

MANAGEMENT DISCUSSION AND ANALYSIS

Profile

The Group is principally engaged in the agricultural business in Mainland China, which include nurturing, selling and trading of tree seedlings and seeds.

Business review and prospects

During the period, the Group carried out its operation through 河北壩上林木種苗有限公司 (Hebei Bashang Nursery Company Limited). Turnover for the period decreased to HK\$1.1 million because the matured tree seedlings were sold in 2004 and the remaining tree seedlings have not yet been matured enough in 2005.

It is expected that this situation will continue until late 2006 when turnover will increase considerably.

Liquidity and financial resources

During the period, the Group financed the operations primarily from shares issue. As at 30 June 2005, the Group had cash and bank balances of HK\$131,000 (31 December 2004: HK\$2,334,000) and unsecured bank loan of HK\$1,216,000 (31 December 2004: HK\$1,216,000), repayable within one year.

Contingent liabilities

The Company has provided certain corporate guarantees of unknown amount to secure banking facilities of Corasia International Limited, a former wholly owned subsidiary of the Company. Subject to the release of the corporate guarantees by the relevant banks, the guaranteed amount was a contingent liability of the Company and the Group as at 30 June 2005.

Charges on assets

As at 30 June 2005, the Group had not pledged any asset to its bankers to secure banking facilities granted to the Group. Last year, the Group's leasehold land and land use rights with an aggregate net book value of HK\$10,809,000 and biological assets amounting to HK\$28,067,000 at 31 December 2004 were pledged to secure loan of RMB30,000,000 granted to a related company. This charge was released during the current period.

Exposure to foreign exchange risk

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

Capital expenditure

During the period, there has not been any material capital expenditure.

Material acquisitions and disposals

During the period, there have not been any material acquisitions or disposals of assets of the Group.

Employees and remuneration policies

As at 30 June 2005, the Group has a total of 42 (2004: 22) employees. It is the corporate policy of the Group to set the remuneration of its employees at a level commensurate with their responsibilities, experience and qualification and in line with the market conditions. Staff benefits available to Hong Kong employees include Hong Kong mandatory provident fund.

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

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S LISTED SECURITIES

During the six months ended 30 June 2005, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities.