

NOTES TO THE ACCOUNTS

1. Basis of preparation

The condensed consolidated financial statements have been prepared in accordance with Hong Kong Accounting Standard 34 “Interim Financial Reporting” issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”) and with the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities (the “Listing Rules”) on The Stock Exchange of Hong Kong Limited (the “Stock Exchange”).

The condensed consolidated financial statements have been prepared under the historical cost convention.

The accounting policies used in the condensed consolidated financial statements are consistent with those followed in the preparation of annual financial statements of the Group for the year ended 31 December 2004 except as described below.

In the current period, the Group has applied, for the first time, a number of new/ revised Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards and Interpretations (collectively referred to as “new HKFRSs”) issued by the HKICPA that are effective for accounting periods beginning on or after 1 January 2005. The adoption of the new/ revised HKFRSs has resulted in changes to the Group’s accounting policies.

In particular, the adoption of Hong Kong Accounting Standard 17 “leases” (“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 are accounted for at cost less accumulated amortization and impairment losses.

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 by HK\$2,868,000.

2. Turnover

	2005 HK\$'000	2004 <i>HK\$'000</i>
Continuing operations	1,115	45,969
Discontinued operations	—	—
	1,115	45,969

Segment information

(a) Geographical segments

All activities of the Group are based in Mainland China and all of the Group's turnover and (loss)/profit 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.

3. Other revenue

	2005 HK\$'000	2004 <i>HK\$'000</i>
Gain on disposal of subsidiaries	—	5,967
Exchange gain	—	568
Others	10	—
	10	6,535

4. (Loss)/profit from operations

	2005 HK\$'000	2004 <i>HK\$'000</i>
Continuing operations	(4,927)	15,361
Discontinued operations	—	—
Other items:		
Write-off computer software development cost	(5,208)	—
Write-off property, plant and equipment	(3,806)	—
Impairment on receivable	(6,063)	—
	(20,004)	15,361

5. Taxation

	2005 HK\$'000	2004 HK\$'000
Overseas tax	–	2,247
Over provision in prior year	–	(542)
	<u>–</u>	<u>(542)</u>
	<u>–</u>	<u>1,705</u>

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

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

6. Dividends

The Board do not recommend the payment of an interim dividend for the six months ended 30 June 2005 (2004: Nil).

7. (Loss)/Earnings per share

The calculation of the basic (loss)/earnings per share is based on the Group's loss for the period of HK\$20,004,000 (2004: profit of HK\$10,343,000) and the weighted average of 2,459,614,904 (2004: 2,078,905,720) ordinary shares in issue during the period.

No diluted (loss)/earnings per share have been presented because the exercise of the Company's outstanding share options during the period has an anti-dilutive effect on the basic (loss)/earnings per share for the period.

8. Property, plant and equipment/leasehold land and land use rights

During the period, except for the write off of property, plant and equipment with net book value of HK\$3,806,000, there were no material additions or disposals.