckthorn Business		Eliminations		Consolidated	
	Six months ended 30 June		Six months ended 30 June		Six months ended 30 June		Six months ended 30 June	
	2008 HK\$'000	2007 HK\$'000	2008 HK\$'000	2007 HK\$'000	2008 HK\$'000	2007 HK\$'000	2008 HK\$'000	2007 HK\$'000
REVENUE								
External sales	118,550	110,014	9,586	-	-	-	128,136	110,014
Inter-segment sales	9,653	10,450	-	-	(9,653)	(10,450)	-	-
Total revenue	128,203	120,464	9,586	-	(9,653)	(10,450)	128,136	110,014
SEGMENT RESULTS	17,381	14,250	50,302	-			67,683	14,250
Unallocated corporate income							2,756	954
Unallocated corporate expenses							(2,465)	-
Finance costs							(20,186)	(6,016)
Taxation							(3,972)	(1,868)
Profit for the period							43,816	7,320



4. PROFIT FROM OPERATIONS

The Group's profit from operations is stated after charging/(crediting) the followings:

	For the six months ended 30 June	
	2008 (unaudited) HK\$'000	2007 (unaudited) HK\$'000
Cost of inventories sold	88,962	74,678
Gain from changes in fair value of biological assets less estimated point-of-sales costs	(60,211)	–
Depreciation and amortisation	5,831	3,139
Equity-settled share option expenses	2,465	153
Operating lease rental in respect of rental premises	1,287	790

5. FINANCE COSTS

	For the six months ended 30 June	
	2008 (unaudited) HK\$'000	2007 (unaudited) HK\$'000
Interest expense on bank borrowings wholly repayable within five years	6,673	5,453
Interest expense on obligations under finance leases	321	563
Effective interest expense on convertible notes	13,192	–
	20,186	6,016

6. TAXATION

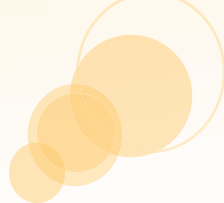
	For the six months ended 30 June	
	2008 (unaudited) HK\$'000	2007 (unaudited) HK\$'000
Current income tax:		
Hong Kong Profits Tax		
– current period	540	495
– under provision in prior periods	–	368
PRC Enterprise income Tax		
– current period	3,382	1,005
Current tax charge for the period	3,922	1,868
Deferred tax charge for the period	50	–
	3,972	1,868

Hong Kong Profits Tax was provided at rate of 16.5% (six months ended 30 June 2007: 17.5%) on the estimated assessable profits arising in or derived from Hong Kong. In June 2008, the Hong Kong Special Administrative Region Government enacted a change in the profits tax rate from 17.5% to 16.5% commencing the fiscal year 2008/2009.

On 16 March 2007, the Fifth Plenary Session of the Tenth National People's Congress passed the Corporate Income Tax Law of the People's Republic of China ("New Law") which has taken effect on 1 January 2008. As a result of the New Law, the Company's subsidiaries in the PRC are subject to statutory income tax rate of 25% since then.

In accordance with the relevant tax laws and regulations of the PRC, certain subsidiaries in the PRC are entitled to exemption from income tax for the first two years starting from the year in which a taxable income is made after the offset of deductible losses incurred in prior years, and thereafter will be entitled to a 50% reduction in income tax rate for the following three years.

According to the New Law, the existing preferential tax rate currently enjoyed by the Group is gradually transited to the new standard rate of 25% over a five-year transitional period. The applicable income tax rate under the preferential tax policy of the Group's subsidiaries in the PRC expires at the shorter of the existing preferential tax period and the five-year transitional period.



7. EARNINGS PER SHARE

The calculation of the basic and diluted earnings per share attributable to the ordinary equity holders of the Company is based on the following data:

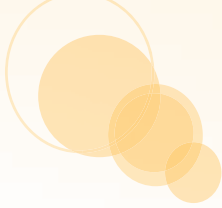
	For the six months ended 30 June	
	2008 (unaudited) HK\$'000	2007 (unaudited) HK\$'000
Earnings:		
Earnings for the purpose of basic earnings per share	16,124	7,320
Effect of dilutive potential ordinary shares:		
Interest on convertible notes	4,691	–
Earnings for the purpose of dilutive earnings per share	20,815	7,320

	For the six months ended 30 June	
	2008	2007
Number of shares:		
Weighted average number of ordinary shares for the purpose of basic earnings per share	691,937,500	538,371,720
Effect of dilutive potential ordinary shares:		
– share options	2,183,908	2,490,234
– convertible notes	1,200,333,333	–
Weighted average number of ordinary shares for the purpose of diluted earnings per share	1,894,454,741	540,861,954

The computation of the dilutive earnings per share for last period does not assume the conversion of the Company's outstanding convertible notes since their exercise would result in an increase in earnings per share.

8. INTERIM DIVIDEND

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

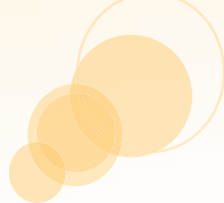


9. BIOLOGICAL ASSETS

	As at 30 June 2008 (unaudited) HK\$'000	As at 31 December 2007 (audited) HK\$'000
Seabuckthorn Bushes		
At beginning of period	74,909	–
Gain from changes in fair value of biological assets less estimated point-of-sales costs	60,211	72,927
Exchange adjustment	4,773	1,982
At end of period	139,893	74,909

Biological assets represented seabuckthorn bushes plant on land with Forest Tree Rights and stituate in Inner Mongolia Autonomous Region, Shaanxi Province and Shanxi Province and were independently valued by CB Richard Ellis (“CBRE”), an independent professional valuer. In accordance with the valuation report issued by CBRE for the period ended 30 June 2008, the fair value less estimated point-of-sale costs of the seabuckthorn bushes are determined with reference to the present value of the expected excess earning attributable to the biological assets.

The leaves and young branches and berries are used as functional food for their nutrition content and medicinal and cosmetics products for their pharmaceutical and antioxidant qualities (such as seabuckthorn oil for skin therapy including sun, heat, chemical and radiation burns, eczema and poorly healing wounds). The products are of a wide variety, from raw materials including seed oil, pulp oil, pulp powder, flavone powder, raw juices, concentrate juices, seedlings, seeds, dried berries and tea leaves, finished products including health products such as flavone soft capsules, seed oil soft capsules, pulp oil soft capsules, seed oil, pulp oil, tea in packs and cosmetic series.



10. TRADE AND OTHER RECEIVABLES

The Group adopts a general policy of allowing average credit periods ranging from 90 days to 180 days to its trade customers. However, for certain customers with long-established relationship and good past repayment histories, a longer credit period may be granted up to one year.

An aged analysis of trade receivables (net of allowance for bad and doubtful debts) is as follows:

	As at 30 June 2008 (unaudited) HK\$'000	As at 31 December 2007 (audited) HK\$'000
Within 90 days	62,445	78,174
91 to 180 days	34,181	30,606
Over 180 days	46,004	60,406
Trade receivables	142,630	169,186
Deposits, prepayments and other receivables	46,996	46,168
	189,626	215,354

The carrying amounts of the Group's trade and other receivables approximated their fair value.

11. TRADE AND OTHER PAYABLES

An aged analysis of the trade payables is as follows:

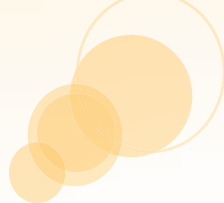
	As at 30 June 2008 (unaudited) HK\$'000	As at 31 December 2007 (audited) HK\$'000
Within 90 days	6,633	11,325
91 to 180 days	2,523	1,809
Over 180 days	2,247	7,731
Trade payables	11,403	20,865
Other payables	18,671	28,420
	30,074	49,285

The carrying amounts of the Group's trade and other payables approximated their fair value.

12. CONVERTIBLE NOTES

On 13 November 2007, the Company issued convertible notes with a principal amount of HK\$180 million ("2017 Notes"), which bear coupon interest rate at 3% per annum payable semi-annually in arrears. The 2017 Notes was issued as part of the consideration for the acquisition of entire issued share capital of China Environmental Water Holdings Limited ("CEWH"). The 2017 Notes due on 13 November 2017 is convertible into fully paid ordinary shares with a par value of HK\$0.01 each of the Company at an initial conversion price of HK\$0.15, subject to adjustment.

On 28 November 2007, the Company issued 3% convertible notes with aggregate principal amounts of HK\$122 million ("2010 Notes") through a placing agent to certain independent third parties. Unless previously redeemed, converted or purchased and cancelled, the 2010 Notes will be redeemed at 135.32% of the principal amount on the maturity date. The 2010 Notes are convertible at any time on or after 28 November 2007 until 10 business days prior to the maturity date by the noteholders into fully paid ordinary shares of HK\$0.01 each of the Company. Subject to adjustments upon the occurrence of dilution events or other features stipulated in the placing agreement, the conversion price for the 2010 Notes will be HK\$1.43 per share.



12. CONVERTIBLE NOTES (Continued)

The fair value of the liability component was determined at issuance of the notes. The fair value of the liability component was calculated using a market interest rate for an equivalent non-convertible note. The residual amount represent the value of the equity component and is included in shareholders' equity. The effective interest rates of the liability component are ranging from 7.55% to 14.10% per annum. The movement of the liability component and equity component of 2017 and 2010 Notes for the period is set out below:

	As at 30 June 2008 (unaudited) HK\$'000	As at 31 December 2007 (audited) HK\$'000
Equity components		
Carrying value at beginning of period	58,645	–
Fair value of convertible notes at issue date	–	58,645
	58,645	58,645
Liability components		
Carrying value at beginning of period	244,834	–
Fair value of convertible notes at issue date	–	243,405
Interest charged based on the effective interest rate	13,192	2,184
Interest paid	(4,531)	(755)
	253,495	244,834

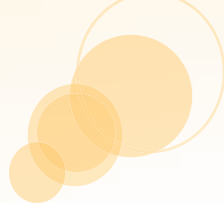


13. SHARE CAPITAL

	<i>Note</i>	Number of Shares	Amount HK\$'000
Ordinary Shares			
<i>Authorised:</i>			
Ordinary shares of HK\$0.01 each at			
31 December 2007 and 30 June 2008		4,000,000,000	40,000
<i>Issued and fully paid:</i>			
Ordinary shares of HK\$0.01 each at			
1 January 2007		535,000,000	5,350
Issue of shares for acquisitions of subsidiaries	<i>(i)</i>	133,000,000	1,330
Issue of shares upon exercise of share options	<i>(ii)</i>	23,937,500	239
At 31 December 2007 and 30 June 2008		691,937,500	6,919

Notes:

- (i) On 13 November 2007, the Company allotted and issued 133,000,000 new shares of HK\$0.01 each as part of consideration for the acquisition of entire issued share capital of CEWH.
- (ii) The subscription rights attaching to 23,937,500 share options were exercised during the year ended 31 December 2007 that resulted 23,937,500 shares of HK\$0.01 each were issued for a total consideration of approximately HK\$4,937,000. The related weighted average share price at the time of exercise was approximately HK\$0.21 per share.
- (iii) All shares rank pari passu in all respects at 30 June 2008.



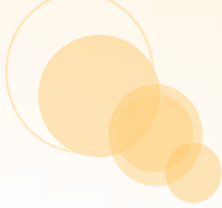
14. BUSINESS COMBINATION

In March 2008, the Group completed the acquisition of the entire issued share capital of 上海華源藍科生物製品營銷有限公司(Shanghai Worldbest Lanke Biological Product Sales Co. Ltd.)("Lanke Biological") for a cash consideration of RMB5,210,000 (equivalent to approximately HK\$5,519,000). Lanke Biological is principally engaged in the sale of omega fatty acids related food, health and cosmetic products in the PRC.

Details of net assets acquired and goodwill recognised in the business combination are as follows:

	Fair value HK\$'000	Acquiree's carrying amount before combination HK\$'000
Net assets acquired:		
Property, plant and equipment	228	228
Inventories	994	994
Trade and other receivables	6,096	6,096
Bank balance and cash	308	308
Trade and other payables	(12,834)	(12,834)
	(5,208)	
Goodwill	10,727	
Total consideration	5,519	
Net cash inflow arising from acquisition:		
Cash consideration paid	(5,519)	
Bank balance and cash acquired	308	
Net outflow of cash and cash equivalents in respect of the acquisition	(5,211)	

Lanke Biological contributed profit of approximately HK\$992,000 to the Group for the period from the acquisition date to 30 June 2008. Had the combination take place at the beginning of the year, the Group's consolidated revenue and a profit for the period ended 30 June 2008 would have been HK\$2,210,000 and HK\$846,000 respectively.



MANAGEMENT DISCUSSION AND ANALYSIS

OPERATION REVIEW

China Botanic is the largest manufacturer and provider of seabuckthorn as well as a leading provider of seabuckthorn-related products and healthcare products in the PRC. Since November 2007, the Group has established a dominant market presence and gained a strong foothold in the seabuckthorn market in China.

The Group is also involved in food manufacturing, research and development, and sales and distribution. It offers over 200 types of quality snack products in unique asian flavour under the “Wah Yuen”, “Rocco” and “采楓” brands.

The Group’s revenue for the six months ended 30 June 2008 amounted to HK\$128,136,000, representing an increase of 16.5% as compared to the same period last year. Profit attributable to the equity holders increased substantially by 120% to HK\$16,124,000.

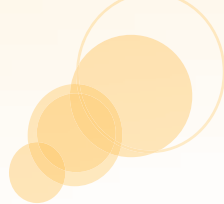
The satisfactory results were attributable to the stable sales performance of “Wah Yuen” food products as well as the profitable seabuckthorn and healthcare products. During the period, food manufacturing remained as the core revenue contributor of the Group and amounted to 92.5% of the Group’s revenue. However, it is expected that seabuckthorn and healthcare products will become key growth driver in coming years.

BUSINESS REVIEW

SEABUCKTHORN AND SEABUCKTHORN – RELATED HEALTH PRODUCTS

In November 2007, the Group successfully completed a milestone acquisition of 100% equity interest in CEWH. CEWH holds 50% equity stake in Conseco Seabuckthorn Company Limited (“Seabuckthorn Company”). Through Seabuckthorn Company and its subsidiaries, the Group has gained immediately access to the profitable seabuckthorn seedlings, and manufacturing and sale of seabuckthorn related health product businesses in the PRC. This marked a new chapter of the Group’s development and helped strengthen its revenue base and financial position.

During the period under review, revenue from the seabuckthorn business amounted to HK\$9,586,000, representing 7.5% of total turnover. Performance was attributable to growth in sales, stronger demand for seabuckthorn and healthcare products, as well as contribution from the Group’s newly acquired business, Lanke Biological.



BUSINESS REVIEW (Continued)

SEABUCKTHORN AND SEABUCKTHORN – RELATED HEALTH PRODUCTS (Continued)

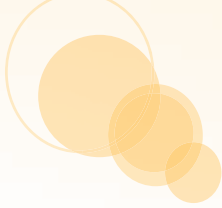
The Group continued to market and promote seabuckthorn products. Seabuckthorn is known for its high contents of protein, vitamin C and E and amino acids. Currently, the Group has an extensive product portfolio of over 30 seabuckthorn and related healthcare products, including seabuckthorn fruit pulp, seabuckthorn juice, healthcare and cosmetic products. The products are widely distributed to major supermarkets, healthcare chains and other retail outlets in major provinces and cities.

“Conseco Seabuckthorn” has also achieved high brand recognition and is widely accepted by health-conscious consumers in the PRC. In June 2008, the Group’s seabuckthorn fruit juice product “Conseco Seabuckthorn” was granted “The Award of Innovative Product” by SIAL China, an organisation known nationwide.

PACKAGED FOOD AND CONVENIENCE FROZEN FOOD PRODUCTS

During the period under review, the Group achieved satisfactory performance, raking in HK\$118,550,000 in revenue, which represented a stable 7.8% growth in this period. The result was attributable to improvement of the product mix and distribution channels in Hong Kong and the PRC, as well as healthy growth of consumer spending. Despite the earthquake in Sichuan and the snowstorm in Central China have taken a toll on the whole consumption sector and although there was mounting pressure from the rise in raw material costs and overheads in the country, the Group was able to manage effectively its highly efficient operations, and the segment result from operations stayed at a satisfactory level of HK\$17,381,000 (30 June 2007: HK\$14,250,000).

The Group continued to enhance its market presence through cooperation with key retail chains and by launching joint promotion programmes and special packages. It successfully marketed a variety of snack food and convenience food products, such as Beancurd Roll with abalone sauce, Fried Turnip Cake with XO sauce and Chilli Fried Fish. With an extensive retail network in both Hong Kong and the PRC, the Group has further fortified its market position as one of the quality packaged food brands most favoured by consumers in the region.



PACKAGED FOOD AND CONVENIENCE FROZEN FOOD PRODUCTS (Continued)

Business partnership with Sojitz Corporation was in good progress. Through providing manufacturing services to Sojitz and exporting its premium products to Japan, the Group has successfully improved sales in the overseas market. However, during the period, the “poisoned dumpling incident” in Shandong, the PRC set back China’s effort to shore up confidence in its product safety after a string of warnings and recalls abroad. The government imposed more strict inspection requirement for all export companies in the PRC. As a result, the Group’s export volume and shipment time have been affected by such regulatory requirement. The pet food business was run smoothly and the Group secured an encouraging amount of sales orders from the U.S and Korea via overseas distributors and sourcing agents.

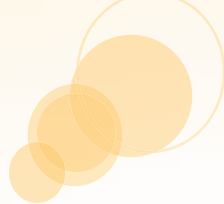
PRODUCTION FACILITIES

Currently, the Group operates three production facilities, which are located in Hong Kong and at Huadu District of Guangzhou in Guangdong Province while, the Group has its own seabuckthorn cultivation bases in Erdos Plateau, Loess Plateau and seedling bases over a total area of about 340,000 hectares in Beijing, Inner Mongolia Autonomous Region, Shaanxi province and Shanxi province, and the total planting area will increase at a speed of over 10% annually according to our plan of planting 40,000 hectares per year.

Accredited the internationally recognized Hazard Analysis and Critical Control Point (HACCP) certificate as well as the ISO 9001 and ISO 9002 certificates, the Group’s highly efficient production lines maintained smooth operation, delivering quality products in compliance with excellent hygiene standard.

FUTURE PLANS AND PROSPECTS

Market uncertainty brought about by the U.S. financial crisis, as well as concerns over inflation and possible economic downturn in Mainland China have adversely affected both the business environment and consumer confidence. However, with the continuous rise in national income and consumer spending, China’s food and healthcare market will continue to grow rapidly. The Group remains optimistic about its business outlook in the second half of 2008 and beyond.



FUTURE PLANS AND PROSPECTS (Continued)

As a leading manufacturer and provider of a comprehensive range of seabuckthorn-related products and healthcare products with a strong sense of commitment, the Group always strives to strengthen its market presence by providing premium products to customers, with a view to creating value for shareholders.

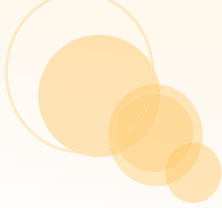
With the growing demand in the emerging healthcare market in the PRC, it is believed that seabuckthorn-related products will become the key growth driver in the medium to long-term. The Group is well-positioned to capitalise on the promising prospects by broadening the domestic retail network and penetrating further into all major cities in the PRC. It also plans to launch new series of seabuckthorn healthcare products, including seabuckthorn fruit juice under the “Conseco Seabuckthorn” brand to be distributed through key sales channels.

In August 2008, the Group proposed to acquire the entire equity interest in Guangdong Kangli Pharmaceutical Company Limited through Shenzhen Conseco Seabuckthorn Biotechnology Company Limited. Upon completion of the proposed acquisition, the Group will gain immediate access to direct sales business of healthcare products with ready available license, which will enable it to tap immense market potential and extend market reach via direct sales channels.

The Group is also set to launch and promote seabuckthorn fruit juice and fruit pulp in Hong Kong by the end of 2008. By leveraging on its established distribution channels and excellent relationship with all key chains and retailers, the Group will endeavour to tap the booming healthcare market in Hong Kong.

In addition, the Group will continue to offer quality packaged and convenience food products. By enhancing its capabilities in production and product development, the Group is confident that its packaged food business will generate steady and recurring income. With strong distribution channels and an excellent brand reputation in the industry, the Group will further strengthen cooperation with key retailers in both Hong Kong and the PRC, bringing innovative and tasty foods to consumers. Against the backdrop of the Beijing Olympics 2008, the Group will put emphasis on promoting its brand image in affluent areas so as to further promote sales growth.

Given the overseas market has demonstrated growth potential in the long term, the Group will further expend its export business by collaborating with Sojitz and other distribution agencies to explore business opportunities. Besides, the Group will continue to expend and upgrade its production facilities in order to meet market demand for quality food and pet products in overseas market.



LIQUIDITY AND FINANCIAL RESOURCES

The Group generally finances its operations with internally generated resources and banking facilities provided by its banks in Hong Kong and in the PRC.

As at 30 June 2008, the Group had total assets of HK\$947,735,000 which were financed by current liabilities of approximately HK\$207,729,000, long term liabilities of HK\$271,729,000 and total equity of HK\$468,277,000.

The cash and bank balance including pledged bank deposits is HK\$136,789,000 and total borrowing of HK\$434,681,000. Most of these borrowings were dominated in Hong Kong and Renminbi and bearing floating interest rates. The gearing ratio of the Group as at 30 June 2008 was 31% (31 December 2007: 27%), calculated on the basis of total borrowings less cash over total assets.

FOREIGN EXCHANGE EXPOSURE

As at 30 June 2008, the Group had no significant exposure to fluctuations in foreign exchange rates and any related hedges.

MATERIAL ACQUISITIONS AND DISPOSALS

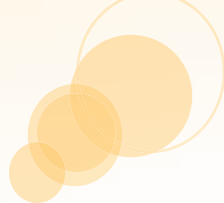
During the six months ended 30 June 2008, the Group has no material acquisitions and disposals.

PLEGGED OF ASSETS AND CONTINGENT LIABILITIES

There was no material changes in the Group's pledged of assets and contingent liabilities as compared to the most recent published annual report.

POST BALANCE SHEET EVENT

On 18 August 2008, the Group has entered into an agreement to acquire the entire equity interest in 廣東康力醫藥有限公司 (Guangdong Kangli Pharmaceutical Company Limited) ("Guangdong Kangli") for a cash consideration of RMB23,600,000. Guangdong Kangli possesses the direct sale license regarding direct sale of health products and equipments. The license was issued by Ministry of Commerce of the PRC, which mainly covers the direct sales of health care products and equipments. Details of the transaction is set out in a circular issued by the Group on 12 September 2008.



EMPLOYEES AND REMUNERATION POLICIES

As at 30 June 2008, the total number of employees of the Group was approximately 700. The total staff costs for the period under review were approximately HK\$9,819,200 (six months ended 30 June 2007: HK\$8,630,540). The Group offers comprehensive remuneration and employees' benefits package to its employees. In additions, share options and discretionary bonuses are also granted to eligible staff based on their performance and the results of the Group.

INTERIM DIVIDEND

The Board resolved not to declare the payment of an interim dividend for the six months ended 30 June 2008 (six months ended 30 June 2007: Nil).

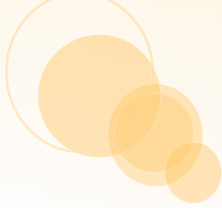
DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS AND SHORT POSITIONS IN THE SHARES AND UNDERLYING SHARES AND DEBENTURES OF THE COMPANY OR ANY ASSOCIATED CORPORATION

As at 30 June 2008, the interests or short positions of each director and chief executive in shares, underlying shares and debentures of the Company and its associated corporations within the meaning of Part XV of the Securities and Futures Ordinance ("SFO"), as recorded in the register maintained by the Company required to be kept under section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange of Hong Kong Limited ("Stock Exchange") pursuant to the Model Code for the Securities Transactions by Directors of Listed Companies ("Model Code") were as follows:

Name of director	Position	Corporate interests (Shares)	Personal interests (Shares)	Total (Shares)	Approximate percentage of issued share capital of the Company (%)
Mr. But Ka Wai	Long	151,250,000	312,000	151,562,000	21.90%

Note: These shares are held by Able Success Group Limited ("Able Success"), the entire issued share capital of which is beneficially owned by Mr. But Ka Wai.

Saved as disclosed above, as at 30 June 2008, none of directors or chief executive of the Company had or was deemed to have any interests or short positions in shares, underlying shares or debentures of the Company or its associated corporations as recorded in the register required to be maintained under section 352 of Part XV of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the Model code.



SUBSTANTIAL SHAREHOLDERS' INTEREST AND SHORT POSITIONS IN THE SHARES AND UNDERLYING SHARES OF THE COMPANY

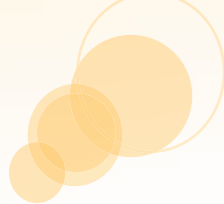
The register of substantial shareholders maintained under section 336 of the SFO shows that as at 30 June 2008, the Company had been notified of the following substantial shareholders' interests, short positions in the shares and underlying shares, being 5% or more of the Company's issued share capital.

LONG POSITIONS IN THE SHARES

Name of shareholders	Note	Capacity and nature of interest	Number of shares held (Shares)	Approximate percentage of issued share capital of the Company (%)
Able Success	1	Beneficial owner	151,562,000	21.90%
Ms. Chan Yuk Ha	2	Family interest	151,562,000	21.90%
China Water Affairs Group Limited	3	Interest of controlled corporation	133,000,000	19.22%
Atlantis Investment Management Limited		Investment manager	54,500,000	7.88%
Bank of China	4	Interest of controlled corporation	16,604,000	2.40%

LONG POSITIONS IN THE UNDERLYING SHARES OF THE COMPANY

Name of shareholders	Note	Capacity and nature of interest	Number of shares held (Shares)	Approximate percentage of issued share capital of the Company (%)
China Water Affairs Group Limited	5	Interest of controlled corporation	1,200,333,333	173.47%
Bank of China	6	Interest of controlled corporation	59,090,909	8.54%

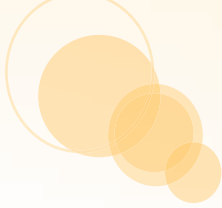


SUBSTANTIAL SHAREHOLDERS' INTEREST AND SHORT POSITIONS IN THE SHARES AND UNDERLYING SHARES OF THE COMPANY (Continued)

LONG POSITIONS IN THE UNDERLYING SHARES OF THE COMPANY (Continued)

Note:

- (1) Mr. But Ka Wai is deemed to be interested in these shares through his wholly owned interest in the issued share capital of Able Success.
- (2) Ms. Chan Yuk Ha, the spouse of Mr. But Ka Wai, is deemed to be interested in 151,562,000 ordinary shares of the Company.
- (3) These shares of the Company held by Sharp Profit Investments Limited, a wholly owned subsidiary of China Water Affairs Group Limited ("China Water Affairs"). Thus, China Water Affairs was deemed to be beneficially interested in the said shares of the Company held by Sharp Profit Investments Limited for the purposes of the SFO.
- (4) These shares of the Company were held by BOCI Financial Products Limited, a wholly owned subsidiary of BOC International Holdings Limited, which was in turn wholly owned by Bank of China Limited. Central SAFE Investments Limited ("Central SAFE") holds the controlling interest of Bank of China Limited on behalf of State. Accordingly, for the purposes of the SFO, Central SAFE is deemed to have the same interests in the Company as Bank of China. Thus, Central SAFE, BOCI International Holdings Limited, Bank of China Limited and Bank of China were deemed to be interested in the said shares held by BOCI Financial Products Limited for the purposes of the SFO.
- (5) On 29 June 2007, Top Harbour Development Limited, a wholly owned subsidiary of the Company, as purchaser entered into the agreement with China Water Group Limited ("Vendor"), a wholly owned subsidiary of China Water Affairs, in relation to the acquisition of the entire issued share capital of China Environmental Water Holdings Limited for a consideration of HK\$200 million. The consideration would be satisfied by the Company as to (i) HK\$19,950,000 by procuring the Company to allot and issue 133,000,000 shares to the vendor at price of HK\$0.15 and (ii) HK\$180,050,000 by procuring the Company to issue a 3% convertible bonds to the vendor upon completion. If the conversion right attached to the convertible bonds had been fully exercised, 1,200,333,333 shares would be issued at the conversion price of HK\$0.15 per share. These underlying shares of the Company held by Good Outlook Investments Limited ("Good Outlook"), a wholly owned subsidiary of China Water Affairs. Thus, China Water Affairs Group is deemed to be interested in the said underlying shares of the Company held by Good Outlook for the purposes of the SFO.



SUBSTANTIAL SHAREHOLDERS' INTEREST AND SHORT POSITIONS IN THE SHARES AND UNDERLYING SHARES OF THE COMPANY (Continued)

LONG POSITIONS IN THE UNDERLYING SHARES OF THE COMPANY (Continued)

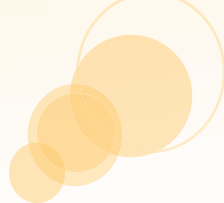
Note:

- (6) The convertible bonds with the right to convert into 59,090,909 shares at an initial conversion price of HK\$1.43 each were issued to BOCI Financial Products Limited. By virtue of note (4), Central SAFE, BOCI International Holdings Limited, Bank of China Limited and Bank of China were deemed to be interested in the said underlying shares held by BOCI Financial Products Limited for the purposes of the SFO.

Saved as disclosed above, the Company has not been notified by any persons or corporations, other than the directors or chief executives of the Company, who had interests or short positions in the shares or underlying shares of the Company as recorded in the register required to be kept by the Company pursuant to section 336 of Part XV of the SFO as at 30 June 2008.

SHARE OPTION SCHEME

At the general meeting of the Company held on 3 June 2003, the shareholders of the Company approved the adoption of a share option scheme. As at 30 June 2008, there are options relating to 31,500,000 shares granted by the Company pursuant to the Option Scheme which are valid and outstanding.



SHARE OPTION SCHEME (Continued)

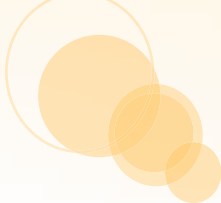
Movement of the share option under the Option Scheme during the period is as follows:

Category	Date of grant	Exercise price HK\$	Exercisable period	At the beginning of the period	Granted during the period	Exercised during the period	Options held at 30 June 2008
Employees	18.7.2007	1.32	18.7.2007 to 17.7.2010	6,500,000	-	-	6,500,000
	26.11.2007	1.21	26.11.2007 to 26.11.2010	6,000,000	-	-	6,000,000
	14.12.2007	1.12	14.12.2007 to 14.12.2010	2,000,000	-	-	2,000,000
	25.3.2008	0.53	25.3.2008 to 24.3.2011	-	12,000,000	-	12,000,000
Consultant	18.7.2007	1.32	18.7.2007 to 17.7.2010	5,000,000	-	-	5,000,000

During the period, 12,000,000 share options were granted by the Company. Apart from the foregoing, at no time during the period ended 30 June 2008 was the Company, or any of its holding companies, subsidiaries or fellow subsidiaries a party to any arrangement to enable the Directors or any of their respective spouses or minor children to acquire benefits by means of the acquisition of shares in or debentures of the Company or any other body corporate.

PURCHASE, SALE AND REDEMPTION OF THE COMPANY'S SHARES

The Company has not redeemed any of its shares during the period. Neither the Company nor any of its subsidiaries purchased or sold any of the Company's shares for the six months ended 30 June 2008.



DISCLOSURE UNDER RULE 13.21 OF THE LISTING RULES

The Company had entered into a loan agreement dated 28 June 2005 which requires the controlling shareholders of the Company to retain their control over the Company throughout the term of loan agreement, the total amount of the loan involved is HK\$10 million.

COMPLIANCE WITH APPENDIX 10 OF THE LISTING RULES

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (“Model Code”) as set out in Appendix 10 of the Listing Rules as its own Code of Conduct regarding securities transaction by the Directors. Having made specific enquiry of all directors, the directors have confirmed that they have complied with the Model Code throughout the period under review.

COMPLIANCE WITH THE CODE ON CORPORATE GOVERNANCE PRACTICES

The Board has reviewed the Company’s corporate governance practices and is satisfied that the Company has been in compliance with all applicable code provisions set out in the Code on Corporate Governance Practices contained in Appendix 14 of the Listing Rules during the six-months period to 30 June 2008.

AUDIT COMMITTEE

The audit committee comprises three members namely Mr. Ngai Chun Kong, Stephen who is a non-executive director of the Company, Mr. Ip Shing Tong, Francis and Mr. Ku Siu Fung, Stephen who are independent non-executive directors of the Company. The audit committee has reviewed the accounting principles and practices adopted by the Company and discussed internal control and financial reporting matters with management relating to the preparation of unaudited condensed consolidated financial statements of the Group for the six months ended 30 June 2008.

On behalf of the Board

But Ka Wai

Chairman

Hong Kong, 26 September 2008