

BUSINESS REVIEW AND PROSPECTS

During the year under review, the Group principally carried out its operation through 河北壩上林木種苗有限公司 (Hebei Bashang Nursery Company Limited) (“Hebei Bashang”), its 70% owned subsidiary. As stated in the announcement by the Company dated 8 November 2005, Hebei Bashang continued to be in operation. However, turnover decreased to approximately HK\$1.5 million because the mature tree seedlings were sold in 2004 and the remaining tree seedlings have not yet been matured enough in 2005. It is expected that such remaining tree seedling and seeds will become matured during 2006 and turnover will increase considerably.

On 20 July 2005, an independent investigation committee (the “Independent Investigation Committee”), comprising Mr. Ng Wing Hang, Patrick and Mr. Chan Chung Yin, Victor, both of whom were then independent non-executive directors of the Company was established to conduct a full review and investigation on the annual accounts of the Group for the year ended 31 December 2004. It was announced by the Company on 5 August 2005 that an independent professional accounting firm engaged by the Independent Investigation Committee has reported that two deposits in the amounts of RMB54,389,500 and RMB80,000,000 respectively allegedly received by Hebei Bashang on behalf of the Company in June 2004 and placed in a PRC trust co-operatives union were and are non-existent. As stated in the announcements by the Company dated 5 August 2005 and 8 November 2005, respectively, the non-existence of the deposits has been reported to the local police in the PRC, The Stock Exchange of Hong Kong Limited (the “Stock Exchange”) and the Hong Kong Police on 28 July 2005, 29 July 2005 and 4 August 2005, respectively. The Company has been advised that there has not been any progress in respect of this investigation.

As announced by the Company on 13 and 22 September 2005, the Company has received two statutory demands on 8 September and 9 September 2005, respectively claiming for the amounts of HK\$12,330,000 and HK\$4,860,000 and two writs of summons for the amounts were subsequently issued on 22 September 2005. On 12 October 2005, the Company has received a writ of summons from a creditor claiming for the amount of HK\$3,085,000. On 30 September 2005, a winding-up petition was filed against the Company by a creditor for the amount of HK\$3,723,000. The Company has now reached settlement with all of these creditors and the winding up petitions were dismissed.

Since 1 November 2005, Concord Strategic Investments Limited (“Concord Strategic”), the then substantial shareholder of the Company, which was interested in approximately 20.95% of the issued share capital of the Company, has provided financial support to the Company in form of interest free shareholders’ loan. On 5 December 2005, Concord Strategic has transferred its entire holding of approximately 20.95% of the issued share capital of the Company to Chinabond International Investment Limited (“Chinabond”) together with the interest free shareholders’ loan. Chinabond has undertaken to give further interest free advances to the Company for its continuing operations.

During the years 2005 and 2006, the board composition of the Company has undergone substantial changes. Details of the changes were set out in the announcements made by the Company dated 7 April 2005, 15 July 2005, 29 July 2005, 26 August 2005, 5 September 2005, 7 September 2005, 13 September 2005, 22 September 2005, 8 November 2005 and 20 April 2006, respectively. Trading of the shares of the Company on the Stock Exchange has been suspended since 9:30 a.m. on 28 April 2005.

On 6 December 2005, the Company was informed by the Stock Exchange that as a result of the prolong suspension of the shares of the Company, the failure by the Company to demonstrate to the Stock Exchange that it can comply with Rule 13.24 of the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules"), in that the Group has sufficient assets and operation to warrant to continue listing on the Stock Exchange and the failure by the Company to publish the financial results for the six months ended 30 June 2005 on a timely basis as required by the Listing Rules so as to provide reliable information for the investing public to assess the financial position and performance of the Group and to make informed investment decision, the Company was placed in the first stage of the delisting procedures under the Listing Rules. The Company was required to take adequate action to obtain restoration of its listing and to submit a valid resumption proposal which satisfactorily addressed the concerns of the Stock Exchange within six months from 6 December 2005. The Board is currently undertaking a review of the business and affairs of the Group and intends to prepare a resumption proposal for submission to the Stock Exchange upon completion of such review.

LIQUIDITY AND FINANCIAL RESOURCES

The Group financed the operations primarily from shares issue in February, 2005 and the shareholder's loan since November 2005.

As at 31 December 2005, the Group had cash and bank balances of HK\$255,000 (2004: HK\$2,334,000) and unsecured bank loan of HK\$976,000 (2004: HK\$1,216,000), repayable within one year.

As at 31 December 2005, since the Group had no long-term liabilities, the Group had zero gearing, which is expressed as a percentage of the long-term liabilities over the shareholders' equity at the balance sheet date. The Group's liquidity ratio at 31 December 2005 was 121.9% (2004: 133.2%). The calculation of liquidity ratio is based on current assets and the current liabilities as at the balance sheet date.

CONTINGENT LIABILITIES

The Company has provided certain corporate guarantees of unknown amount to secure banking facilities of Corasia International Limited, a former wholly owned subsidiary of the Company. Subject to the release of the corporate guarantees by the relevant banks, the guaranteed amount was a contingent liability of the Company and the Group as at 31 December 2005.

CHARGES ON ASSETS

As at 31 December 2005, the Group had not pledged any asset to its bankers to secure banking facilities granted to the Group. Last year, the Group's leasehold land and land use rights with an aggregate net book value of HK\$10,809,000 and biological assets amounting to HK\$28,067,000 at 31 December, 2004 were pledged to secure loan of RMB30,000,000 granted to a related company. This charge was released during the current year ended 31 December, 2005.

EXPOSURE TO FOREIGN EXCHANGE RISK

For the year ended 31 December 2005, the Group conducted its business transactions principally in Hong Kong dollars and Renminbi. The Group had not experienced any material difficulties or negative effects on its operations as a result of fluctuations in currency exchange rates. The Directors believe it was not necessary to hedge the exchange risk. Nevertheless, the management will continue to monitor the foreign exchange exposure and will take prudent measure as deemed appropriate.

CAPITAL EXPENDITURE

During the year ended 31 December 2005, there has not been any material capital expenditure.

MATERIAL ACQUISITIONS AND DISPOSAL

During the year ended 31 December 2005, there has not been any material acquisitions or disposals of assets of the Group.

EMPLOYEES AND REMUNERATION POLICIES

As at 31 December 2005, the Group has a total of 48 employees (2004: 36). Staff costs for the year amount to HK\$295,000 (2004: HK\$705,000). It is the corporate policy of the Group to set the remuneration of its employees at a level commensurate with their responsibilities, experience and qualification and in line with the market conditions. Staff benefits available to Hong Kong employees include Hong Kong mandatory provident fund.

The Company has adopted a share option scheme in June 2002. Eligible participants under the share option scheme include, among others, the Company's directors, independent non-executive directors, other directors/employees of the Group.