1. CORPORATE INFORMATION

The principal activity of the Company is investment holding. During the year, the Group was involved in the following principal activities:

Continuing operations

- Nurturing, selling and trading of tree seedlings and seeds

Discontinued operations

- Manufacturing and sale of shrimp feeds (the details of the discontinuance is set out in note 7 to the financial statements)

2. BASIS OF PRESENTATION AND FUNDAMENTAL UNCERTAINTY IN RESPECT OF GOING CONCERN

a) Basis of presentation

The financial statements have been prepared based on the books and records maintained by the Company and its subsidiaries. However, due to the significant staff and management turnover of Qionghai Juhua Feed Co., Ltd. ("Qionghai Juhua"), a wholly-owned subsidiary of the Company, whose operations principally comprise the shrimp feeds business of the Group ("Shrimp Feeds Business"), during previous year, certain underlying books and records of Qionghai Juhua were either lost, or could not be located, and accordingly, have not been properly updated, particularly for the period subsequent to 30 June 2003, and also during the period from 1 January 2003 to 30 June 2003. Most of the original staff and management of Qionghai Juhua left that entity during the second half of 2003. Consequently, the directors cannot satisfactorily substantiate or otherwise support certain transactions undertaken by Qionghai Juhua and the directors cannot ensure the nature, timing, completeness, appropriateness, classification and disclosures in respect of the transactions undertaken by Qionghai Juhua and the related balances as included in these financial statements or whether any additional disclosures are required. The directors further resolved in the second half of 2003 to substantially scale down and to discontinue the operations of Qionghai Juhua.

Due to the lack of updated underlying books and records of Qionghai Juhua, no consolidation has been undertaken for the period from 1 July 2003 to 31 December 2003. In the opinion of the directors, to reflect the transactions of Qionghai Juhua for the period from 1 July 2003 to 31 December 2003 in the financial statements of the Group for the year ended 31 December 2003 would involve expense and delay out of proportion to the value to the members of the Company. Consequently, the financial statements of the Group for the year ended 31 December 2003 have consolidated the results and cash flows of Qionghai Juhua from 1 January 2003 to 30 June 2003, based on the unaudited management accounts of Qionghai Juhua for the six months ended 30 June 2003, and have deconsolidated Qionghai Juhua with effect from 1 July 2003. The directors however believe that had the subsidiary's results and cash flows been consolidated for the period from 1 July 2003 to 31 December 2003, the impact would not have been material to the Group.

2. BASIS OF PRESENTATION AND FUNDAMENTAL UNCERTAINTY IN RESPECT OF GOING CONCERN *(Continued)*

a) Basis of presentation *(Continued)*

The turnover and the net loss of Qionghai Juhua for the six months ended 30 June 2003 consolidated in the financial statements of the Group for the year ended 31 December 2003 amounted to approximately HK$5.5 million and HK$1.8 million, respectively. The Group's interest in Qionghai Juhua at the date of deconsolidation was stated at its carrying value at that date. However, as the directors are uncertain as to the amount and when the Group could recover its interest in Qionghai Juhua and as the directors have decided to discontinue the Shrimp Feeds Business in 2004, the carrying amount of the Group's interest in Qionghai Juhua of HK$14.9 million has been fully impaired and recognised for the year ended 31 December 2003 in the consolidated income statement and directly in equity amounting to HK$14.4 million and HK$0.5 million, respectively.

In view of the above, no representations as to the completeness of the books and records of Qionghai Juhua for the year ended 31 December 2003 can be given by the directors although care has been taken by the directors, in all material respects, in the preparation of the financial statements to mitigate the overall negative effects of the incomplete records. The directors are unable to represent that all transactions entered into in the name of Qionghai Juhua have been included or disclosed in the financial statements. Notwithstanding the foregoing, the directors have taken such steps as they consider practicable, in all material respects, to improve the accuracy of the account balances based on the information which they consider to be reliable and have made provisions as they consider appropriate in the preparation of the financial statements.

b) Fundamental uncertainty in respect of going concern

The financial statements have been prepared on a going concern basis which assumes the availability of future funding to the Company and the Group.

Should the future funding be unavailable, adjustments would have to be made to reduce the value of assets to their recoverable amounts, to provide for further liabilities that might arise and to reclassify non-current assets and non-current liabilities as current assets and current liabilities.

The directors believe that it is appropriate to prepare the financial statements on a gong concern basis.

3. IMPACT OF A NEW HONG KONG STATEMENT OF STANDARD ACCOUNTING PRACTICE ("SSAP")

SSAP 36 "Agriculture" is effective for the first time for the current year's financial statements and has had a significant impact thereon.

SSAP 36 prescribes the accounting treatment, financial statements presentation and disclosures relating to agricultural activity. Agricultural activity comprises an entity's management of the biological transformation of living animals or plants (biological assets) for sale, into either agricultural produce or into additional biological assets.

In general, biological assets on initial recognition and at each balance sheet date are measured at fair value less estimated point-of-sale costs. Agricultural produce harvested from an entity's biological assets is measured at its fair value less estimated point-of-sale costs at the point of harvest. Gains and losses arising on initial recognition and subsequent changes in fair values are included in the income statement.

The adoption of SSAP 36 has resulted in the Group stating trees, trees seedlings and seeds at fair value less estimated point-of-sale costs. In prior years, trees were stated at cost less accumulated depreciation and tree seedlings and seeds were stated at the lower of cost and net realisable value.

Further details of these changes and the prior year adjustment arising from them are included in the accounting policy for biological assets in notes 4 and 17 to the financial statements.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of preparation

These financial statements have been prepared in accordance with all applicable Hong Kong Financial Reporting Standards (which includes all applicable Statements of Standard Accounting Practice and Interpretations) issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"), accounting principles generally accepted in Hong Kong and the disclosure requirements of the Hong Kong Companies Ordinance. These financial statements also comply with the applicable provisions of the Rules Governing the Listing of Securities on The Stock Exchange. The financial statements are prepared under the historical cost convention except for the periodic remeasurement of leasehold land and buildings as further explained below. A summary of the principal accounting policies adopted by the Group is set out below.

The HKICPA has issued a number of new and revised Hong Kong Financial Reporting Standards and Hong Kong Accounting Standards ("new HKFRSs") which are effective for accounting periods beginning on or after 1 January 2005.

The Group has not early adopted these new HKFRSs in the financial statements for the year ended 31 December 2004. The Group has already assessed the impact of these new HKFRSs but is not yet in a position to state whether these new HKFRSs would have a significant impact on its results of operations and financial position.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Basis of consolidation

The consolidated financial statements include the financial statements of the Company and its subsidiaries for the year ended 31 December 2004. The results of subsidiaries acquired or disposed of during the year are consolidated from or to their effective dates of acquisition or disposal, respectively. The results of a subsidiary deconsolidated during previous year was consolidated to its date of deconsolidation. All significant intercompany transactions and balances within the Group are eliminated on consolidation.

Minority interests represent the interests of outside shareholders in the results and net assets of the Company's subsidiaries.

Subsidiaries

A subsidiary is a company whose financial and operating policies the Company controls, directly or indirectly, so as to obtain benefits from its activities.

The results of subsidiaries are included in the Company's income statement to the extent of dividends received and receivable. The Company's interests in subsidiaries are stated at cost less any impairment losses.

Unconsolidated subsidiary

The Group's interest in an unconsolidated subsidiary is stated at its carrying value at the date of deconsolidation less any impairment losses.

Associates

An associate is a company, not being a subsidiary or a jointly-controlled entity, in which the Group has a long term interest of generally not less than 20% of the equity voting rights and over which it is in a position to exercise significant influence.

The Group's share of the post-acquisition results and reserves of associates is included in the consolidated income statement and consolidated reserves, respectively. The Group's interests in associates are stated in the consolidated balance sheet at the Group's share of net assets under the equity method of accounting, less any impairment losses. Goodwill or negative goodwill arising from the acquisition of associates is included as part of the Group's interests in associates.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Goodwill

Goodwill arising on the acquisition of subsidiaries and associates represents the excess of the cost of the acquisition over the Group's share of the fair values of the identifiable assets and liabilities acquired as at the date of acquisition.

Goodwill arising on acquisition is recognised in the consolidated balance sheet as an asset and amortised on the straight-line basis over its estimated useful life of 20 years. In the case of associates, any unamortised goodwill is included in the carrying amount thereof, rather than as a separately identified asset on the consolidated balance sheet.

On disposal of subsidiaries and associates, the gain or loss on disposal is calculated by reference to the net assets/liabilities at the date of disposal, including the attributable amount of goodwill which remains unamortised and any relevant reserves, as appropriate.

The carrying amount of goodwill is reviewed annually and written down for impairment when it is considered necessary. A previously recognised impairment loss for goodwill is not reversed unless the impairment loss was caused by a specific external event of an exceptional nature that was not expected to recur, and subsequent external events have occurred which have reversed the effect of that event.

Impairment of assets

An assessment is made at each balance sheet date of whether there is any indication of impairment of any asset, or whether there is any indication that an impairment loss previously recognised for an asset in prior years may no longer exist or may have decreased. If any such indication exists, the asset's recoverable amount is estimated. An asset's recoverable amount is calculated as the higher of the asset's value in use or its net selling price.

An impairment loss is recognised only if the carrying amount of an asset exceeds its recoverable amount. An impairment loss is charged to the income statement in the period in which it arises, unless the asset is carried at a revalued amount, when the impairment loss is accounted for in accordance with the relevant accounting policy for that revalued asset.

A previously recognised impairment loss is reversed only if there has been a change in the estimates used to determine the recoverable amount of an asset, however not to an amount higher than the carrying amount that would have been determined (net of any depreciation/amortisation), had no impairment loss been recognised for the asset in prior years. A reversal of an impairment loss is credited to the income statement in the period in which it arises, unless the asset is carried at a revalued amount, when the reversal of the impairment loss is accounted for in accordance with the relevant accounting policy for that revalued asset.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Fixed assets and depreciation

Fixed assets are stated at cost or valuation less accumulated depreciation and any impairment losses. The cost of an asset comprises its purchase price and any directly attributable costs of bringing the asset to its working condition and location for its intended use. Expenditure incurred after fixed assets have been put into operation, such as repairs and maintenance, is normally charged to the income statement in the period in which it is incurred. In situations where it can be clearly demonstrated that the expenditure has resulted in an increase in the future economic benefits expected to be obtained from the use of the fixed asset, the expenditure is capitalised as an additional cost of that asset.

Changes in the values of land and buildings are dealt with as movements in the fixed assets revaluation reserve. If the total of this reserve is insufficient to cover a deficit, on an individual asset basis, the excess of the deficit is charged to the income statement. Any subsequent revaluation surplus is credited to the income statement to the extent of the deficit previously charged. On disposal of a revalued asset, the relevant portion of the revaluation reserve realised in respect of previous valuations is transferred to retained profits as a movement in reserves.

Depreciation is calculated on the straight-line basis to write off the cost or valuation of each asset, less any estimated residual value, over its estimated useful life. The principal annual rates used for this purpose are as follows:

Leasehold land	Over the period of the land use rights or lease terms
Buildings	2% to 5%
Leasehold improvements	10% or over the lease terms, whichever is higher
Plant, machinery and equipment	10% to 30%
Furniture and fixtures	10% to 20%
Motor vehicles	10% to 20%

The gain or loss on disposal or retirement of a fixed asset recognised in the income statement is the difference between the net sales proceeds and the carrying amount of the relevant asset.

Production right

The production right is amortised on the straight-line basis over its estimated useful life of 10 years commencing from the date when it is put into commercial production and is stated at cost less accumulated amortisation and any impairment losses.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Computer software development cost

Generally, costs associated with developing or maintaining computer software programmes are expenses as incurred. However, costs that are directly associated with identifiable and unique software products controlled by the Group and have probable economic benefit exceeding the cost beyond one year, are recognised as intangible assets.

Expenditure which enhances or extends the performance of computer software programme beyond their original specifications is recognised as a capital improvement and added to the original cost of the software. Computer software development costs recognised as assets are amortised using the straight-line method over their useful lives, not exceeding a period of 5 years.

Biological assets

Trees, tree seedlings and seeds are measured at their fair value less estimated point-of-sale costs. The fair value of trees is determined by referring to the market-determined prices of biological assets with similar size, species and age. Gain or loss arising on initial recognition of trees at fair value less estimated point-of-sale costs is dealt with in the income statement when it arises.

Agricultural product comprises tree seedlings and seeds which are measured at their fair value less estimated point-of-sale costs at the time of harvest. The fair value of tree seedlings and seeds is determined by the directors with reference to the market-determined prices, cultivation area, species, growing conditions, cost incurred and expected yield.

Operating leases

Leases where substantially all the rewards and risks of ownership of assets remain with the lessor are accounted for as operating leases. Where the Group is the lessor, assets leased by the Group under operating leases are included in non-current assets and rentals receivable under the operating leases are credited to the income statement on the straight-line basis over the lease terms. Where the Group is the lessee, rentals payable under the operating leases are charged to the income statement on the straight-line basis over the lease terms.

Inventories

Inventories, other than agricultural produces which is measured in accordance with the accounting policy for "Biological assets" above, are stated at the lower of cost and net realisable value. Cost is determined on the weighted average basis and, in the case of work in progress and finished goods, comprises direct materials, direct labour and an appropriate proportion of overheads. Net realisable value is based on estimated selling prices less any estimated costs to be incurred to completion and disposal.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Cash and cash equivalents/cash and bank balances

For the purpose of the consolidated cash flow statement, cash and cash equivalents comprise cash on hand and demand deposits, and short term highly liquid investments which are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value, and have a short maturity of generally within three months when acquired, less bank overdrafts which are repayable on demand and form an integral part of the Group's cash management.

For the purpose of the balance sheet, cash and bank balances comprise cash on hand and at banks, including term deposits, which are not restricted as to use.

Income tax

Income tax comprises current and deferred tax. Income tax is recognised in the income statement or in equity, if it relates to items that are recognised in the same or a different period directly in equity.

Deferred tax is provided, using the liability method, on all temporary differences at the balance sheet date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax liabilities are recognised for all taxable temporary differences:

- except where the deferred tax liability arises from goodwill or the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

- in respect of taxable temporary differences associated with investments in subsidiaries and associates, except where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets are recognised for all deductible temporary differences, carryforward of unused tax assets and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carryforward of unused tax assets and unused tax losses can be utilised:

- except where the deferred tax asset relating to the deductible temporary differences arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Income tax *(Continued)*

- in respect of deductible temporary differences associated with investments in subsidiaries and associates, deferred tax assets are only recognised to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

The carrying amount of deferred tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised. Conversely, previously unrecognised deferred tax assets are recognised to the extent that it is probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the balance sheet date.

Revenue recognition

Revenue is recognised when it is probable that the economic benefits will flow to the Group and when the revenue can be measured reliably, on the following bases:

(a) from the sale of goods, when the significant risks and rewards of ownership have been transferred to the buyer, provided that the Group maintains neither managerial involvement to the degree usually associated with ownership, nor effective control over the goods sold;

(b) interest income, on a time proportion basis taking into account the principal outstanding and the effective interest rate applicable.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Employee benefits

Retirement benefits scheme

The Group operates a defined contribution mandatory provident fund retirement benefits scheme (the "MPF Scheme") under the Hong Kong Mandatory Provident Fund Schemes Ordinance, for those employees who are eligible to participate in the MPF Scheme. Contributions are made based on a percentage of the employees' basic salaries and are charged to the income statement as they become payable in accordance with the rules of the MPF Scheme. The assets of the MPF Scheme are held separately from those of the Group in an independently administered fund. The Group's employer contributions vest fully with the employees when contributed into the MPF Scheme, except for the Group's employer voluntary contributions, which are refunded to the Group when the employee leaves employment prior to the contributions vesting fully, in accordance with the rules of the MPF Scheme.

The employees of the Group's subsidiaries which operates in the mainland of The People's Republic of China ("Mainland China") are required to participate in a pension scheme operated by the local municipal government. These subsidiaries are required to contribute certain percentage of its payroll costs to the pension scheme. The contributions are charged to the income statement as they become payable in accordance with the rules of the pension scheme.

Share option scheme

The Company operates a share option scheme for the purpose of providing incentives and rewards to eligible participants who contribute to the success of the Group's operations. The financial impact of share options granted under the share option scheme is not recorded in the Company's or the Group's balance sheet until such time as the options are exercised, and no charge is recorded in the income statement or balance sheet for their cost. Upon the exercise of share options, the resulting shares issued are recorded by the Company as additional share capital at the nominal value of the shares, and the excess of the exercise price per share over the nominal value of the shares is recorded by the Company in the share premium account. Options which are cancelled prior to their exercise date, or which lapse, are deleted from the register of outstanding options.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Foreign currencies

Foreign currency transactions are recorded at the applicable exchange rates ruling at the transaction dates. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are translated at the applicable exchange rates ruling at that date. Exchange differences are dealt with in the income statement.

On consolidation, the financial statements of overseas subsidiaries and associates are translated into Hong Kong dollars using the net investment method. The income statement of overseas subsidiaries and associates are translated into Hong Kong dollars at the weighted average exchange rates for the year, and their balance sheets are translated into Hong Kong dollars at the exchange rates ruling at the balance sheet date. The resulting translation differences are included in the exchange fluctuation reserve.

For the purpose of the consolidated cash flow statement, the cash flows of overseas subsidiaries are translated into Hong Kong dollars at the exchange rates ruling at the dates of the cash flows. Frequently recurring cash flows of overseas subsidiaries which arise throughout the year are translated into Hong Kong dollars at the weighted average exchange rates for the year.

Related parties

Parties are considered to be related if one party has the ability, directly or indirectly, to control the other party or exercise significant influence over the other party in making financial and operating decisions. Parties are also considered to be related if they are subject to common control or common significant influence. Related parties may be individuals or corporate entities.

5. SEGMENT INFORMATION

Segment information is presented by way of the Group's primary segment reporting basis, by business segment. In determining the Group's geographical segments, revenues 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. No further geographical segment information is presented as over 90% of the Group's revenue is derived from customers based in Mainland China, and over 90% of the Group's assets are located in Mainland China.

The Group's operating businesses 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 tree seedlings and seeds segment engages in the nurturing, selling and trading of tree seedlings and seeds; and

Discontinued operations

(b) the shrimp feeds segment engages in the manufacturing and sale of shrimp feeds.

Further details of the discontinued operations under the shrimp feeds segment are set out in note 7 to the financial statements.

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

5. SEGMENT INFORMATION *(Continued)*

Business segments

The following tables present revenue, profit/(loss) and certain asset, liability and expenditure information for the Group's business segments.

Group

	Continuing operations		Discontinued operations			
	Tree seedlings and seeds		Shrimp feeds		Consolidated	
						(As restated)
	2004	2003	**2004**	2003	**2004**	2003
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
Segment revenue	**47,334**	74,630	**–**	5,463	**47,334**	80,093
Segment results	**(193,332)**	27,097	**–**	(24,203)	**(193,332)**	2,894
Gain on disposal of discontinued operations					**5,290**	4,943
Gain on disposal of subsidiary					**997**	–
Gain arising from changes in fair value less estimated point-of-sale costs of biological assets					**5,461**	4,460
Interest income and other unallocated revenue/gains					**1,791**	4
Unallocated expenses					**(17,749)**	(9,636)
(Loss)/profit from operating activities					**(197,542)**	2,665
Finance costs					**(14)**	–
(Loss)/profit before tax					**(197,556)**	2,665
Tax					**–**	–
(Loss)/profit before minority interests					**(197,556)**	2,665
Minority interests					**33,126**	(10,149)
Net loss from ordinary activities attributable to shareholders					**(164,430)**	(7,484)
Segment assets	**129,098**	**188,541**	**–**	–	**129,098**	188,541
Unallocated assets					**7,930**	188,995
Total assets					**137,028**	377,536
Segment liabilities	**2,646**	**35,293**	**–**	–	**2,646**	35,293
Unallocated liabilities					**19,695**	52,779
Total liabilities					**22,341**	88,072

5. SEGMENT INFORMATION *(Continued)*

Business segments *(Continued)*

Group

	Continuing operations: Tree seedlings and seeds 2004 HK$'000	Continuing operations: Tree seedlings and seeds 2003 HK$'000	Discontinued operations: Shrimp feeds 2004 HK$'000	Discontinued operations: Shrimp feeds 2003 HK$'000	Consolidated 2004 HK$'000	Consolidated 2003 HK$'000
Other segment information:						
Depreciation and amortisation	**4,228**	5,322	**–**	953	**4,228**	6,275
Unallocated depreciation					**2,256**	349
					6,484	6,624
Impairment loss recognised in the income statement	**40,513**	–	**–**	21,920	**40,513**	21,920
Impairment loss recognised directly in equity	**–**	–	**–**	472	**–**	472
					40,513	22,392
Provision for doubtful debts and bad debts written off	**22,022**	–	**–**	1,447	**22,022**	1,447
Provision for amount due from minority shareholder of a subsidiary	**20,529**	–	**–**	–	**20,529**	–
Unallocated provision for doubtful debts					**3,136**	–
					45,687	1,447
Capital expenditure	**166**	38	**–**	–	**166**	38
Unallocated capital expenditure					**8,986**	21
					9,152	59
Provision for loss in cash deposit	**126,845**	–	**–**	–	**126,845**	–

6. TURNOVER AND REVENUE

Turnover represents the net invoiced value of goods sold, after allowances for trade discounts and returns.

Revenue from the following activities has been included in turnover:

	2004	2003
	HK$'000	*HK$'000*
Continuing operations:		
Sale of tree seedlings and seeds	**47,334**	74,630
Discontinued operations:		
Sale of shrimp feeds	**–**	5,463
	47,334	80,093

7. DISCONTINUED OPERATIONS

In view of the Group's strategy to diversify into high-tech, large-scale and industrialised agricultural businesses in Mainland China and to concentrate its resources on the development of such businesses, the Group discontinued its eel feeds business and Shrimp Feeds Business in the prior years through the disposal of the related subsidiary/operations.

On 30 December 2002, the Group entered into a sale and purchase agreement with an independent third party for the disposal of substantially all of the then existing assets attributable to the eel feeds business. This was effected through the disposal of the entire issued share capital of Corasia International (BVI) Limited ("Corasia BVI"), an investment holding company, which holds the remaining eel feeds business of the Group, for a consideration of HK$120 million (the "Corasia BVI Disposal"). The Corasia BVI Disposal, together with other disposals during that year, had effectively resulted in the completion of the discontinuance of eel feeds business on 30 December 2002. The consideration for the Corasia BVI Disposal was satisfied by the purchaser by way of issuing a promissory note to the Group amounting to HK$120 million. Further details of the Corasia BVI Disposal are set out in note 25 to the financial statements and also in a circular of the Company dated 16 January 2003.

On 30 May 2004, the Group entered into a sale and purchase agreement with an independent third party for the disposal of the entire issued share capital of Qionghai Juhua which holds the shrimp feeds business of the Group.

7. DISCONTINUED OPERATIONS *(Continued)*

The eel feeds operations and shrimp feeds operations are principally reported under the "eel feeds" business segment and the "shrimp feeds" business segment, except for certain of its auxiliary and administrative functions, which are not separately reported, but are included in unallocated items for segment reporting purposes.

The turnover, expenses, profit/(loss) before tax from ordinary activities and tax attributable to the discontinued operations for the years ended 31 December 2004 and 2003 are as follows:

	2004	2003
	HK$'000	*HK$'000*
Turnover	**–**	5,463
Changes in inventories of finished goods	**–**	209
Raw materials and consumables used	**–**	(4,431)
Staff costs	**–**	(151)
Depreciation	**–**	(454)
Amortisation of production right	**–**	(499)
Impairment of production right	**–**	(7,481)
Provision for impairment of the interest in an unconsolidated subsidiary *(note 22)*	**–**	(14,439)
Other operating expenses	**–**	(2,420)
Gain on disposal of discontinued operations	**5,290**	4,943
Profit/(loss) before tax	**5,290**	(19,260)
Tax	**–**	–
Profit/(loss) after tax	**5,290**	(19,260)

8. (LOSS)/PROFIT FROM OPERATING ACTIVITIES

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

	2004	2003
	HK$'000	*HK$'000*
Cost of inventories sold	**31,890**	49,707
Staff costs, excluding directors' remuneration *(note 10)*:		
Salaries, wages and allowances	**689**	2,562
Retirement benefits scheme contributions	**16**	89
	705	2,651
Amortisation of goodwill on acquisition of subsidiaries*	**2,272**	2,272
Amortisation of production right*	**–**	499
Amortisation of computer software development cost*	**1,302**	–
Auditors' remuneration	**650**	1,080
Bad debts written off	**4**	–
Depreciation*	**2,910**	3,853
Provision for amount due from minority shareholder of a subsidiary**	**20,529**	–
Provision for impairment of production right**	**–**	7,481
Provision for impairment of the interest in an unconsolidated subsidiary**	**–**	14,439
Provision for impairment of goodwill**	**40,513**	–
Provision for loss in cash deposit	**126,845**	–
Loss on disposal of fixed assets	**169**	–
Minimum lease payments under an operating lease in respect of land and buildings	**945**	552
Provision for doubtful debts**	**25,154**	1,447
Gain arising from changes in fair value less estimated point-of-sale costs of biological assets	**(5,461)**	(4,460)
Gain on disposal of discontinued operations	**(5,290)**	(4,943)
Gain on disposal of subsidiary	**(997)**	–
Interest income	**(833)**	(3)

* Included in "Depreciation and amortisation" on the face of the consolidated income statement.

** Included in "Other operating expenses" on the face of the consolidated income statement.

At 31 December 2004, the Group had no material forfeited contributions available to reduce its contributions to its retirement benefits scheme in future years (2003: Nil).

9. FINANCE COSTS

	Group	
	2004	2003
	HK$'000	*HK$'000*
Interest on bank loan:		
Wholly repayable within five years	**14**	–
Wholly repayable after five years	**–**	–
	14	–

10. DIRECTORS' REMUNERATION

Directors' remuneration for the year, disclosed pursuant to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited and Section 161 of the Hong Kong Companies Ordinance, is as follows:

	Group	
	2004	2003
	HK$'000	*HK$'000*
Fees	**100**	214
Other emoluments:		
Salaries, allowances and benefits in kind	**706**	1,141
Retirement benefits scheme contributions	**–**	–
	706	1,141
	806	1,355

Fees include HK$100,000 (2003: HK$214,000) paid to the independent non-executive directors. There were no other emoluments payable to the independent non-executive directors during the current and prior years.

The remuneration of each of the nine (2003: twelve) directors fell within the band of nil to HK$1,000,000 for current and prior years.

10. DIRECTORS' REMUNERATION *(Continued)*

There was no arrangement under which a director waived or agreed to waive any remuneration during the current and prior years.

No share options were granted to the directors in respect of their services to the Group for the current and prior years. No value in respect of the share options granted in the prior year was charged to the income statement, or otherwise included in the above directors' remuneration disclosures.

11. FIVE HIGHEST PAID EMPLOYEES

The five highest paid employees during the year included four (2003: one) directors, details of whose remuneration are set out in note 10 above. Details of the remuneration of the remaining one (2003: four) non-director, highest paid employee for the year are as follows:

	Group	
	2004	2003
	HK$'000	*HK$'000*
Salaries, allowances and benefits in kind	**675**	1,385
Retirement benefits scheme contributions	**6**	34
	681	1,419

The remuneration of the one (2003: four) non-director, highest paid employee fell within the band of nil to HK$1,000,000 for each of the years ended 31 December 2004 and 2003.

No share options were granted to the one (2003: four) non-director, highest paid employee for the year in respect of their services to the Group (2003: Nil).

12. TAX

No provision for Hong Kong profits tax has been made as the Group did not generate any assessable profits arising in Hong Kong during the year (2003: Nil). 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.

A reconciliation of the tax expense/(credit) applicable to (loss)/profit before tax using the statutory rates for the countries in which the Company and its subsidiaries are domiciled to the tax expense at the effective tax rates, and a reconciliation of the applicable rates (i.e., the statutory tax rates) to the effective tax rates, are as follows:

Group – 2004

	Hong Kong		Mainland China		Total	
	HK$'000	*%*	*HK$'000*	*%*	*HK$'000*	*%*
Loss before taxation	(4,224)		(193,332)		(197,556)	
Tax credit at the applicable tax rate	(739)	(17.5)	(63,800)	(33.0)	(64,539)	(32.6)
Lower tax rate for specific provinces or local authority	–	–	63,050	32.6	63,050	31.9
Income not subject to tax	(7,249)	(171.7)	–	–	(7,249)	(3.7)
Expenses not deductible for tax	5,384	127.5	750	0.4	6,134	3.1
Tax losses for the year not recognised	2,604	61.7	–	–	2,604	1.3
Tax charge at the Group's effective rate	–	–	–	–	–	–

12. TAX *(Continued)*

Group – 2003

	Hong Kong		Mainland China		Total	
	HK$'000	%	*HK$'000*	%	*HK$'000*	%
(Loss)/profit before taxation	(4,689)		7,354		2,665	
(Tax credit)/tax charge at the applicable tax rate	(821)	(17.5)	2,427	33.0	1,606	60.3
Lower tax rate for specific provinces or local authority	–	–	(61)	(0.8)	(61)	(2.3)
Income not subject to tax	(865)	(18.4)	(11,458)	(155.8)	(12,323)	(462.4)
Expenses not deductible for tax	61	1.3	8,781	119.4	8,842	331.8
Tax losses for the year not recognised	1,625	34.6	311	4.2	1,936	72.6
Tax charge at the Group's effective rate	–	–	–	–	–	–

The Group did not have any significant unprovided deferred tax in respect of the current and prior years.

Under the current PRC tax law, the subsidiary of the Group which engages in the nurturing, selling and trading of tree seedlings and seeds is exempted from PRC corporate income tax.

13. NET LOSS FROM ORDINARY ACTIVITIES ATTRIBUTABLE TO SHAREHOLDERS

The net loss from ordinary activities attributable to shareholders for the year ended 31 December 2004 dealt with in the financial statements of the Company was a net loss of HK$245,327,000 (2003: net profit of HK$14,995,000) (note 37).

14. LOSS PER SHARE

The calculation of basic loss per share is based on the net loss attributable to shareholders for the year of HK$164,430,000 (2003: HK$7,484,000), and the weighted average of 3,759,492,024 (2003: 1,743,800,617) ordinary shares in issue during the year.

Diluted loss per share amount for the current and prior years have not been disclosed, as the share options outstanding during both years had no dilutive effect on the basic loss per share for those years.

15. PRIOR YEAR ADJUSTMENTS

(i) A prior year adjustment was made for the omission of entry in respect of the acquisition of forest amounting to HK$30,000,000 for the year ended 31 December 2002 as mentioned in note 16 to the financial statements. As a result, both biological assets (formerly classified as fixed assets before the adoption of SSAP 36) and amount due to minority shareholder of a subsidiary as at 31 December 2002 and 2003 have been increased by HK$30,000,000.

(ii) The adoption of SSAP 36 "Agriculture" has resulted in changing the Group's accounting policy and applied retrospectively. As a result, a prior year adjustment was made and comparative figures have been restated. Further details of effect of adoption of SSAP 36 "Agriculture" are set out in notes 3 and 17 to the financial statements.

16. FIXED ASSETS

Group

	Leasehold land and buildings *HK$'000*	Leasehold improve-ments *HK$'000*	Plant, machinery and equipment *HK$'000*	Furniture and fixtures *HK$'000*	Motor vehicles *HK$'000*	Total *HK$'000*
Cost or valuation:						
At beginning of year						
As previously reported	74,596	457	2,935	292	1,520	79,800
Prior year adjustment:						
– Omission of entry in respect of the acquisition of forest *(note 15(i))*	30,000	–	–	–	–	30,000
– SSAP 36: restatement of biological assets *(note 15(ii) and 17)*	(30,000)	–	–	–	–	(30,000)
As restated	74,596	457	2,935	292	1,520	79,800
Additions	–	492	2,150	–	–	2,642
Disposal/written off	–	(457)	–	–	(590)	(1,047)
Exchange realignment	172	–	6	–	–	178
At 31 December 2004	74,768	492	5,091	292	930	81,573
Accumulated depreciation:						
At beginning of year	3,083	457	339	125	412	4,416
Provided during the year	1,495	114	1,067	57	177	2,910
Disposal/written off	–	(457)	–	–	(56)	(513)
Exchange realignment	7	–	1	–	–	8
At 31 December 2004	4,585	114	1,407	182	533	6,821
Net book value:						
At 31 December 2004	70,183	378	3,684	110	397	74,752
At 31 December 2003	71,513	–	2,596	167	1,108	75,384

16. FIXED ASSETS *(Continued)*

Company

	Leasehold improvements HK$'000	Plant, machinery and equipment HK$'000	Furniture and fixtures HK$'000	Total HK$'000
Cost:				
At beginning of year	457	156	262	875
Additions	443	1,984	–	2,427
Written off	(457)	–	–	(457)
At 31 December 2004	443	2,140	262	2,845
Accumulated depreciation:				
At beginning of year	457	43	119	619
Provided during the year	89	636	53	778
Written off	(457)	–	–	(457)
At 31 December 2004	89	679	172	940
Net book value:				
At 31 December 2004	354	1,461	90	1,905
At 31 December 2003	–	113	143	256

(i) The Group's leasehold land and buildings at the balance sheet date are held under the following terms:

	2004 HK$'000	2003 HK$'000
Held under medium term leases in Mainland China:		
At cost	**14,768**	14,596
At valuation	**60,000**	60,000
	74,768	74,596

16. FIXED ASSETS *(Continued)*

(ii) The land and buildings of the Group were revalued at 31 December 2002 on the basis of their open market value in existing use carried out by Chesterton Petty Limited, an independent firm of valuers. The surplus of HK$24,233,000 on revaluation had been credited to fixed assets revaluation reserve. The carrying amount of the land and buildings would have been HK$28,763,000 (2003: HK$29,301,000) had they been stated at cost less accumulated depreciation and impairment losses.

(iii) The Group's leasehold land and buildings with an aggregate net book value of HK$10,809,000 (2003: HK$Nil) were pledged, amongst others, to secure loan of RMB30,000,000 granted to a related company.

17. BIOLOGICAL ASSETS

	Group	
	2004	2003
	HK$'000	*HK$'000*
At 31 December		
As previously reported	**–**	–
Prior year adjustment:		
– Effect of adoption of SSAP 36	**28,067**	22,898
As restated	**28,067**	22,898
The analysis of the above is as follows:		
Non-current portion	**27,307**	21,796
Current portion	**760**	1,102
	28,067	22,898

(i) SSAP 36 was adopted during the year, as further explained in note 3 to the financial statements. This change in accounting policy has resulted in the following prior year adjustments:

(a) reclassification of trees with a carrying value of HK$30,000,000 from fixed assets to biological assets as of 31 December 2003 and reclassification of tree seedlings with a carrying value of HK$1,102,000 from inventories to biological assets as of 31 December 2003.

17. BIOLOGICAL ASSETS *(Continued)*

(b) recognition of the decrease in fair value of the biological assets at 1 January 2003 of HK$12,707,000 and increase in fair value of the biological assets of HK$4,460,000 for the year ended 31 December 2003.

(c) increase in biological assets of HK$43,000 and increase in exchange fluctuation reserve of HK$43,000 to reflect the effect of movements in foreign exchange on translation of the financial statements of the PRC subsidiary.

As a consequence, the Group's biological assets as of 31 December 2003 has been increased by HK$22,898,000. The net loss attributable to shareholders for the year ended 31 December 2003 has been increased by HK$3,122,000. The consolidated accumulated losses at 1 January 2003 and 2004 have been increased by HK$8,895,000 and HK$5,773,000, respectively while the exchange fluctuation reserve at 1 January 2004 have been increased by HK$43,000, as detailed in note 37 to the financial statements.

(ii) The biological assets, representing trees, tree seedlings and seeds are summarised as follows:

	(As restated)				
	Trees		**Tree seedlings and seeds**		**Total**
	M^3	*HK$'000*	*Number*	*HK$'000*	*HK$'000*
Balance at 1 January 2003	57,886	17,293	9,207,800	3,721	21,014
Increase due to acquisitions		–	2,713,300	983	983
Changes in fair value less estimated point-of-sale costs		4,460		–	4,460
Effect of movements in foreign exchange		43		–	43
Decrease due to natural loss/sales	(1,247)	–	(9,122,652)	(3,602)	(3,602)
Balance at 31 December 2003	56,639	21,796	2,798,448	1,102	22,898
Non-current		21,796		–	21,796
Current		–		1,102	1,102
		21,796		1,102	22,898

17. BIOLOGICAL ASSETS *(Continued)*

(ii) The biological assets, representing trees, tree seedlings and seeds are summarised as follows: *(Continued)*

	Trees		Tree seedlings and seeds		Total
	M^3	*HK$'000*	*Number*	*HK$'000*	*HK$'000*
Balance at 1 January 2004	56,639	21,796	2,798,448	1,102	22,898
Increase due to growth/ acquisitions	14,161	–	4,832,100	770	770
Changes in fair value less estimated point-of-sale costs		5,461		–	5,461
Effect of movements in foreign exchange		50		–	50
Decrease due to sales	–	–	(3,038,500)	(1,112)	(1,112)
At 31 December 2004	70,800	27,307	4,592,048	760	28,067
Non-current		27,307		–	27,307
Current		–		760	760
		27,307		760	28,067

(iii) The biological assets as at balance sheet dates are stated at fair value less estimated point-of-sale costs.

In accordance with the valuation report issued by 尚義縣林業局, the fair values less estimated point-of-sale costs of the trees are determined by referring to the market-determined prices of biological assets with similar size, species and age.

The fair values of tree seedlings are determined by the directors with reference to market-determined prices, cultivation area, species, growing conditions, cost incurred and expected yield.

The valuation methodology is in compliance with SSAP 36 to determine the fair values of biological assets in their present location and condition.

17. BIOLOGICAL ASSETS *(Continued)*

(iv) Output for biological assets

	2004	(As restated) 2003
	Number	*Number*
Total output for the year		
Trees	**–**	–
Tree seedlings	**100,640,382**	144,168,532

(v) The Group's biological assets amounting to HK$28,067,000 (2003: HK$Nil) were pledged, amongst others, to secure loan of RMB30,000,000 granted to a related company.

18. PRODUCTION RIGHT

Group

	HK$'000
Cost:	
At beginning of year and at 31 December 2004	28,500
Accumulated amortisation and impairment:	
At beginning of year and at 31 December 2004	28,500
Net book value:	
At 31 December 2004	–
At 31 December 2003	–

The production right represents the cost of acquiring the rights to produce, use and sell an immunological additive for shrimp feeds so as to improve the disease resistance of shrimps and to increase their survival rate.

Due to the discontinuance of the operations of the Shrimp Feeds Business in Mainland China in the second half of 2003, a provision for impairment has been made in respect of the production right based on its value in use. Further details of the discontinued operations of the Shrimp Feeds Business are set out in note 7 to the financial statements.

19. GOODWILL

The amount of the goodwill capitalised as an asset in the consolidated balance sheet, arising from the acquisition of subsidiary, Hebei Bashang Nursery Company Limited ("Hebei Bashang") is as follows:

Group

	HK$'000
Cost:	
At beginning of year and at 31 December 2004	45,436
Accumulated amortization and impairment:	
At beginning of year	2,651
Amortisation provided during the year	2,272
Impairment during the year recognised in the income statement	40,513
At 31 December 2004	45,436
Net book value:	
At 31 December 2004	–
At 31 December 2003	42,785

Hebei Bashang is engaged in nurturing, selling and trading of tree seedlings and seeds, the business of which formed the major business activities for the group as a whole. In view of the provision for loss on cash deposit amounting to RMB134,389,000 (approximately HK$126,845,000) as mentioned in note 29 to the financial statements, the material effect of which may have significant impact on Hebei Bashang's ability to continue as a going concern. As a result, the directors decided that a provision for impairment of the outstanding goodwill of RMB43,274,000 (approximately HK$40,513,000) as at 31 December 2004 is required.

20. COMPUTER SOFTWARE DEVELOPMENT COST

	Group and Company	
	2004	2003
	HK$'000	*HK$'000*
Cost		
At 1 January	**–**	–
Additions	**6,510**	–
At 31 December	**6,510**	–
Accumulated amortization		
At 1 January	**–**	–
Amortisation for the year	**1,302**	–
At 31 December	**1,302**	–
Net carrying value		
At 31 December	**5,208**	–

Computer software development cost represents the software cost incurred for the establishment of the Group's computerised information system. Computer software development cost recognised as assets are amortised using the straight-line method over their useful lives, not exceeding a period of 5 years.

The Group also incurred hardware cost amounting to HK$1,981,000 for this information system which has been included in fixed assets in note 16.

21. INTERESTS IN SUBSIDIARIES

	Company	
	2004	2003
	HK$'000	*HK$'000*
Unlisted shares, at cost	**157**	11,696
Due from subsidiaries	**309,549**	319,462
Due to subsidiaries	**(54)**	(58)
	309,652	331,100
Provision for impairment	**(309,652)**	(72,450)
	–	258,650

The balances with subsidiaries are unsecured, interest-free and with no fixed terms of repayment.

Particulars of the principal subsidiaries are as follows:

Name	Place of incorporation/ registration and operations	Nominal value of issued ordinary share/ registered capital	Percentage of equity attributable to the Company 2004	2003	Principal activities
Directly held:					
Qionghai Juhua#^	PRC/Mainland China	US$1,500,000	–	100	Manufacture and sale of shrimp feed products
Macro-Invest Ltd.	British Virgin Islands/ Mainland China	US$1	100	100	Investment holding
Indirectly held:					
Corasia Bio-Technology Company Limited	British Virgin Islands/ Mainland China	US$10,000	100	100	Holding of the production right
North Asia Forest Development Limited*	British Virgin Islands/ Mainland China	US$1	100	100	Investment holding
Hebei Bashang*^	PRC/Mainland China	US$1,829,000	70	70	Nurturing, selling and trading of tree seedlings and seeds

21. INTERESTS IN SUBSIDIARIES *(Continued)*

\# Qionghai Juhua was deconsolidated during prior year (note 2a).

^ Qionghai Juhua is registered as a wholly-foreign owned enterprise under PRC law. Hebei Bashang is registered as a Sino-foreign equity joint venture enterprise under PRC law.

* On 20 September 2002, the Group entered into an agreement (the "Acquisition Agreement") with an independent third party (the "Vendor") for the acquisition (the "Acquisition") of the entire issued share capital of North Asia Forest Development Limited ("North Asia") for a total consideration of HK$108.3 million (the "Consideration"). The Acquisition was completed on 25 October 2002. North Asia is an investment holding company, which holds a 70% equity interest in Hebei Bashang, a Sino-foreign equity joint venture enterprise established in the PRC, which is principally engaged in the nurturing, selling and trading of tree seedlings and seeds in Mainland China. The Consideration was satisfied as to (i) HK$18.3 million by the issue and allotment by the Company of 150,000,000 new shares of the Company to the Vendor and/or its nominee(s) (the "Share Consideration"); (ii) HK$30 million issue by the Company of a convertible note to the Vendor and/or its nominee(s) (the "Convertible Note"); (iii) HK$30 million in cash payable to the Vendor (the "Consideration Payable:); and (iv) HK$30 million within two months after April 2004 or the date on which the audited results of Hebei Bashang for the year ended 31 December 2003 is available (whichever is later) in cash payable by the Group to the Vendor (the "Deferred Consideration"). The Convertible Note have been fully converted into 150,000,000 new shares of the Company (note 34(b)) in prior year.

Pursuant to the Acquisition Agreement, the Vendor and a beneficial shareholder of the Vendor (the "Guarantor") have jointly and severally warranted, undertaken and guaranteed to the Group that the audited net profit of Hebei Bashang prepared under the generally accepted accounting principles in the PRC for the year ended 31 December 2003 (the "Audited 2003 Results") will not be less than RMB31,000,000 (the "Guaranteed Profit"). If the Guaranteed Profit cannot be met, the Vendor and the Guarantor have agreed that any shortfall in profit, being 70% of the difference between the Guaranteed Profit and the Audited 2003 Results, will be deducted from the balance of the Deferred Consideration pursuant to the Acquisition Agreement on a dollar-for-dollar basis. Pursuant to the audited financial statements of Hebei Bashang for the year ended 31 December 2003, the Audited 2003 Results were above RMB31,000,000 and, accordingly, no adjustment to the Deferred Consideration is required. Further details of the above are also set out in a circular of the Company dated 10 October 2002. During the year, the Deferred Consideration have been fully settled by an accounting entry to transfer the receivable under the third tranche of the promissory note receivable (note 25(b)(i)).

The above table lists the subsidiaries of the Company which, in the opinion of the directors, principally affected the results for the year or formed a substantial portion of the net assets of the Group. To give details of other subsidiaries would, in the opinion of the directors, result in particulars of excessive length.

22. INTEREST IN AN UNCONSOLIDATED SUBSIDIARY

	Group	
	2004	2003
	HK$'000	*HK$'000*
Interest in Qionghai Juhua, at the carrying value of the Group at the date of deconsolidation	–	14,911
Provision for impairment*	–	(14,911)
	–	–

* The provision for impairment was recognised in previous year in the consolidated income statements and directly in equity amounting to HK$14,439,000 (note 7) and HK$472,000 (note 37), respectively.

Further details of the deconsolidation of Qionghai Juhua during the previous year are set out in note 2 (a) to the financial statements.

23. INVENTORIES

	Group	
		(As restated)
	2004	2003
	HK$'000	*HK$'000*
Raw materials	**80**	136

(i) HK$1,102,000 of work in progress have been reclassified into biological assets at 31 December 2003 after the adoption of SSAP 36 in current year.

(ii) No inventories of the Group were carried at net realisable value at 31 December 2004 (2003: Nil).

24. ACCOUNTS RECEIVABLE

The Group's trading terms with its customers are mainly on credit. The credit period is generally for a period ranging 90 to 180 days, except for certain major/well-established customers, whereby the credit period is 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, is as follows:

	Group	
	2004	2003
	HK$'000	*HK$'000*
Within 90 days	**–**	3,191
91 days to 180 days	**–**	25,630
181 days to 365 days	**22,018**	17,700
Over 365 days	**–**	612
	22,018	47,133
Provision for doubtful debts	**(22,018)**	–
	–	47,133

25. PROMISSORY NOTES RECEIVABLE

	Group	
	2004	2003
	HK$'000	*HK$'000*
Promissory notes receivable:		
Corasia BVI Disposal	**–**	60,000

Note:

(a) The promissory notes are receivable in four equal tranches of HK$30 million each on 31 May 2003, 30 September 2003, 31 January 2004 and 31 May 2004, respectively. They are interest-free and secured by the first legal charges on (i) the entire issued share capital of Corasia BVI and (ii) the entire issued share capital of Corasia International Limited. The balance outstanding as at 31 December 2003 represented the last two payment tranches of HK$30 million each.

25. PROMISSORY NOTES RECEIVABLE *(Continued)*

(b) During the year, the remaining two tranches of HK$30 million each of the promissory notes were settled in the following ways:

(i) An accounting entry was made to transfer an amount of HK$30 million under the third tranche of the promissory note receivable to the Vendor as partial settlement of the Deferred Consideration (note 21).

(ii) An accounting entry was made to transfer an amount of HK$30 million under the fourth tranche of the promissory note receivable to the minority shareholder of a subsidiary as full settlement of the consideration in acquisition of biological assets (note 33).

26. PREPAYMENTS AND DEPOSITS

The balance at 31 December 2004 mainly includes a prepayment for acquisition of tree seedling and seeds paid to 綠色科技園苗木股份有限責任公司(「綠色科技園」) amounted to RMB27,859,000 (approximately HK$26,206,000). Due to the cancellation of agreement, 綠色科技園had refunded the whole amount to the Company subsequent to the year end date on 31 May 2005. Subsequent to the year ended date on 3 June 2005, the whole amount was re-financed to 綠色科技園 and remain outstanding up to 30 December 2005.

The Group's prepayments and deposits as at 31 December 2003 were mainly deposits for potential future investments paid to an investment advisor, 洛陽山嶺農林工程技術有限公司(「山嶺農林」), of approximately HK$126 million. In the financial statements for the year ended 31 December 2003, recoverability of the deposit was qualified by the previous auditors. On 10 June 2004, the deposits were recorded as refund from 山嶺農林 and recorded as deposit into a PRC Trust Co-operatives Union in the bank account of a subsidiary of the Company, Hebei Bashang by means of two deposits amounting to HK$51 million and HK$75 million respectively.

Subsequent to the year end date on 20 July 2005, the directors decided that a full provision was made against the two cash deposits with an aggregated balance of approximately HK$126 million as at 31 December 2004, details of which are set out in note 29.

27. DUE FROM MINORITY SHAREHOLDER OF A SUBSIDIARY

	Group	
	2004	2003
	HK$'000	*HK$'000*
Balance as at year end	**20,529**	–
Less: Provision for doubtful debts	**(20,529)**	–
	–	–

According to an agreement dated 10 March 2004 between a PRC subsidiary of the Group and its minority shareholder, 河北省尚義縣國有北石堺林場, the Group advanced RMB21,395,000 (approximately HK$20,126,000) to the minority shareholder for their acquisition of fertiliser in return for an interest income of RMB428,000 (approximately HK$403,000). The balance represents the amount not yet received from the minority shareholder regarding the above which is unsecured and with no fixed terms of repayment.

28. DUE FROM/(TO) RELATED COMPANIES

The balances with related companies are unsecured, interest-free and with no fixed terms of repayment. Certain directors of the Company are directors and/or beneficial shareholders of the related companies.

29. CASH BALANCE AT PRC TRUST CO-OPERATIVES UNION

	Group	
	2004	2003
	HK$'000	*HK$'000*
Balance as at year end	**127,128**	–
Less: Provision for loss in cash deposit	**(126,845)**	–
	283	–

The Group's cash balance at PRC Trust Co-operatives Union 農村信用合作社 ("Union") at 31 December 2004 represent the cash deposit in the Union by a PRC subsidiary (the "Deposit"). The Deposit with the Union was a refund of deposits for potential future investments from 山嶺農林 on 10 June 2004. Further details of the Deposit refund are set out in note 26 to the financial statements.

Subsequent to the balance sheet date in July 2005, the board of directors (the "Board") were negotiating with the management of the subsidiary to exercise control over the Deposit. Without much progress in the negotiation, in a directors' meeting on 20 July 2005, the Board considered that the recoverability of the Deposit is uncertain and it is prudent to make a full provision against the Deposit.

29. CASH BALANCE AT PRC TRUST CO-OPERATIVES UNION *(Continued)*

At the same time, an independent investigation committee ("Independent Investigation Committee"), comprising members of the audit committee was established by the Board on 20 July 2005 to conduct a full review and investigation on the annual accounts of the Group for the year ended 31 December 2004, in particular, regarding the ownership and existence of the Deposit together with interest thereon amounting to RMB134,389,000 (approximately HK$126,845,000) as at 31 December 2004.

As described with details in the public announcement of the Company dated 5 August 2005, the Independent Investigation Committee engaged an independent firm of professional accountants to investigate the existence and validity of the Deposits placed in the Union. The conclusion of the investigation report dated 29 July 2005 from the independent firm to the Board indicated that the Deposit did not exist.

On 28 July 2005, the directors of the Company decided to report the case to the police in 尚義縣 (Shanyi County), PRC. In addition, the Independent Investigation Committee has resolved to report the matters to relevant regulatory authorities in Hong Kong. This matter was reported to the Stock Exchange and the Hong Kong Police Force on 29 July 2005 and 4 August 2005, respectively. As at 30 December 2005, the case is still under investigation by the respective authorities.

30. BANK BORROWINGS

	Group and Company	
	2004	2003
	HK$'000	*HK$'000*
Bank loan, unsecured	**1,216**	–
The analysis of the above balance is as follows:		
Within one year or on demand	**1,216**	–
More than one year, but not exceeding two years	**–**	–
	1,216	–
Current portion of loan	**(1,216)**	–
Non-current borrowings	**–**	–

The balance is unsecured and repayable by instalment from 5 January 2005 to 30 June 2005. Interest is charged at the daily rate of HK$317 from 5 January 2005 to the date hereof and thereafter at judgement rate until full payment.

31. ACCOUNTS PAYABLE

An aged analysis of the accounts payable as at the balance sheet date, based on invoice date, was as follows:

	Group	
	2004	2003
	HK$'000	*HK$'000*
Within 90 days	**43**	20
91 days to 180 days	**–**	1,404
181 days to 365 days	**93**	2,146
Over 365 days	**680**	255
	816	3,825

32. DEFERRED GAIN

The amount represents the gain deferred on the Corasia BVI Disposal as further detailed in note 7 to the financial statements.

Such gain was recognised in the income statement upon the settlement of the disposal consideration.

33. DUE TO MINORITY SHAREHOLDER OF A SUBSIDIARY

The balance at 31 December 2003 represented the outstanding principal in the acquisition of biological assets as further detailed in note 17 to the financial statements. It was unsecured, interest-free and with no fixed terms of repayment. During the year, an accounting entry was made to transfer an amount of HK$30 million under the fourth tranche of the promissory note receivable (note 25(b)(ii)) to the minority shareholder of a subsidiary as full settlement of the balance.

34. SHARE CAPITAL

Shares

	2004	2003
	HK$'000	*HK$'000*
Authorised:		
160,000,000,000 (2003: 160,000,000,000) ordinary shares of HK$0.01 each	**1,600,000**	1,600,000
Issued and fully paid:		
2,132,543,083 (2003: 1,807,143,083) ordinary shares of HK$0.01 each	**21,325**	18,071

34. SHARE CAPITAL *(Continued)*

The movements in share capital of the Company for the current and prior years were as follows:

(a) During the year, 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 for a total cash consideration before expenses, of HK$22,778,000, pursuant to certain placing agreements.

(b) In 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.

Further details of the Convertible Note are set out in note 21 to the financial statements.

A summary of the transactions during the year with reference to the above movements in the Company's issued ordinary share capital was as follows:

	Notes	Number of shares in issue	Issue share capital HK$'000	Share premium account HK$'000	Total HK$'000
At 1 January 2003		1,657,143,083	16,571	105,508	122,079
Convertible Note exercised	*(b)*	150,000,000	1,500	28,500	30,000
At 31 December 2003 and 1 January 2004		1,807,143,083	18,071	134,008	152,079
Shares issued under a placement	*(a)*	325,400,000	3,254	19,524	22,778
At 31 December 2004		2,132,543,083	21,325	153,532	174,857

Pursuant to a placing agreement subsequent to the balance sheet date on 3 February 2005, 400,000,000 new ordinary shares of the Company of HK$0.01 each were allotted to independent investors at a price of HK$0.035 per placing share. The amounts of HK$3,010,000 and HK$910,000 were deposited into bank account of the Company on 4 February 2005 and 5 February 2005 respectively. The remaining balance of HK$10,080,000 was taken up by a related company, 深圳市龍浩世紀實業有限公司 on behalf of the Company.

Share options

Details of the Company's share option scheme and the share options issued under the scheme are included in note 36 to the financial statements.

35. DEFERRED TAX

The following are the movements of major deferred tax assets and liabilities recognised by the Group during the current and prior years:

	Accelerated depreciation allowance	**Tax losses**	**Total**
	HK$'000	*HK$'000*	*HK$'000*
Deferred tax arising from:			
At 31 December 2002	–	–	–
(Credited)/charged to income statement *(note 12)*	–	–	–
At 31 December 2003	–	–	–
At 31 December 2003	–	–	–
Charged/(credited) to income statement *(note 12)*	1,159	(1,159)	–
At 31 December 2004	1,159	(1,159)	–

For the purpose of balance sheet presentation, certain deferred tax assets and liabilities have been offset in accordance with the conditions set out in SSAP 12. The following is the analysis of the deferred tax balances for financial reporting purposes:

	Group and Company	
	2004	2003
	HK$'000	*HK$'000*
Deferred tax liabilities	**1,159**	–
Deferred tax assets	**(1,159)**	–
	–	–

The Group has tax losses arising in Hong Kong of HK$6,458,000 (2003: HK$13,082,000) that are available indefinitely for offsetting against future taxable profits of the companies in which the losses arose. No deferred tax assets in respect of these unused tax losses have been recognised due to the unpredictability of future taxable profits streams.

36. SHARE OPTION SCHEME

The Company operates a share option scheme (the "Scheme") for the purpose of recognising the significant contributions of eligible participants to the growth of the Group and to further motivate and encourage the eligible participants to contribute and improve their performance and efficiency. Eligible participants of the Scheme include the Company's directors, independent non-executive directors, other directors/employees of the Group or its investees, suppliers of goods or services to the Group or its investees, customers of the Group or its investees, persons/entities that provide research, development or other technological support, shareholders of any member of the Group or its investees or such other persons from time to time as determined by the directors. The Scheme was approved and adopted on 21 June 2002 (the "Adoption Date") and, unless otherwise cancelled or amended, will remain in force for 10 years from that date.

The total number of shares in respect of which options may be granted under the Scheme (excluding options lapsed) is not permitted to exceed 10% of the shares of the Company in issue as at the Adoption Date, without a prior approval from the Company's shareholders.

The maximum number of shares issuable under share options to each eligible participant in the Scheme within any 12-month period, is limited to 1% of the shares of the Company in issue at any time. Any further grant of share options in excess of this limit is subject to shareholders' approval in a general meeting.

Share options granted to a director, chief executive or substantial shareholder of the Company, or to any of their associates, are subject to approval in advance by all the independent non-executive directors. In addition, any share options granted to a substantial shareholder or an independent non-executive director of the Company, or to any of their associates, in excess of 0.1% of the shares of the Company in issue at any time or with an aggregate value (based on the price of the Company's shares at the date of the grant) in excess of HK$5 million, within any 12-month period, are subject to shareholders' approval in advance in a general meeting.

The offer of a grant of share options may be accepted on or before the close of business on the date specified in the offer document. The exercise period of the share options granted is determinable by the directors, and commences on the first business date from the date of the offer of the share options and ends on the close of business on the last day of such period as determined by the directors, but no later than ten years from the date of the offer of the share options.

The exercise price of the share options is determinable by the directors, but may not be less than the higher of (i) the closing price of the Company's shares published on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") on the date of the offer of the share options; and (ii) the average Stock Exchange closing price of the Company's shares for the five trading days immediately preceding the date of the offer.

36. SHARE OPTION SCHEME *(Continued)*

Share options do not confer rights on the holders to dividends or to vote at shareholders' meetings.

The following share options were outstanding under the Scheme during the year:

Name of category of participant	Number of share options: At 1 January 2004	Granted during the year	Exercised during the year	Cancelled during the year	At 31 December 2004	Date of grant of share options*	Exercise period of share options (both dates inclusive)	Exercise price of share options** HK$
Directors								
Dr. Hon Fong Ming, Perry	900,000	–	–	–	900,000	26-06-02	26-06-02 to 20-06-12	0.1312
	8,000,000	–	–	–	8,000,000	30-07-02	30-07-02 to 20-06-12	0.2360
	8,900,000	–	–	–	8,900,000			
Dr. Qian Keming	864,000	–	–	–	864,000	26-06-02	26-06-02 to 20-06-12	0.1312
Mr. Zhang Jiebin	900,000	–	–	–	900,000	26-06-02	26-06-02 to 20-06-12	0.1312
Mr. Ke Yinbin	900,000	–	–	–	900,000	26-06-02	26-06-02 to 20-06-12	0.1312
Mr. Shang Qingling	864,000	–	–	–	864,000	26-06-02	26-06-02 to 20-06-12	0.1312
Mr. Yu Enguang	864,000	–	–	–	864,000	26-06-02	26-06-02 to 20-06-12	0.1312
Prof. Lang Hsien Ping	1,000,000	–	–	–	1,000,000	30-07-02	30-07-02 to 20-06-12	0.2360
Prof. Ma Qingguo	864,000	–	–	–	864,000	26-06-02	26-06-02 to 20-06-12	0.1312
	15,156,000	–	–	–	15,156,000			
Employees								
In aggregate	11,474,000	–	–	–	11,474,000	26-06-02	26-06-02 to 20-06-12	0.1312
Suppliers of goods or services								
In aggregate	48,680,000	–	–	–	48,680,000	26-06-02	26-06-02 to 20-06-12	0.1312
	500,000	–	–	–	500,000	30-07-02	30-07-02 to 20-06-12	0.2360
	49,180,000	–	–	–	49,180,000			
Others								
In aggregate	54,270,000	–	–	–	54,270,000	26-06-02	26-06-02 to 20-06-12	0.1312
	130,080,000	–	–	–	130,080,000			

* 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.

36. SHARE OPTION SCHEME *(Continued)*

At the balance sheet date, the Company had 130,080,000 share options outstanding under the Scheme, which represented approximately 6.1% of the Company's shares in issue as at that date. The exercise in full of the remaining share options would, under the present capital structure of the Company, result in the issue of 130,080,000 additional ordinary shares of the Company and additional share capital of approximately HK$1,301,000 and share premium of approximately HK$16,761,000 (before issue expenses).

37. RESERVES

Group

For the year ended 31 December 2004

	Note	Share premium account HK$'000	Fixed assets revaluation reserve HK$'000	Reserve fund* HK$'000	Contributed surplus HK$'000	Exchange fluctuation reserve HK$'000	Accumulated losses HK$'000	Total HK$'000
At I January 2004, as previously reported		134,008	–	3,490	126,883	72	(20,456)	243,997
Effect of adoption of SSAP 36	17	–	–	–	–	43	(5,773)	(5,730)
As at 1 January 2004, as restated		134,008	–	3,490	126,883	115	(26,229)	238,267
Issue of shares	34	19,524	–	–	–	–	–	19,524
Reserve transferred to Income Statement upon disposal of discontinued operations		–	–	(322)	–	273	–	(49)
Exchange realignment		–	–	–	–	50	–	50
Net loss for the year		–	–	–	–	–	(164,430)	(164,430)
As at 31 December 2004		153,532	–	3,168	126,883	438	(190,659)	93,362

37. RESERVES *(Continued)*

Group

For the year ended 31 December 2003

	Note	**Share premium account** *HK$'000*	**Fixed assets revaluation reserve** *HK$'000*	**Reserve fund*** *HK$'000*	**Contributed surplus** *HK$'000*	**Exchange fluctuation reserve** *HK$'000*	**Accumulated losses** *HK$'000*	**Total** *HK$'000*
At I January 2003, as previously reported		105,508	472	322	126,883	–	(6,682)	226,503
Effect of adoption of SSAP 36	*17*	–	–	–	–	–	(8,895)	(8,895)
As at 1 January 2003, as restated		105,508	472	322	126,883	–	(15,577)	217,608
Issued of shares	*34*	28,500	–	–	–	–	–	28,500
Impairment loss recognised directly in equity	*22*	–	(472)	–	–	–	–	(472)
Transfer to reserve funds*		–	–	3,168	–	–	(3,168)	–
Exchange realignment		–	–	–	–	115	–	115
Net loss for the year		–	–	–	–	–	(7,484)	(7,484)
As at 31 December 2003		134,008	–	3,490	126,883	115	(26,229)	238,267

All the above reserves are retained by/(accumulated in) the Company and subsidiaries.

* In accordance with the relevant PRC laws and regulations, subsidiaries of the Company established in the PRC are required to transfer a certain percentage of their profits after tax, if any, to reserve funds which are restricted as to use.

37. RESERVES *(Continued)*

Company

	Note	Share premium account HK$'000	Contributed surplus HK$'000	Accumulated losses HK$'000	Total HK$'000
At 1 January 2003		105,508	153,519	(106,220)	152,807
Issue of shares	*34*	28,500	–	–	28,500
Net profit for the year	*13*	–	–	14,995	14,995
At 31 December 2003 and 1 January 2004		134,008	153,519	(91,225)	196,302
Issue of shares	*34*	19,524	–	–	19,524
Net loss for the year	*13*	–	–	(245,327)	(245,327)
At 31 December 2004		153,532	153,519	(336,552)	(29,501)

The contributed surplus of the Group represents the difference between the aggregate of the nominal value of (i) the share capital of the subsidiaries acquired pursuant to the Group reorganisation completed on 5 June 1998; (ii) the debt of approximately HK$17,039,000 (the "Debt") due by the then shareholders, Mr. Kwok Man Yu and his wife, Ms. Lam Yuk Ang, to Corasia BVI, the former holding company of the Group, and assumed by the Company by virtue of the same Group reorganisation, over the nominal value of the share capital of the Company issued in exchange therefor; and (iii) the credit arising from the Capital Reduction of approximately HK$112,950,000.

The contributed surplus of the Company arose as a result of the same Group reorganisation and represents the excess of the then combined net assets of the subsidiaries acquired, as reduced by the balance of the Debt assumed by the Company by virtue of the Capital Reorganisation, over the nominal value of the share capital of the Company issued in exchange therefor; and the credit arising from the Capital Reduction of approximately HK$112,950,000.

In accordance with the Bermuda Companies Act 1981, the Company may make distributions to its members out of the contributed surplus in certain circumstances.

38. NOTES TO THE CONSOLIDATED CASH FLOW STATEMENT

Major non-cash transactions

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 (notes 34(b)).

39. CONTINGENT LIABILITIES

As part of the Corasia BVI Disposal, the Group disposed of Corasia International Limited ("Corasia HK"), a wholly-owned subsidiary of the Group prior to the Corasia BVI Disposal, during the prior year. The Company has provided corporate guarantees (the "Corporate Guarantees") to the bankers of Corasia HK to secure certain bank facilities granted to Corasia HK. Subject to the release of the Corporate Guarantees by the relevant banks, the Company is obliged to continue to provide the Corporate Guarantees after the completion of the Corasia BVI Disposal.

The purchaser of Corasia BVI has unconditionally and irrevocably covenanted and undertaken to the Company that it will fully indemnify the Company all costs and other losses and expenses which Purchaser and/or the Company may suffer or incur in connection with the Corporate Guarantees (the "Indemnity").

In the opinion of the directors, as the Group could rely on the Indemnity, it is not probable that an outflow of resources embodying economic benefits in respect of the guaranteed amount would occur to the Group and the Company. Accordingly, the guaranteed amount has been disclosed as contingent liabilities of the Group and the Company at the balance sheet date. However, due to lack of appropriate evidence on the amount of the banking facilities granted to Corasia HK subject to the Corporate Guarantee plus the interest accrued thereon as at the balance sheet date, no amount of contingent liabilities has been disclosed.

40. OPERATING LEASE ARRANGEMENTS

As lessee

At the balance sheet date, the Group and the Company had future aggregate minimum lease payments under operating leases in respect of land and buildings as follows:

	Group		Company	
	2004	2003	**2004**	2003
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Within one year	**951**	177	**564**	–
In the second to fifth year inclusive	**1,826**	–	**1,693**	–
	2,777	177	**2,257**	–

41. CAPITAL COMMITMENTS

The Group and the Company did not have any significant capital commitments for the current and prior years.

42. RELATED PARTY TRANSACTIONS

In addition to the transactions and balances detailed elsewhere in these financial statements, the Group had the following material transactions with related parties during the year:

Related parties	Nature of transactions	Term and pricing policies	Group 2004 HK$'000	Group 2003 HK$'000
Related companies	Administrative expenses reimbursed to certain related companies *(Note i)*	*(iii)*	**–**	1,643
	Additions of fixed assets *(Note ii)*	*(iv)*	**2,424**	–
	Additions of computer software development cost *(Note ii)*	*(iv)*	**6,510**	–
	Interest income *(Note ii)*	*(iv)*	**403**	–
	Rental expenses *(Note ii)*	*(v)*	**566**	–
	Motor vehicle hire costs *(Note ii)*	*(vi)*	**151**	–

Note:

(i) The expenses were reimbursed to certain related companies, in which certain directors of the Company are directors and/or beneficial shareholders.

(ii) Mr. Han Jide is the legal representative of the related company.

(iii) Based on the actual costs incurred.

(iv) Mutually agreed by management of both parties.

(v) Rental is charged at HK$566,000 (2003: HK$Nil) per annum.

(vi) Hire cost is charged at HK$151,000 (2003: HK$Nil) per annum.

43. POST BALANCE SHEET EVENTS

Subsequent to the balance sheet date, the following significant events of the Group took place:

(a) Share issued under a placement

On 3 February 2005, 400,000,000 new ordinary shares of the Company of HK$0.01 each were allotted to independent investors at a price of HK$0.035 per placing share pursuant to a placing agreement. The net proceeds receivable by the Company under the placing are estimated to be approximately HK$13,500,000. Further details of the share issued under the placement are set out in note 34 to the financial statements.

(b) Proposed convertible bond issue

On 11 April 2005, the Company entered into the Agreement with an independent third party, Top Strategy Investments Limited ("Top Strategy") pursuant to which Top Strategy agreed to subscribe for, and the Company agreed to allot and issue the bond. The principal amount of the bond will be issued at the price of HK$20,000,000 in denomination of HK$100,000 each. The bond will bear interest on the outstanding principal from the date of issue at a rate per annum equal to 4% per annum accrued from the date of issue on a day to day basis on the principal amount of the bond outstanding, payable semi-annually in arrear on dates falling six months and one year after the date of issue of the bond. On 27 July 2005, both parties entered into a termination agreement to cancel the aforesaid subscription.

(c) Litigation

(i) Subsequent to the year end date on 31 May 2005, a writ of summons was issued by a securities broker firm against the Company in relation to a commission fee of HK$1,600,000 for the provision of financial advisory services and loan arrangement facility to the Company.

A defence statement has been filed to the High Court of Hong Kong Special Administrative Region in appealing against the claim made by the securities broker firm. Legal opinion from the Company's solicitors suggested that there are substantive evidence in support of the defence and the Company has a reasonable chance of success in its defence. Consequently, the directors are of the opinion that no provision should be made in the financial statements for the claim.

(ii) Subsequent to the year end date on 22 September 2005, a writ of summons was issued by a body corporate against the Company in relation to the loan advanced to the Company in July 2005, together with interest incurred and incidental fees amounting to HK$12,330,000.

According to the judgment dated 3 October 2005 in the High Court of Hong Kong Special Administrative Region, the Company is required to pay the body corporate a sum of HK$12,330,000 together with interest thereon at the rate of 8.245% per annum from 15 September 2005 to the date hereof and thereafter at judgment rate until payment.

43. POST BALANCE SHEET EVENTS *(Continued)*

(c) Litigation *(Continued)*

(iii) Subsequent to the year end date on 22 September 2005, a writ of summons was issued by a financial advisory company against the Company in relation to the outstanding fees of HK$4,860,000 for the provision of financial advisory services and loan arrangement facility to the Company during 2005.

According to the judgment dated 31 October 2005 in the High Court of Hong Kong Special Administrative Region, the Company is required to pay the financial advisory company a sum of HK$4,860,000 together with interest thereon at the rate of 8.245% per annum from 15 September 2005 to 30 September 2005 and at the rate of 9.234% per annum from 1 October 2005 to the date hereof and thereafter at judgment rate until payment.

(iv) Subsequent to the year end date on 30 September 2005, a winding-up petition was filed by a law firm against the Company in the High court of Hong Kong Special Administrative Region in relation to the legal fees and disbursements of HK$3,723,190 for the provision of professional and legal services rendered to the Company during 2005.

According to the Settlement Deed dated 25 November 2005, the Company shall pay to the law firm a sum of HK$1,500,000 in three installments. The payment of the total sum of HK$1,500,000 shall be deemed to have been in full and final settlement of the outstanding debt. It was agreed that upon receipt of the first installment of HK$500,000 from the Company, the law firm shall forthwith withdraw the winding-up petition. The hearing of the petition in the High court of Hong Kong Special Administrative Region will be held on 3 January 2006.

(v) Subsequent to the year end date on 12 October 2005, a writ of summons was issued by a body corporate against the Company in relation to the loan advanced to the company in June 2005, together with interest incurred of HK$3,085,000.

According to the judgment dated 15 November 2005 in the High Court of Hong Kong Special Administrative Region, the Company is required to pay the body corporate a sum of HK$3,000,000 and interest thereon at the rate of 12% per annum from 29 June 2005 to the date hereof and thereafter at judgment rate to the date of payment.

43. POST BALANCE SHEET EVENTS *(Continued)*

(d) Investigation on cash deposit

On 20 July 2005, an Independent Investigation Committee was established by the Board to conduct an investigation, in particular, regarding the ownership and existence of the Deposit at the Union. The result of the investigation suggested that the Deposit did not exist. On 28 July 2005, the directors of the Company reported to the police in PRC regarding the loss of the Deposit. In addition, the matter was reported to the Stock Exchange and the Hong Kong Police Force on 29 July 2005 and 4 August 2005 respectively. Further details of the investigation are set out in note 29 to the financial statements.

(e) Purchases of fixed asset

In July 2005, the Company entered into a sale and purchase agreement with an independent third party for the acquisition of plant and machinery at a consideration of HK$23,000,000. A 50% deposit of HK$11,500,000 has been paid which was financed by the loan advanced to the Company as mentioned in note (c)(ii) above.

44. COMPARATIVE FIGURES

(i) With the adoption of the SSAP 36 "Agriculture", the presentation in the current year's financial statements has been modified in order to conform with SSAP 36 requirements. The adoption of SSAP 36 resulted in a change of accounting policy in respect of its biological assets and agricultural produce. As such, comparative figures have been reclassified and restated in order to achieve a consistent presentation. The effect of which has been quantified in note 17 to the financial statements.

(ii) Certain other comparative amounts have been reclassified to conform with the current year's presentation.