

NOTES TO FINANCIAL STATEMENTS

1. GROUP INFORMATION

The Company was incorporated in Bermuda on 19 March 1998 as an exempted company with limited liability under the Companies Act 1981 of Bermuda. The shares of the Company were listed on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") on 3 July 1998.

2. Principal accounting policies

The unaudited condensed interim financial statements are prepared under the historical cost convention, and in accordance with Statement of Standard Accounting Practice ("SSAP") 25 – Interim Financial Reporting issued by the Hong Kong Institute of Certified Public Accountants.

The condensed financial statements have been prepared in accordance with accounting policies consistent with those adopted by the Group in its annual financial statements for the year ended 31 December 2003 except that the Group has adopted SSAP 36 "Agriculture" which is effective for accounting periods commencing on or after 1 January 2004.

Adoption of new SSAP

The principal effect of the adoption of SSAP 36 is in relation to the agricultural activity undertaken by a subsidiary. SSAP 36 requires the measurement of biological assets and agricultural produce at their fair value less estimated point-of-sale costs be included in the profit or loss for the period in which it arises. In the absence of any specific transitional requirements in SSAP 36, the new accounting policy has been applied retrospectively. The adoption of SSAP 36 and the revised accounting policy has had no material effect on the results for the current or prior accounting periods. Accordingly, no prior year adjustment has been required.

3. Segment information

Segment information is presented by way of two segment formats: (i) on a primary segment reporting basis, by business segment; and (ii) on a secondary segment reporting basis, by geographical segment.

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

Continuing operations

- (a) the nurturing, selling and trading of tree seedlings and seeds in the People's Republic of China (the "PRC"); and

Discontinued operations

- (b) the manufacturing and sale of shrimp feeds in the PRC.

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

There were no significant intersegment sales and transfers during the current and the prior period.

3. Segment information (Continued)

The analysis of the principal activities and geographical location of the operations of the Group during the period are as follows:

(a) Business segments

	Continuing operations Tree Seedlings and Seeds Six months ended 30 June		Discontinued operations shrimp feeds Six months ended 30 June		Consolidated Six months ended 30 June	
	2004 (Unaudited) HK\$'000	2003 (Unaudited) HK\$'000	2004 (Unaudited) HK\$'000	2003 (Unaudited) HK\$'000	2004 (Unaudited) HK\$'000	2003 (Unaudited) HK\$'000
	Segment revenue	<u>45,969</u>	<u>45,021</u>	<u>-</u>	<u>5,427</u>	<u>45,969</u>
Segment results	<u>12,748</u>	<u>14,306</u>	<u>-</u>	<u>(2,273)</u>	<u>12,748</u>	<u>12,033</u>
Interest income and unallocated revenue/gains					<u>6,535</u>	<u>2,471</u>
Unallocated expenses					<u>(3,922)</u>	<u>(3,785)</u>
Profit from operating activities					<u>15,361</u>	<u>10,719</u>
Finance costs					<u>-</u>	<u>(14)</u>
Profit before taxation					<u>15,361</u>	<u>10,705</u>
Taxation					<u>(1,705)</u>	<u>-</u>
Profit before minority interests					<u>13,656</u>	<u>10,705</u>
Minority Interests					<u>(3,313)</u>	<u>(4,633)</u>
					<u>10,343</u>	<u>6,072</u>

(b) Geographical segments

Over 90% of the Group's revenue, results, assets and expenditure are attributable to its operations in the PRC. Accordingly, an analysis by geographical segment is not presented.

4. Other revenue

	Six months 30 June	
	2004 (Unaudited) HK\$'000	2003 (Unaudited) HK\$'000
Gain on disposal of subsidiaries	<u>5,967</u>	<u>2,471</u>
Exchange gain	<u>568</u>	<u>-</u>
	<u>6,535</u>	<u>2,471</u>

5. Profit from operations

The Group's profit from operations is arrived at after charging/(crediting):

	Six months 30 June	
	2004 (Unaudited) HK\$'000	2003 (Unaudited) HK\$'000
Cost of inventories sold	30,854	32,751
Interest on borrowings	–	14
Amortisation of goodwill on acquisition of subsidiaries	1,136	1,136
Amortisation of an intangible asset	–	499
Depreciation	2,210	1,924
Staff costs	811	1,415
Loss on disposal of property, plant and equipment	169	–
Gain on disposal of subsidiaries	(5,967)	(2,417)
	<u> </u>	<u> </u>

6. Taxation

	Six months 30 June	
	2004 (Unaudited) HK\$'000	2003 (Unaudited) HK\$'000
Overseas tax	2,247	–
Over provision in prior year	(542)	–
	<u> </u>	<u> </u>
	<u>1,705</u>	<u> </u>

Hong Kong profits tax has not been provided as the Group had no assessable profits arising in Hong Kong during the period. Taxes on profits assessable elsewhere have been calculated at the rates of tax prevailing in the countries in which the Group operates, based on existing legislation, interpretations and practices in respect thereof.

There was no significant unprovided deferred tax charge in respect of the period.

7. Dividends

The Board do not recommend the payment of an interim dividend for the six months ended 30 June 2004 (2003: Nil).

8. Earnings per share
(a) Basic earnings per share

The calculation of basic earnings per share is based on the net profit attributable to shareholders for the period of HK\$10,343,000 (2003: HK\$6,072,000), and the weighted average of 2,078,905,720 (2003: 1,690,513,249) ordinary shares in issue during the period.

(b) Diluted earnings per share

No diluted earnings per share has been presented because the exercise of the Company's outstanding share options during the period had an anti-dilutive effect on the basic earnings per share for the period. In the period ended 30 June 2003, the calculation of diluted earnings per share is based on the net profit attributable to shareholders of HK\$6,072,000 and the weighted average number of ordinary shares of 1,807,143,083 shares during the period after adjusting for the effects of all dilutive potential ordinary shares.

9. Property, plant and equipment

	Leasehold land and buildings	Leasehold improvements	Plant, machinery and equipment	Furniture and fixtures	Motor vehicles	Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Cost:						
At beginning of period	74,596	457	2,935	292	1,520	79,800
Additions	50	49	28	-	-	127
Disposals	-	-	-	-	(593)	(593)
Exchange alignment	254	-	10	-	4	268
At 30 June 2004	<u>74,900</u>	<u>506</u>	<u>2,973</u>	<u>292</u>	<u>931</u>	<u>79,602</u>
Accumulated depreciation:						
At beginning of period	3,083	457	339	125	412	4,416
Provided during the period	1,370	5	592	58	185	2,210
Disposals	-	-	-	-	(56)	(56)
Exchange alignment	11	-	1	-	1	13
At 30 June 2004	<u>4,464</u>	<u>462</u>	<u>932</u>	<u>183</u>	<u>542</u>	<u>6,583</u>
Net book value:						
At 30 June 2004 (Unaudited)	<u>70,436</u>	<u>44</u>	<u>2,041</u>	<u>109</u>	<u>389</u>	<u>73,019</u>
At 31 December 2003 (Audited)	<u>71,513</u>	<u>-</u>	<u>2,596</u>	<u>167</u>	<u>1,108</u>	<u>75,384</u>

The Group's leasehold land and buildings at the balance sheet date are held under the following items:

	30 June 2004 (Unaudited) HK\$'000	31 December 2003 (Audited) HK\$'000
Held under medium term leases in the PRC:		
At cost	<u>74,900</u>	<u>74,596</u>

10. Accounts receivable

The Group's trading terms with its customers are mainly on credit. The Group allows an average general credit period of 180 days to its business-related customers, except for certain well-established customers, where the terms are extended beyond 180 days. The Group seeks to maintain strict control over its outstanding receivables. Overdue balances are reviewed regularly by senior management.

An aged analysis of the Group's accounts receivable as at the balance sheet date, based on invoice date, and net of provisions, is as follows:

	30 June 2004 (Unaudited) HK\$'000	31 December 2003 (Audited) HK\$'000
90 days or less	45,320	3,191
91 days to 180 days	–	25,630
181 days to 365 days	6,755	17,700
Over 365 days	–	612
	<u>52,075</u>	<u>47,133</u>

11. Accounts payable

The aged analysis of the accounts payables as at the balance sheet date, based on invoice date, is as follows:

	30 June 2004 (Unaudited) HK\$'000	31 December 2003 (Audited) HK\$'000
90 days or less	3,306	20
91 days to 180 days	4	1,404
181 days to 365 days	40	2,146
Over 365 days	621	255
	<u>3,971</u>	<u>3,825</u>

12. Share capital

	Number of shares		Share Capital	
	30 June 2004 (Unaudited) '000	31 December 2003 (Audited) '000	30 June 2004 (Unaudited) HK\$'000	31 December 2003 (Audited) HK\$'000
Ordinary shares of HK\$0.01 each				
Authorised				
At 30 June 2004 and 31 December 2003	<u>160,000,000</u>	<u>160,000,000</u>	<u>1,600,000</u>	<u>1,600,000</u>
Issued and fully paid				
At 1 January 2004 and 1 January 2003	1,807,143	1,657,143	18,071	16,571
Shares issued and fully paid (a)	325,400	–	3,254	–
Exercise of convertible notes (b)	–	150,000	–	1,500
	<u>2,132,543</u>	<u>1,807,143</u>	<u>21,325</u>	<u>18,071</u>
At 30 June 2004 and 31 December 2003	<u>2,132,543</u>	<u>1,807,143</u>	<u>21,325</u>	<u>18,071</u>

12. Share capital *(Continued)*

During the period, the movements in share capital of the Company were as follows:

- (a) Pursuant to certain placing agreements dated 24 December 2003, 325,400,000 new ordinary shares of the Company of HK\$0.01 each were allotted and issued for cash to certain parties at a price of HK\$0.07 per share on 21 January 2004, for a total cash consideration, before expenses, of HK\$22,778,000, to provide additional working capital for the Group.
- (b) In the prior year, the conversion right attaching to the convertible note with a face value of HK\$30,000,000 was exercised at a conversion price of HK\$0.20 per ordinary share of the Company, resulting in the issue of 150,000,000 new ordinary shares of the Company of HK\$0.01 each.

Share options

At the balance sheet date, the Company had 128,216,000 share options outstanding under the share option scheme of the Company. No share options were granted or exercised under the share option scheme during the six months ended 30 June 2004.

13. Operating leases commitments

At 30 June 2004, the Group had the following operating lease commitments to make future payments under non-cancellable operating leases in respect of land and buildings:

	30 June 2004 (Unaudited) HK\$'000	31 December 2003 (Audited) HK\$'000
Land and buildings		
– within one year	385	177
– in two to five years	320	–
	<hr/> 705 <hr/>	<hr/> 177 <hr/>