1. GENERAL INFORMATION

First Dragoncom Agro-Strategy Holdings Ltd. (the "Company") and its subsidiaries (collectively the "Group") are principally engaged in nurturing, selling and trading of tree seedlings and seeds.

The Company is a limited liability company incorporated in Bermuda and its registered office is Canon's Court, 22 Victoria Street, Hamilton HM 12, Bermuda.

These financial statements are presented in thousands of units of Hong Kong dollars (HK$'000), unless otherwise stated. These financial statements were approved and authorised for issue by the board of directors on 27 April 2006.

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

a) Basis of preparation

The consolidated financial statements of the Company have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRS") and Hong Kong Accounting Standards ("HKAS") and interpretations ("HKAS-Int") (collectively the "HKFRS") issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA"). The consolidated financial statements have been prepared under the historical cost convention.

The preparation of financial statements in conformity with HKFRSs requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements, are disclosed in note 5.

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

a) Basis of preparation *(Continued)*

Adoption of new/revised HKFRSs

In 2005, the Group adopted the new/revised HKFRSs below, which are relevant to its operations. The comparative figures have been amended as required, in accordance with the relevant requirements.

HKAS 1	Presentation of Financial Statements
HKAS 2	Inventories
HKAS 7	Cash Flow Statements
HKAS 8	Accounting Policies, Changes in Accounting Estimates and Errors
HKAS 10	Events after the Balance Sheet Date
HKAS 16	Property, Plant and Equipment
HKAS 17	Leases
HKAS 21	The Effects of Changes in Foreign Exchange Rates
HKAS 23	Borrowing Costs
HKAS 24	Related Party Disclosures
HKAS 27	Consolidated and Separate Financial Statements
HKAS 33	Earnings per Share
HKAS 36	Impairment of Assets
HKAS 38	Intangible Assets
HKFRS 2	Share-based Payment
HKFRS 3	Business Combinations
HKFRS 5	Non-current Assets Held for Sale and Discontinued Operations
HKAS-Int 12	Consolidation – Special Purpose Entities
HKAS-Int 12 (Amendment)	Scope of HKAS-Int 12 Consolidation – Special Purpose Entities
HKAS-Int 15	Operating leases – Incentives
HKAS-Int 21	Income Taxes – Recovery of Revalued Non-Depreciable Assets

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

a) Basis of preparation *(Continued)*

Adoption of new/revised HKFRSs *(Continued)*

The overall effects of the adoption of these new/revised HKFRSs are to decrease and increase the opening equity (including minority interests) as at 1 January 2005 and 2004 by HK$2,868,000 and HK$31,247,000 respectively and to increase the loss for the year ended 31 December 2004 by HK$989,000. Summary of the effects on adopting the new/revised HKFRSs and the impact on the loss per share for the loss attributable to the equity holders of the Company are set out in note 12 to the consolidated financial statements. The major changes in the Group's significant accounting policies or the presentation of financial statements as a result of the adoption of these new/revised HKFRS are summarised as follows:

(i) HKAS 1 and HKAS 27

The adoption of HKAS 1 and HKAS 27 has mainly resulted in the following presentational change in the Group's financial statements:

– minority interests are now required to be shown within the Group's equity. On the face of the consolidated income statement, minority interests are presented as an allocation of the total profit or loss for the year; and

– intangible assets are now required to be presented on the face of balance sheet.

(ii) HKAS 16

The residual values and useful lives of property, plant and equipment are now required to be reviewed and adjusted, if appropriate, at least at each financial year end. This represents a change in accounting estimate which has been accounted for prospectively. This change in accounting policy does not have any significant impact to the Group.

(iii) HKAS 17

The adoption of revised HKAS 17 has resulted in a change in an accounting policy relating to the reclassification of leasehold land and land use rights from property, plant and equipment to operating leases. The up-front prepayments made for the leasehold land and land use rights are expensed in the income statement on a straight-line basis over the period of the lease or when there is impairment, the impairment is expensed in the income statement. In prior years, the leasehold land and land use rights were accounted for at cost less accumulated amortization and impairment losses.

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

a) Basis of preparation *(Continued)*

Adoption of new/revised HKFRSs *(Continued)*

(iii) HKAS 17 *(Continued)*

This change in accounting policy has been applied retrospectively so that the comparative figures presented have been restated to conform with the changed policy. The effect on the adoption of the HKAS 17 is to decrease the opening equity as at 1 January 2005 and 2004 by HK$2,868,000 and HK$1,879,000 respectively and to increase the loss for the year ended 31 December 2004 by HK$989,000.

(iv) HKAS 21

HKAS 21 requires items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates (the "functional currency"). The consolidated financial statements are presented in Hong Kong dollars, which is the Company's functional and presentation currency.

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the income statement.

Translation differences on monetary and non-monetary items are included in the income statement and reserve respectively.

This change in accounting policy does not have any significant impact to the Group.

(v) HKFRS 2

The adoption of HKFRS 2 has resulted in a change in the accounting policy for share-based payments.

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

a) Basis of preparation *(Continued)*

Adoption of new/revised HKFRSs *(Continued)*

(v) HKFRS 2 *(Continued)*

The Group operates an equity-settled, share-based compensation plan. Until 31 December 2004, the provision of share options granted by the Company to the Group's employees did not result in expenses in the income statement. With effect from 1 January 2005, the fair value of the employee services received in exchange for the grant of the share options of the Company is recognised as an expense. The total amount to be expensed is determined by reference to the fair value of the share options granted by the Company.

As all the share options previously granted by the Company was vested on or before 1 January 2005, accordingly, no adjustment is made in the Group's financial statements pursuant to the transitional provisions as set out in HKFRS 2.

(vi) HKFRS 3

The adoption of HKFRS 3 has resulted in a change in the accounting policy for goodwill and negative goodwill. In prior years, goodwill or negative goodwill on acquisitions of subsidiaries, jointly controlled entities or associates on or after 1 January 2001 was:

– Amortised on a straight-line basis over its estimated useful life of not exceeding 20 years; and

– Assessed for impairment on goodwill at each balance sheet date.

In accordance with the provisions of HKFRS 3:

– The Group ceased amortisation of goodwill with effect from 1 January 2005;

– Accumulated amortisation of goodwill as at 31 December 2004 has been eliminated with a corresponding decrease in the cost of goodwill;

– Goodwill is tested annually for impairment, as well as when there is indication of impairment; and

– The carrying amount of negative goodwill as at 31 December 2004 is derecognised and reflected as an adjustment to the Group's opening equity as at 1 January 2005.

The adoption of HKFRS 3 does not have any significant impact to the Group.

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

a) Basis of preparation *(Continued)*

Adoption of new/revised HKFRSs *(Continued)*

(vii) HKFRS 5

Pursuant to HKFRS 5, the Group's interest in Qionghai Juhua Feed Co., Ltd., a wholly owned subsidiary of the Company were classified as discontinued operation subsequent to the substantial scale down of shrimp feeds business as detailed in note 7 below.

The adoption of HKFRS 5 has resulted in certain changes in presentation of financial statements. A single amount on the face of the income statement comprising the aggregate of the post-tax profit relating to discontinued operation was disclosed. In prior years, results of discontinued operations were incorporated in the individual lines on the face of the income statement. An analysis of the revenue, expenses, pre-tax profit of discontinued operation was also disclosed in the notes to the financial statements.

The adoption of HKASs 2, 7, 8, 10, 23, 24, 33, 36, 38, HKAS-Ints 12, 15 and 21 did not result in any significant change to the Group's significant accounting policies and the presentation of the Group's financial statements.

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

a) Basis of preparation *(Continued)*

Standards, interpretations and amendments to published standards that are not yet effective for the year ended 31 December 2005

The HKICPA has issued the following new standards, interpretations and amendments which are not yet effective for the year ended 31 December 2005:

	Effective for accounting periods beginning on or after
HKFRS Intepretation 4 "Determining whether an Arrangement contains a Lease"	1 January 2006
HKAS 19 (Amendment) "Employee Benefits - Actuarial Gains and Losses, Group Plans and Disclosures"	1 January 2006
HKAS 39 (Amendment) "Financial Instruments: Recognition and Measurement":	
– The fair value option	1 January 2006
– Financial guarantee contracts	1 January 2006
Amendments, as a consequence of the Hong Kong Companies (Amendment) Ordinance 2005, to:	
– HKAS 1 "Presentation of Financial Statements"	1 January 2006
– HKAS 27 "Consolidated and Separate Financial Statements"	1 January 2006
– HKFRS 3 "Business Combinations"	1 January 2006
HKFRS 7 "Financial Instruments: Disclosures"	1 January 2007
HKAS 1 (Amendment) "Presentation of Financial Statements: Capital Disclosures"	1 January 2007

The Group has not early adopted the above standards, interpretations and amendments in the financial statements for the year ended 31 December 2005. The Group has already commenced an assessment of the related impact to the Group but is not yet in a position to state whether any substantial changes to Group's accounting policies and presentation of the financial statements will be resulted.

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

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 going concern basis.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Group accounting

The consolidated financial statements include the financial statements of the Company and all its subsidiaries made up to 31 December.

Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are de-consolidated from the date that control ceases.

The purchase method accounting is used to account for the acquisition of subsidiaries by the Group. The cost of an acquisition is measured as the fair value of the assets given, equity instruments issued and liabilities incurred or assumed at the date of exchange, plus costs directly attributable to the acquisition. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date, irrespective of the extent of any minority interest. The excess of the cost of acquisition date, irrespective of the extent of any minority interest. The excess of the cost of acquisition over the fair value of the Group's share of the identifiable net assets acquired is recorded as goodwill. If the cost of acquisition is less than the fair value of the net assets of the subsidiary acquired, the difference is recognised directly in the income statement.

Intercompany transactions and balances between group companies are eliminated. Unrealised gains on transactions between group companies and between the Group and its jointly controlled entities and associates to the extent of the Group's interest are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred.

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

Group accounting *(Continued)*

Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies by the Group. Subsidiaries are all entities (including special purpose entities) over which the Group has the power to govern the financial and operating policies generally accompanying a shareholding of more than one half of the voting rights. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Group controls another entity.

In the Company's balance sheet the investment in subsidiaries are stated at cost less provision for impairment losses. The results of subsidiaries are accounted by the Company on the basis of dividend income.

Goodwill

Goodwill represents the excess of the cost of an acquisition over the fair value of the Group's share of the net identifiable assets of the acquired subsidiary/jointly controlled entity/associate at the date of acquisition. Goodwill on acquisitions of subsidiaries is included in intangible assets. Goodwill on acquisition of jointly controlled entities and associates is included in investments in jointly controlled entities and associates. Separately recognised goodwill is tested for impairment annually and when there is indication for impairment, and is carried at cost less accumulated impairment losses. Impairment loss on goodwill is not reversed. Gains and losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold. Goodwill is allocated to cash-generating units for the purpose of impairment testing.

Impairment of assets

Assets that have an indefinite useful life are at least tested annually for impairment and are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not recoverable. Assets that are subject to depreciation or amortization are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units).

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

Property, plant and equipment

Property, plant and equipment are stated at cost or valuation less accumulated depreciation and impairment losses. Cost includes expenditure that is directly attributable to the acquisition of the items.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. All other repairs and maintenance are expensed in the income statement during the financial period in which they are incurred.

Depreciation of property, plant and equipment is calculated using the straight-line method to allocate cost or revalued amounts to the residual values of respective property, plant and equipment over their estimated useful lives, as follows:

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

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each balance sheet date. An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

The gain or loss on disposal of property, plant and equipment is the difference between the net sale proceeds and the carrying amount of the relevant asset, and is recognised in the income statement.

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.

Computer software development cost

Costs associated with developing or maintaining computer software programmes are recognised as an expenses as incurred. Costs that are directly associated with the production of identifiable and unique software products controlled by the Group and that will probably generate economic benefits exceeding cost beyond one year, are recognised as intangible assets.

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

Computer software development cost *(Continued)*

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 produces comprise 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.

Assets under leases

Leases where substantially all the risks and rewards of ownership of assets remain with the lessors are accounted for as operating leases. Payments made under operating leases (net of any incentives received from the leasing company) are expensed in the income statement on a straight-line basis over the lease periods.

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.

Cash and cash equivalents

Cash and cash equivalents include cash in hand, deposits held at call with banks, other short-term highly investments with original maturities of three months or less, and bank overdrafts (if any).

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

Deferred income tax

Deferred income tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. However, the deferred income tax, if it is not accounted for, arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss, it is not accounted for. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the balance sheet date and are expected to apply when the related deferred income tax asset is realized or the deferred income tax liability is settled.

Deferred income tax assets are recognised to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

Deferred income tax is provided on temporary differences arising on investments in subsidiaries, jointly controlled entities and associates, except where the timing of the reversal of the temporary difference is controlled by the Group and it is probable that the temporary difference will not reverse in the foreseeable future.

Provisions

Provisions are recognised when the Group has a present legal or constructive obligation as a result of past events, it is more likely than not that an outflow of resources will be required to settle the obligations; and the amount has been reliably estimated. Provisions are not recognised for future operating losses.

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

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 using the effective interest method.

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

Employee benefits

(a) 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.

(b) Employment leave entitlements

Employee entitlements to annual leave and long service leave are recognised when they accrue to employees. A provision is made for the estimated liability for annual leave and long service leave as a result of services rendered by employees up to the balance sheet date.

Employee entitlements to sick leave and maternity leave are not recognised until the time of leave.

(c) Bonus entitlements

The expected cost of bonus payments is recognised as a liability when the company has a present legal or constructive obligation as a result of services rendered by employees and a reliable estimate of the obligation can be made.

Liabilities for bonus are expected to be settled within 12 months and are measured at the amounts expected to be paid when they are settled.

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

Employee benefits *(Continued)*

(d) Share-based compensation

The Company operates an equity-settled, share-based compensation plan. The fair value of the employees services received in exchange for the grant of the options is recognised as an expense. The total amount to be expensed over the vesting period is determined by reference to the fair value of the options granted, excluding the impact of any non-market vesting conditions. Non-market vesting conditions are included in assumptions about the number of options that are expected to become exercisable. At each balance sheet date, the Company revises its estimates of the number of options that are expected to become exercisable. It recognises the impact of the revision of original estimates, if any, in the income statement, with a corresponding adjustment to equity over the remaining vesting period.

The proceeds received net of any directly attributable transaction costs are credited to share capital (nominal value) and share premium when the option are exercised.

Trade and other receivables

Trade and other receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment. A provision for impairment of trade and other receivables is established when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of receivables. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation, and default or delinquency in payments are considered indicator that the trade receivable is impaired. The amount of the provision is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the effective interest rate. The amount of the provision is recognised in the income statement within other operating expenses.

Share capital

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

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

Borrowings

Borrowings are recognised initially at fair value, net of transaction costs incurred. Transaction costs are incremental costs are directly attributable to the acquisition, issue of disposal of a financial asset or financial liability, including fees and commissions paid to agents, advisers, brokers and dealers, levies by regulatory agencies and securities exchanges, and transfer taxes and duties. Borrowings are subsequently stated at amortised cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognsied in the income statement over the period of the borrowings using the effective interest method.

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the balance sheet date.

Foreign currency translation

(a) Functional and presentation currency

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates (the "functional currency"). The consolidated financial statements are presented in Hong Kong dollars, which is the Company's functional and presentation currency.

(b) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the income statement.

(c) Group companies

The results and financial position of all the Group entities (none of which has the currency of a hyperinflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

(i) assets and liabilities for each balance sheet presented are translated at the closing rate at the date of that balance sheet;

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

Foreign currency translation *(Continued)*

(c) Group companies *(Continued)*

(ii) income and expenses for each income statement are translated at average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the dates of the transactions); and

(iii) all resulting exchange differences are recognised as a separate component of equity.

On consolidation, exchange differences arising from the translation of the net investment in foreign entities, and of borrowings and other currency instruments designated as hedges of such investments, are taken to Group's total equity. When a foreign operation is sold, such exchange differences are recognised in the income statement as part of the gain or loss on sale.

Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated at the closing rate.

Dividend distribution

Dividend distribution to the Company's shareholders is recognised as a liability in the Group's financial statements in the period in which the dividends are approved by the Company's shareholders.

Contingent liabilities and contingent assets

A contingent liability is a possible obligation that arises from past events and whose existence will only be confirmed by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Group. It can also be a present obligation arising from past events that is not recognised because it is not probable that outflow of economic resources will be required or the amount of obligation cannot be measured reliably.

A contingent liability is not recognised but is disclosed in the notes to the financial statements. When a change in the probability of an outflow occurs so that outflow is probable, they will then be recognised as a provision.

A contingent asset is a possible asset that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain events not wholly within the control of the Group.

Contingent assets are not recognised but are disclosed in the notes to the financial statements when an inflow of economic benefits is probable. When inflow is virtually certain, an asset is recognised.

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

Related parties

For the purposes of these financial statements, parties are considered to be related to the Company if the Company has the ability, directly or indirectly, to control the party or exercise significant influence over the party in making financial and operating decision, or vice versa, or where the Company and the party are subject to common control or common significant influence. Related parties may be individuals (being members of key management personnel, significant shareholders and/or their close family members) or other parties and include entities which are under the significant influence of related parties of the Company where those parties are individuals, and post-employment benefit plans which are for the benefit of employees of the Company or of any entity that is a related party of the Company.

4. FINANCIAL RISK MANAGEMENT

(a) Financial risk factors

Exposure to credit, liquidity, interest rate and currency risks arises in the normal course of the Group's business. These risks are limited by the Group's financial management policies and practices described below.

(i) Credit risk

The carrying amounts of bank balances and cash, trade and other receivables represented the Group's maximum exposure to credit risk in relation to financial assets. Management has a credit policy in place and the exposures to these credit risks are maintained on an ongoing basis.

In respect of trade and other receivables, credit evaluation are performed on all customers requiring credit over a certain amount. These receivables are due within 90 to 180 days from the date of billing. Debtors with balances that are more than 6 months are requested to settle all outstanding balances before any further credit is granted. Normally, the Group does not obtain collateral form customer.

(ii) Liquidity risk

Prudent liquidity risk management implies maintaining sufficient cash and the availability of funding through an adequate amount of committed credited facilities. The Group will consistently maintain a prudent financial policy and ensure that it maintains sufficient cash to meet its liquidity requirement.

4. FINANCIAL RISK MANAGEMENT *(Continued)*

(a) Financial risk factors *(Continued)*

(iii) Interest rate risk

The Group's income and operating cash flows are substantially independent of changes in market interest rates as the Group has no significant interest-bearing assets. The Group's exposure to changes in interest rates is mainly attributable to its borrowings. Borrowings at fixed rates expose the Group to fair value interest-rate risk. Details of the Group's borrowings have been disclosed in notes 26 and 27 to the consolidated financial statements.

The Group has not used any interest rate swaps to hedge its exposure to interest rate risk.

(iv) Currency risk

The Company has foreign currency sales, which expose it to foreign currency risk. Certain receivables and deposits with bank are denominated in foreign currencies. The Company does not have a foreign currency hedging policy. However, the management monitors foreign currency exposure and will consider hedging significant exposure should the need arises.

(b) Fair value estimation

The nominal value less estimated credit adjustments of trade receivables and payables are assumed to approximate their fair values. The fair value of financial liabilities for disclosure purposes is estimated by discounting the future contractual cash flows at the current market interest rate that is available to the Group for similar financial instruments.

5. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below:

(a) Useful lives of fixed assets

The Group's management determines the estimates useful lives and related depreciation charges for its fixed assets. This estimate is based on the historical experience of the actual useful lives of fixed assets of similar nature and functions. It could change significantly as a result of technical innovations and competitor actions in response to severe industry cycles. Management will increase the depreciation charge where useful lives are less than previously estimated lives, or it will write-off or write-down technically obsolete or non-strategic assets that have been abandoned or sold.

5. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS *(Continued)*

(b) Estimated provision for impairment of trade and other receivables

The Group makes provision for doubtful debts based on an assessment of the recoverability of trade receivables and other receivables. Provision are applied to trade receivables and other receivables where events or changes in circumstances indicate that the balances may not be collectible. The identification of doubtful debts requires the use of judgement and estimates. Where the expectation is different from the original estimate, such difference will impact carrying value of receivables and doubtful debt expenses in the period in which such estimate has been changed.

6. TURNOVER, OTHER INCOME AND SEGMENT INFORMATION

Revenue and other income recognised during the year are as follows:

	2005	2004
	HK$'000	*HK$'000*
Turnover		
Sales of tree seedlings and seeds	**1,481**	47,334
Other income		
Gain arising from changes in fair value less estimated point-of-sale costs of biological assets	**6,615**	5,461
Gain on disposal of subsidiary	**–**	997
Bank interest income	**1**	833
Exchange gain, net	**–**	415
Other income	**103**	543
	6,719	8,249
Total	**8,200**	55,583

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

6. TURNOVER, OTHER INCOME AND SEGMENT INFORMATION *(Continued)*

Segment information

(a) Geographical segments

All of the activities of the Group are based in Mainland China and all of the Group's turnover and loss before income tax are derived from Mainland China. Accordingly, no geographical segment information is presented.

(b) Business segments

No separate analysis of financial information by business segments is presented as the Group's revenue, results, assets and liabilities were all derived from its principal line of business of nurturing, selling and trading of tree seedlings and seeds.

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 shrimp feeds business in the prior years through the disposal of the related subsidiary/operations.

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 Feed Co., Ltd. which holds the shrimp feeds business of the Group.

The turnover, expenses, profit before income tax and tax attributable to the discontinued operations for the years ended 31 December 2005 and 2004 are as follows:

	2005	2004
	HK$'000	*HK$'000*
Turnover	–	–
Other revenue and gains	–	–
Changes in inventories of finished goods	–	–
Raw materials and consumables used	–	–
Staff costs	–	–
Depreciation and amortisation	–	–
Other operating expenses	–	–
Gain on disposal of discontinued operations	–	5,290
Profit before income tax	–	5,290
Income tax	–	–
Profit for the year	–	5,290

8. OPERATING LOSS

Operating loss is stated after crediting and charging the followings:

	2005	2004
	HK$'000	*HK$'000*
		(Restated)
Cost of inventories sold	**1,395**	31,890
Staff costs, excluding directors' remuneration *(note 14)*:		
Salaries, wages and allowances	**285**	689
Retirement benefits scheme contributions	**10**	16
	295	705
Amortisation of goodwill on acquisition of subsidiaries*	**–**	2,272
Amortisation of leasehold land and land use rights*	**2,489**	2,467
Amortisation of computer software development cost*	**–**	1,302
Auditors' remuneration		
– current year	**700**	650
– under provision in prior years	**150**	–
Bad debts written off	**–**	4
Depreciation*	**432**	1,432
Impairment on amount due from minority shareholder of a subsidiary	**–**	20,529
Write-off of computer software development cost	**5,208**	–
Write-off of property, plant and equipment	**1,990**	–
Provision for impairment of property, plant and equipment	**3,024**	–
Provision for impairment of goodwill	**–**	40,513
Provision for loss in cash deposit	**–**	126,845
Loss on disposal of property, plant and equipment	**–**	169
Minimum lease payments under an operating lease in respect of land and buildings	**330**	945
Impairment on receivables	**6,737**	25,154
Gain arising from changes in fair value less estimated point-of-sale costs of biological assets	**(6,615)**	(5,461)
Gain on disposal of subsidiary	**–**	(997)
Interest income	**(1)**	(833)
Exchange loss/(gain), net	**76**	(415)

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

At 31 December 2005, the Group had no material forfeited contributions available to reduce its contributions to its retirement benefits scheme in future years (2004: Nil).

9. FINANCE COSTS

	Group	
	2005	2004
	HK$'000	*HK$'000*
Interest expenses on		
– bank loans	**–**	14
– other loans wholly repayable within five years	**847**	–
	847	14

10. INCOME TAX EXPENSES

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 (2004: 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.

Below is a numerical reconciliation between tax expense in the consolidated income statement and aggregate tax expense at the domestic rates applicable to profits in respective territories concerned:

Group – 2005

	Hong Kong		**Mainland China**		**Total**	
	HK$'000	***%***	***HK$'000***	***%***	***HK$'000***	***%***
(Loss)/profit before income tax	**(28,530)**		**5,257**		**(23,273)**	
(Tax credit)/tax charge at the applicable tax rate	**(4,993)**	**(17.5)**	**1,735**	**(33)**	**(3,258)**	**(14.0)**
Tax exemption	**–**	**–**	**(1,735)**	**33**	**(1,735)**	**(7.5)**
Expenses not deductible for tax	**3,247**	**11.4**	**–**	**–**	**3,247**	**14.0**
Tax losses not recognized	**1,746**	**6.1**	**–**	**–**	**1,746**	**7.5**
Tax charge at the Group's effective rate	**–**	**–**	**–**	**–**	**–**	**–**

10. INCOME TAX EXPENSES *(Continued)*

Group - 2004

	Hong Kong		Mainland China		Total	
	HK$'000	*%*	*HK$'000*	*%*	*HK$'000*	*%*
	(Restated)		(Restated)		(Restated)	
Loss before income tax	(5,213)		(198,622)		(203,835)	
Tax credit at the applicable tax rate	(912)	(17.5)	(65,545)	(33.0)	(66,457)	(32.6)
Tax exemption	–	–	63,050	31.7	63,050	30.9
Income not subject to tax	(7,249)	(139.1)	–	–	(7,249)	(3.6)
Expenses not deductible for tax	5,557	106.6	2,495	1.3	8,052	4.0
Tax losses not recognised	2,604	50.0	–	–	2,604	1.3
Tax charge at the Group's effective rate	–	–	–	–	–	–

The Group did not have any significant unprovided deferred income 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.

11. LOSS ATTRIBUTABLE TO EQUITY HOLDERS OF THE COMPANY

The loss attributable to equity holders of the Company is dealt with in the financial statements of the Company to the extent of HK$23,291,000 (2004: HK$245,327,000) (note 29).

12. LOSS PER SHARE

Basic

Basic loss per share is calculated by dividing the loss attributable to equity holders of the Company by the weighted average number of ordinary shares in issue during the year.

	2005	2004
		(Restated)
Loss attributable to equity holders of the Company	**HK$23,273,000**	HK$165,419,000
Weighted average number of ordinary shares in issue	**2,496,378,699**	2,114,712,946
Basic loss per share	**(HK0.93 cents)**	(HK7.82 cents)

12. LOSS PER SHARE *(Continued)*

Diluted

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.

13. RETIREMENT BENEFIT COSTS

The retirement benefits costs charged to the consolidated income statement represent contributions payable by the Group to the retirement benefit schemes and amounted to HK$10,000 (2004: HK$16,000). No contributions were payable to the retirement benefit schemes as at 31 December 2005 and 2004 and are included in trade and other payables. No forfeited contributions were utilised and no forfeited contributions were available to reduce future contributions as at 31 December 2005 and 2004.

14. DIRECTORS' AND MANAGEMENT'S EMOLUMENTS

In accordance with the disclosure requirements of Section 161B of the Hong Kong Companies Ordinance, the aggregate amounts of emoluments paid to directors of the Company during the year are set out as follows:

	2005	2004
	HK$'000	*HK$'000*
Fees	**196**	200
Salaries and other allowances	**763**	606
Bonuses	**–**	–
Contribution to retirement benefits schemes	**–**	–
	959	806

Directors' fees disclosed above include HK$184,000 (2004: HK$10,000) paid to independent non-executive directors.

The Company did not grant any share options during the current and prior years.

As at 31 December 2005, no share options were held by directors of the Company.

As at 31 December 2004, five directors of the Company had 4,392,000 share options which are exercisable at HK$0.1312 per share granted by the Company under the share option scheme approved by the shareholders of the Company on 21 June 2002 (the "2002 Share Option Scheme").

As at 31 December 2004, one director of the Company had 8,000,000 share options which are exercisable at HK$0.2360 per share granted by the Company under the 2002 Share Option Scheme.

14. DIRECTORS' AND MANAGEMENT'S EMOLUMENTS *(Continued)*

(a) Directors' emoluments

Details and movement of share options granted and exercised during the year are set out in note 28(b) to the financial statements.

The directors' emoluments are analysed as follows:

		Year ended 31 December 2004 (Restated)				
Name of directors		**Fees**	**Salary and other allowances**	**Bonuses**	**Contribution to retirement benefits schemes**	**Total**
	Note	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Hon Fong Ming, Perry	*(iii)*	–	303	–	–	303
Qian Keming	*(iii)*	–	78	–	–	78
Zhang Jiebin	*(iii)*	–	97	–	–	97
Ke Yinbin	*(i)*	–	78	–	–	78
Shing Fong	*(i)*	50	–	–	–	50
Yu Enguang	*(iii)*	50	–	–	–	50
Ma Qingguo	*(iii)*	50	–	–	–	50
Zhu Junfeng	*(i)*	50	–	–	–	50
Fei Philip	*(i)*	–	50	–	–	50
		200	606	–	–	806

14. DIRECTORS' AND MANAGEMENT'S EMOLUMENTS *(Continued)*

(a) Directors' emoluments *(Continued)*

		Year ended 31 December 2005				
Name of directors		**Fees**	**Salary and other allowances**	**Bonuses**	**Contribution to retirement benefits schemes**	**Total**
	Note	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Yu Chinshih	*(ii) & (iii)*	–	36	–	–	36
Chen Bin	*(ii)*	16	–	–	–	16
Qin Li	*(ii)*	16	–	–	–	16
Chu Cheong Kit, Raymond	*(ii) & (iii)*	17	–	–	–	17
Jiang Guoan	*(ii)*	–	120	–	–	120
Cheng Chuange	*(ii)*	–	13	–	–	13
Ding Jiangyong	*(ii)*	–	13	–	–	13
Zhao Ping	*(ii)*	–	13	–	–	13
Lee Chunxiu	*(ii)*	8	–	–	–	8
Ng Wing Hang, Patrick	*(ii) & (iii)*	27	–	–	–	27
Chan Chung Yin, Victor	*(ii) & (iii)*	18	–	–	–	18
Zhang Xiaoxiong	*(ii) & (iii)*	–	135	–	–	135
Qin Qing Yun	*(ii) & (iii)*	12	–	–	–	12
Zhao Cai Yuan	*(ii) & (iii)*	12	–	–	–	12
Lau Ha	*(ii) & (iii)*	8	–	–	–	8
Hon Fong Ming, Perry	*(iii)*	–	152	–	–	152
Zhang Jiebin	*(iii)*	–	24	–	–	24
Yu Enguang	*(iii)*	13	–	–	–	13
Ma Qingguo	*(iii)*	12	–	–	–	12
Lau Man Kin	*(ii) & (iii)*	–	122	–	–	122
Huang Jianhua	*(iii)*	–	66	–	–	66
Han Jide	*(iii)*	–	24	–	–	24
Huang San Xing	*(iii)*	33	–	–	–	33
Chan Kam Man	*(ii) & (iii)*	4	–	–	–	4
Qian Keming	*(iii)*	–	45	–	–	45
		196	763	–	–	959

14. DIRECTORS' AND MANAGEMENT'S EMOLUMENTS *(Continued)*

(a) Directors' emoluments *(Continued)*

Notes:

(i) resigned during the year ended 31 December 2004

(ii) appointed during the year ended 31 December 2005

(iii) resigned during the year ended 31 December 2005

The above analysis includes four (2004: four) directors whose emoluments were among the five highest in the Group.

(b) Management's emoluments

Details of the aggregate emoluments paid to one (2004: one) individual whose emolument was the highest in the Group and have not been included in the directors' emoluments above are set out below:

	2005	2004
	HK$'000	*HK$'000*
Salaries and other allowances	**108**	675
Bonuses	**–**	–
Contributions to retirement benefits schemes	**5**	6
	113	681

The emolument of the highest paid individuals fell within the following bands.

	Number of individuals	
	2005	2004
Emoluments band		
HK$Nil – HK$1,000,000	**1**	1

(c) During the year, no emoluments had been paid by the Group to the directors or the five highest paid individuals as an inducement to join or upon joining the Group, or as compensation for loss of office. No directors waived or agreed to waive any emoluments during the year.

15. PROPERTY, PLANT AND EQUIPMENT

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 1 January 2004						
– as previously reported	74,596	457	2,935	292	1,520	79,800
– effect on adoption of HKAS 17 *(note 2(a)(iii))*	(73,736)	–	–	–	–	(73,736)
– as restated	860	457	2,935	292	1,520	6,064
Additions	–	492	2,150	–	–	2,642
Disposal/write off	–	(457)	–	–	(590)	(1,047)
Exchange realignment	2	–	6	–	–	8
At 31 December 2004	862	492	5,091	292	930	7,667
Accumulated depreciation and impairment						
At 1 January 2004						
– as previously reported	3,083	457	339	125	412	4,416
– effect on adoption of HKAS 17	(3,047)	–	–	–	–	(3,047)
– as restated	36	457	339	125	412	1,369
Provided during the year	17	114	1,067	57	177	1,432
Disposal/write off	–	(457)	–	–	(56)	(513)
Exchange realignment	(1)	–	1	–	–	–
At 31 December 2004	52	114	1,407	182	533	2,288
Net book value						
At 31 December 2004, as restated	810	378	3,684	110	397	5,379

15. PROPERTY, PLANT AND EQUIPMENT *(Continued)*

Group *(Continued)*

	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 1 January 2005						
– as previously reported	74,768	492	5,091	292	930	81,573
– effect on adoption of HKAS 17 *(note 2(a)(iii))*	(73,906)	–	–	–	–	(73,906)
– as restated	862	492	5,091	292	930	7,667
Additions	–	–	4	–	–	4
Write off	–	(492)	(2,104)	–	(752)	(3,348)
Exchange realignment	18	–	62	–	–	80
At 31 December 2005	880	–	3,053	292	178	4,403
Accumulated depreciation and impairment						
At 1 January 2005						
– as previously reported	4,585	114	1,407	182	533	6,821
– effect on adoption of HKAS 17	(4,533)	–	–	–	–	(4,533)
– as restated	52	114	1,407	182	533	2,288
Provided during the year	13	24	179	54	162	432
Impairment loss for the year	814	–	2,121	56	33	3,024
Write off	–	(138)	(671)	–	(549)	(1,358)
Exchange realignment	1	–	17	–	(1)	17
At 31 December 2005	880	–	3,053	292	178	4,403
Net book value						
At 31 December 2005	–	–	–	–	–	–

15. PROPERTY, PLANT AND EQUIPMENT *(Continued)*

Company

	Leasehold improvements *HK$'000*	Plant, machinery and equipment *HK$'000*	Furniture and fixtures *HK$'000*	Total *HK$'000*
Cost				
At 1 January 2004	457	156	262	875
Additions	443	1,984	–	2,427
Write off	(457)	–	–	(457)
At 31 December 2004 and 1 January 2005	443	2,140	262	2,845
Write off	(443)	(2,104)	–	(2,547)
At 31 December 2005	–	36	262	298
Accumulated depreciation and impairment				
At 1 January 2004	457	43	119	619
Provided during the year	89	636	53	778
Write off	(457)	–	–	(457)
At 31 December 2004 and 1 January 2005	89	679	172	940
Provided during the year	–	7	52	59
Impairment loss for the year	–	20	38	58
Write off	(89)	(670)	–	(759)
At 31 December 2005	–	36	262	298
Net book value				
At 31 December 2005	–	–	–	–
At 31 December 2004	354	1,461	90	1,905

15. PROPERTY, PLANT AND EQUIPMENT *(Continued)*

Notes

(a) Upon the adoption of HKAS 17, the leasehold land was classified as operating leases prepayment and carried in the balance sheet at cost less accumulated amortisation (note 2(a)(iii)).

(b) The accumulated impairment losses of property, plant and equipment as at 31 December 2005 amounted to HK$3,024,000 (2004: Nil).

16. LEASEHOLD LAND AND LAND USE RIGHTS

	Group	
	2005	2004
	HK$'000	*HK$'000*
At 1 January		
– as previously reported	**–**	–
– effect on adoption of HKAS 17 (note 2(a)(iii))	**66,505**	68,814
– as restated	**66,505**	68,814
Exchange differences	**1,360**	158
Additions	**–**	–
Amortisation	**(2,489)**	(2,467)
At 31 December	**65,376**	66,505

Notes:

(a) The Group's interests in leasehold land and land use rights represent prepaid operating lease payments and their net book values are analysed as follows:

	Group	
	2005	2004
	HK$'000	*HK$'000*
In PRC held on:		
Leases of over 50 years	**38,456**	38,488
Leases of between 10 to 50 years	**26,920**	28,017
	65,376	66,505

(b) The Group's leasehold land and land use rights with an aggregate net book value of HK$Nil (2004: HK$10,809,000) were pledged, among others, to secure loan of RMB30,000,000 granted to a former related company.

17. BIOLOGICAL ASSETS

	Group 2005 HK$'000	2004 HK$'000
Balance as at year end	**35,364**	28,067

(a) The analysis of the above is as follows:

	2005 HK$'000	2004 HK$'000
Non-current portion	**34,572**	27,307
Current portion	**792**	760
	35,364	28,067

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

	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

17. BIOLOGICAL ASSETS *(Continued)*

(b) 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 2005	70,800	27,307	4,592,048	760	28,067
Increase due to growth/acquisitions	17,000	–	1,178,730	532	532
Changes in fair value less estimated point-of-sale costs		6,615	–	–	6,615
Effect of movements in foreign exchange		650	–	15	665
Decrease due to sales		–	(1,000,000)	(515)	(515)
Balance at 31 December 2005	87,800	34,572	4,770,778	792	35,364
Non-current		34,572		–	34,572
Current		–		792	792
		34,572		792	35,364

(c) 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 HKAS 41 to determine the fair values of biological assets in their present location and condition.

17. BIOLOGICAL ASSETS *(Continued)*

(d) The fair value less estimated point-of-sale costs of the quantity and amount of agricultural produce harvested during the year were as follows:

	2005	2004
	Number	*Number*
Trees	**–**	–
Tree seedlings	**1,000,000**	100,640,382

(e) The Group's biological assets amounting to HK$Nil (2004: HK$28,067,000) were pledged, among others, to secure loan of RMB30,000,000 granted to a former related company.

18. PRODUCTION RIGHT

Group

	2005	2004
	HK$'000	*HK$'000*
Cost:		
At 1 January and at 31 December	**28,500**	28,500
Accumulated amortisation and impairment:		
At 1 January and at 31 December	**28,500**	28,500
Net book value:		
At 31 December	**–**	–

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

	2005	2004
	HK$'000	*HK$'000*
Cost		
At 1 January and at 31 December	**45,436**	45,436
Accumulated amortization and impairment		
At 1 January	**45,436**	2,651
Amortisation provided during the year	**–**	2,272
Impairment recognised in the income statement	**–**	40,513
At 31 December	**45,436**	45,436
Net book value		
At 31 December	**–**	–

Notes:

(a) 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) made as mentioned in note 24 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 balance as at 31 December 2004 is required.

(b) The accumulated impairment losses of goodwill as at 31 December 2005 amounted to HK$40,513,000 (2004: HK$40,513,000).

20. COMPUTER SOFTWARE DEVELOPMENT COST

	Group and Company	
	2005	2004
	HK$'000	*HK$'000*
Cost		
At 1 January	**6,510**	–
Additions	**–**	6,510
Write off	**(6,510)**	–
At 31 December	**–**	6,510
Accumulated amortization		
At 1 January	**1,302**	–
Amortisation for the year	**–**	1,302
Write off	**(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 in prior year which had been included in property, plant and equipment in note 15.

21. SUBSIDIARIES

	Company 2005 HK$'000	2004 HK$'000
Unlisted investments, at cost	**157**	157
Due from subsidiaries *(Note b)*	**309,913**	309,549
Due to subsidiaries *(Note b)*	**(54)**	(54)
	310,016	309,652
Provision	**(310,016)**	(309,652)
	–	–

Notes:

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

(b) Details of the principal subsidiaries as at the balance sheet date are as follows:

Name	Place of incorporation/ registration	Place of operation	Nominal value of issued ordinary share/ registered capital	Percentage of equity attributable to the Company 2005	2004	Principal activities
Directly held:						
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 ^	Mainland China	Mainland China	US$1,829,000	70	70	Nurturing, selling and trading of tree seedlings and seeds

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

21. SUBSIDIARIES *(Continued)*

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. INVENTORIES

	Group	
	2005	2004
	HK$'000	*HK$'000*
Raw materials	**79**	80

23. TRADE AND OTHER RECEIVABLES

	Group		Company	
	2005	2004	**2005**	2004
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Trade receivables *(note a)*	**22,478**	22,018	**–**	–
Less: Provision for impairment	**(22,478)**	(22,018)	**–**	–
	–	–	**–**	–
Other receivables, deposit and prepayments *(note c)*	**28,377**	26,402	**290**	42
Amount due from				
– minority shareholder of a subsidiary *(note d)*	**–**	–	**–**	–
– related companies *(note e)*	**–**	185	**–**	185
	28,377	26,587	**290**	227

Note:

(a) The Group's trading terms with its customers are mainly on credit. The credit period is generally for a period ranging from 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.

23. TRADE AND OTHER RECEIVABLES *(Continued)*

The ageing analysis of the trade receivables was as follows:

	Group	
	2005	2004
	HK$'000	*HK$'000*
Within 90 days	**2**	–
91 days to 180 days	**–**	–
181 days to 365 days	**–**	22,018
Over 365 days	**22,476**	–
	22,478	22,018
Provision for impairment on receivables	**(22,478)**	(22,018)
	–	–

(b) The carrying amounts of trade receivables, prepayments and other receivables approximated their fair value.

(c) The balance 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 RMB29,174,000 (approximately HK$28,016,000) (2004: RMB27,859,000 (approximately HK$26,206,000)). In the financial statements for the year ended 31 December 2004, due to cancellation of agreement, 綠色科技園 had refunded the whole amount to the Group on 31 May 2005 of RMB27,859,000. Further on 3 June 2005, the whole amount was re-financed to 綠色科技園. In additions, the Group further advanced approximately RMB1,315,000 to 綠色科技園 during the year. The balance remains outstanding up to the balance sheet date.

(d) The amount is unsecured and with no fixed terms of repayment. 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. In prior year, the directors decided that a full provision was made against the amount due with an aggregate balance of approximately HK$20,529,000.

(e) The amounts were 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.

24. CASH BALANCE AT PRC TRUST CO-OPERATIVE UNION

	Group	
	2005	2004
	HK$'000	*HK$'000*
Balance as at year end	**126,852**	127,128
Less: Provision for loss in cash deposit	**(126,845)**	(126,845)
	7	283

The Group's cash balance at PRC Trust Co-operative Union 農村信用合作社 ("Union") at the balance sheet date represent the cash deposit in the Union by a PRC subsidiary (the "Deposit"). The Deposit with the Union was mainly a refund of deposits for potential future investments from 洛陽山嶺農林工程技術有限公司 on 10 June 2004.

During the year, 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.

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 of Hong Kong Limited (the "Stock Exchange") and the Hong Kong Police Force on 29 July 2005 and 4 August 2005, respectively. Up to the date of this report, the case is still under investigation by the respective authorities.

25. TRADE AND OTHER PAYABLES

	Group		Company	
	2005	2004	**2005**	2004
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Trade payables				
– third parties *(note a)*	**814**	816	**–**	–
Other payables and accruals	**15,174**	6,044	**9,767**	4,090
Due to related companies *(note b)*	**2,507**	14,265	**2,498**	10,212
	18,495	21,125	**12,265**	14,302

Notes:

(a) The ageing analysis of the trade payables balances was as follows:

	Group	
	2005	2004
	HK$'000	*HK$'000*
Within 90 days	**19**	43
91 days to 180 days	**–**	–
181 days to 365 days	**–**	93
Over 365 days	**795**	680
	814	816

(b) The amounts due to related companies are unsecured, interest-free and with no fixed terms of repayment.

26. BANK BORROWING

	Group and Company	
	2005	2004
	HK$'000	*HK$'000*
Bank loan, unsecured	**976**	1,216
The analysis of the above balance is as follows:		
Within one year or on demand	**976**	1,216
More than one year, but not exceeding two years	**–**	–
	976	1,216
Amounts due within one year included under current liabilities	**(976)**	(1,216)
Non-current borrowings	**–**	–

According to a consent order issued by the High Court of the Hong Kong Special Administrative Region dated 14 February 2005, the balance is unsecured and repayable by installment 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 thereof and thereafter at judgement rate until full payment. After repaying two installments of HK$120,000 each, the Company had defaulted the repayment. Up to the date of this report, the balance remains outstanding.

27. OTHER BORROWINGS

	Group		Company	
	2005	2004	**2005**	2004
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Other borrowings, unsecured				
Within one year	**4,728**	–	**4,632**	–
Between one and two years	**–**	–	**–**	–
Between two and five years	**–**	–	**–**	–
	4,728	–	**4,632**	–

Other borrowings are overdue and expected for restructuring according to various settlement deeds dated 28 February 2006. Interest is charged on these borrowings at rates ranging from 12% per annum to 3% per month on outstanding balance.

28. ISSUED CAPITAL

	2005	2004
	HK$'000	HK$'000
Authorised:		
160,000,000,000 ordinary shares of HK$0.01 each	**1,600,000**	1,600,000
Issued and fully paid:		
2,532,543,083 (2004: 2,132,543,083) ordinary shares of HK$0.01 each	**25,325**	21,325

(a) The movements of the issued share capital of the Company are summarised as follows:

	Note	Number of ordinary shares	Nominal value HK$'000
At 1 January 2004		1,807,143,083	18,071
Shares issued under a placement	*(ii)*	325,400,000	3,254
At 31 December 2004 and 1 January 2005		2,132,543,083	21,325
Shares issued under a placement	*(i)*	400,000,000	4,000
At 31 December 2005		2,532,543,083	25,325

Notes:

(i) Pursuant to a placing agreement 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 former related company on behalf of the Company.

(ii) In prior 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.

28. ISSUED CAPITAL *(Continued)*

(b) Share options

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 closing 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 grant 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 grant of the share options.

28. ISSUED CAPITAL *(Continued)*

(b) Share options *(Continued)*

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 daily quotation sheets of the Stock Exchange on the date of the grant of the share options; and (ii) the average closing price of the Company's shares as stated in the Stock Exchange's daily quotation sheets for the five trading days immediately preceding the date of the grant.

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

Movements of the share options during the years ended 31 December 2005 and 2004 under the Scheme are set out below:

	For the year ended 31 December 2004 Number of share options								
Name or category of participant	At 1 January 2004	Granted during the year	Exercised during the year	Lapsed during the year	Transfer (to)/ from other category during the year *(note iv)*	At 31 December 2004	Date of grant of share options *(note ii)*	Exercise period of share options (both dates inclusive)	Exercise price of share options *(note iii)* *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	–	–	–	(2,764,000)	12,392,000			
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	–	–	–	1,764,000	56,034,000	26-06-02	26-06-02 to 20-06-12	0.1312
	–	–	–	–	1,000,000	1,000,000	30-07-02	30-07-02 to 20-06-12	0.2360
	54,270,000	–	–	–	2,764,000	57,034,000			
	130,080,000	–	–	–	–	130,080,000			

28. ISSUED CAPITAL *(Continued)*

(b) Share options *(Continued)*

Name or category of participant	For the year ended 31 December 2005 Number of share options: At 1 January 2005	Granted during the year	Exercised during the year	Lapsed during the year	Transfer (to)/from other category during the year *(note iv)*	At 31 December 2005	Date of grant of share options *(note ii)*	Exercise period of share options (both dates inclusive)	Exercise price of share options *(note iii)* 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. Yu Enguang	864,000	–	–	–	(864,000)	–	26-06-02	26-06-02 to 20-06-12	0.1312
Prof. Ma Qingguo	864,000	–	–	–	(864,000)	–	26-06-02	26-06-02 to 20-06-12	0.1312
	12,392,000	–	–	–	(12,392,000)	–			
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	56,034,000	–	–		4,392,000	60,426,000	26-06-02	26-06-02 to 20-06-12	0.1312
	1,000,000	–	–	–	8,000,000	9,000,000	30-07-02	30-07-02 to 20-06-12	0.2360
	57,034,000	–	–	–	12,392,000	69,426,000			
	130,080,000	–	–	–	–	130,080,000			

28. ISSUED CAPITAL *(Continued)*

(b) Share options *(Continued)*

Notes:

(i) All the outstanding options were vested and exercisable as at 31 December 2005 and 2004. The Group has no legal or constructive obligation to repurchase or settle the options in cash. As all grants of share options were vested on or before 1 January 2005 and accordingly, no adjustment is made in the Group's financial statements pursuant to the transitional provisions as set out in HKFRS 2.

(ii) The vesting period of the share options is from the date of the grant until the commencement of the exercise period.

(iii) 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.

(iv) On 30 June 2003, Prof. Lang Hsien Ping retired as non-executive director of the Company. On 30 September 2003, Mr. Shang Qingling resigned as executive director of the Company. On 26 August 2004, Mr. Ke Yinbin resigned as executive director of the Company. On 31 March 2005, Dr. Hon Fong Ming, Perry and Mr. Zhang Jiebin resigned as executive directors of the Company. On the same date, Mr. Yu Enguang and Prof. Ma Qingguo resigned as independent non-executive directors of the Company. Further on 29 July 2005. Dr. Qian Keming resigned as an executive director of the Company. In this respect, the options granted to the aforesaid ex-directors were reclassified from the category of "Directors" to the category of "Others". Those options exercised by them subsequent to their resignation or retirement were grouped thereon accordingly.

(v) At the balance sheet date, the Company had 130,080,000 share options outstanding under the Scheme, which represented approximately 5.1% 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).

29. RESERVES

Company

	Note	Share premium HK$'000	Contributed surplus HK$'000	Accumulated losses HK$'000	Total HK$'000
At 1 January 2004		134,008	153,519	(91,225)	196,302
Issue of shares	*28(a)*	19,524	–	–	19,524
Loss for the year	*11*	–	–	(245,327)	(245,327)
At 31 December 2004 and 1 January 2005		153,532	153,519	(336,552)	(29,501)
Issue of shares	*28(a)*	10,000	–	–	10,000
Loss for the year	*11*	–	–	(23,291)	(23,291)
At 31 December 2005		163,532	153,519	(359,843)	(42,792)

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 International (BVI) Limited ("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.

30. DEFERRED INCOME TAX

Deferred income tax is calculated in full on temporary differences under the liability method using tax rates substantively enacted by the balance sheet date.

The movements of major deferred tax assets and liabilities recognised by the Group during the current and prior years is as follows:

	Accelerated depreciation allowance	Tax losses	Total
	HK$'000	*HK$'000*	*HK$'000*
Deferred income tax arising from:			
At 31 December 2003	–	–	–
(Credited)/charged to income statement	1,159	(1,159)	–
At 31 December 2004	1,159	(1,159)	–
At 31 December 2004	1,159	(1,159)	–
Charged/(credited) to income statement	–	–	–
At 31 December 2005	–	–	–

Deferred income tax assets are recognised for tax losses carry forwards to the extent that realisation of the related tax benefit through the future taxable profits is probable. As at 31 December 2005, the Group has unrecognised tax losses of HK$6,458,000 (2004: HK$6,458,000), which have no expiry date, to carry forward.

30. DEFERRED INCOME TAX (Continued)

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when the deferred income taxes relate to the same fiscal authority. The following amounts, determined after appropriate offsetting, are shown in the consolidated balance sheet:

	Group and Company	
	2005	2004
	HK$'000	*HK$'000*
Deferred income tax liabilities	–	1,159
Deferred income tax assets	–	(1,159)
	–	–

31. CONTINGENT LIABILITIES

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 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")

As part of the Corasia BVl 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 the 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 Guarantees plus the interest accrued thereon as at the balance sheet date, no amount of contingent liabilities has been disclosed.

32. 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	
	2005	2004	**2005**	2004
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Within one year	**220**	951	**–**	564
In the second to fifth year inclusive	**–**	1,826	**–**	1,693
	220	2,777	**–**	2,257

33. CAPITAL COMMITMENTS

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

34. RELATED PARTY TRANSACTIONS

In addition to those disclosed elsewhere in the financial statements, the following is a summary of significant related party transactions entered into in the ordinary course of business between the Group and its related parties during the year.

Name of related parties	Nature of transactions	Term and pricing policies	Group 2005 HK$'000	Group 2004 HK$'000
北京大地農網科技有限公司	Additions of fixed assets *(Note i)*	*(iii)*	**–**	2,424
北京大地農網科技有限公司	Additions of computer software development cost *(Note i)*	*(iii)*	**–**	6,510
河北省尚義縣國有北石塄林場	Interest income *(Note ii)*	*(iii)*	**–**	403
北京大地農網科技有限公司	Rental expenses *(Note i)*	*(iv)*	**–**	566
北京大地農網科技有限公司	Motor vehicle hire costs *(Note i)*	*(v)*	**–**	151

Note:

(i) Mr. Han Jide, the former executive director of the Company, is the legal representative of the related company.

(ii) The related company is the minority shareholder of the PRC subsidiary of the Group.

(iii) Based on the actual costs incurred.

34. RELATED PARTY TRANSACTIONS *(Continued)*

(iv) Rental is charged at HK$nil (2004: HK$566,000) per annum.

(v) Hire cost is charged at HK$nil (2004: HK$151,000) per annum.

35. POST BALANCE SHEET EVENTS

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

Litigation

(a) 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 judgement 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.

According to the settlement deed dated 28 February 2006, the body corporate confirms and acknowledges that it has received payment in the amount of HK$11,500,000 from an individual on behalf of the Company prior to the date of the deed. The body corporate further acknowledges and confirms that upon receipt of the settlement amount, the outstanding debt shall be deemed to have been settled in full.

(b) 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 for the year.

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 thereof and thereafter at judgement rate until payment.

Subsequent to the year end date on 6 January 2006, the financial advisory company served a winding up petition dated 5 January 2006 on the Company in respect of the above amount of HK$4,860,000 plus costs and interests.

35. POST BALANCE SHEET EVENTS

Litigation *(Continued)*

According to the settlement deed dated 28 February 2006, the Company shall pay to the financial advisory company a sum of HK$1,650,000 within 14 days from the date of the deed which shall be deemed to have been in full and final settlement of the outstanding debt. Upon receipts of the settlement amount in full, further on 20 March 2006, the winding-up petition presented by the financial advisory company was dismissed by the High Court of Hong Kong Special Administrative Region pursuant to an order of the Court dated 20 March 2006.

(c) 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 disbursement of HK$3,723,190 for the provision of professional and legal services rendered to the Company for the year.

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.

Subsequent to the year end date on 3 January 2006, the hearing of the petition in the High Court of Hong Kong Special Administrative Region was held and the law firm has agreed to withdraw the petition.

(d) 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 thereof and thereafter at judgment rate to the date of payment.

Subsequent to the year end date on 28 February 2006, the Company has entered into deed of settlement with the body corporate in full and final settlement of the amount claimed by it. According to the deed, the Company shall pay to the body corporate a sum of HK$350,000 within 14 days from the date of the deed in full and final settlement of the outstanding debt. Upon receipt of the settlement amount in full, the body corporate agreed not to take any further action against the Company in respect of the amount claimed.

36. COMPARATIVE FIGURES

Certain comparative figures have been adjusted or re-classified as a result of the changes in accounting policies. Further details are disclosed in note 2.