Annual Report 2007

連發國際股份有限公司

Ever Fortune International Holdings Limited

Stock Code : 875

Contents

Corporate Information

BOARD OF DIRECTORS

Executive directors

Mr. Zhou Wenjun *(Chairman)*
Mr. Ji Kewei *(Deputy Chairman and Chief Executive Officer)*
Mr. Ding Jiangyong
Mr. Dai Jun
Mr. Sun Kejun

Independent non-executive directors

Mr. So Hoi Pan
Mr. Yim Hing Wah
Mr. Zhao Wen

AUDIT COMMITTEE

Mr. So Hoi Pan
Mr. Yim Hing Wah
Mr. Zhao Wen

REMUNERATION COMMITTEE

Mr. So Hoi Pan
Mr. Yim Hing Wah
Mr. Zhao Wen

COMPANY SECRETARY

Mr. Chui Chi Yun, Robert

QUALIFIED ACCOUNTANT

Mr. Fong Chi Wing

REGISTERED OFFICE

Canon's Court
22 Victoria Street
Hamilton HM12
Bermuda

PRINCIPAL PLACE OF BUSINESS IN HONG KONG

Unit 2001-02, 20th Floor
Li Po Chun Chambers
189 Des Voeux Road Central
Hong Kong

AUDITORS

CCIF CPA Limited

LEGAL ADVISORS

Troutman Sanders (as to Hong Kong laws)

HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

Tricor Tengis Limited
26th Floor, Tesbury Centre
28 Queen's Road East
Wanchai
Hong Kong

STOCK CODE

875

CORPORATE WEBSITE

http://www.875.com.hk

Financial Summary

SELECTED CONSOLIDATED FINANCIAL INFORMATION OF THE GROUP

A summary of the published results and assets and liabilities of the Group for the last five years, as extracted from the audited financial statements and reclassified as appropriate, is set out below. This summary does not form part of the audited financial statements.

RESULTS

	Year ended 31 December				
		(Restated)	(Restated)	(Restated)	(Restated)
	2007	2006	2005	2004	2003
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
TURNOVER					
Continuing operations	**1,486**	—	—	—	—
Discontinued operations	**390**	1,705	1,481	47,334	80,093
	1,876	1,705	1,481	47,334	80,093
(LOSS)/PROFIT BEFORE INCOME TAX					
Continuing operations	**(13,840)**	(6,275)	(24,138)	(4,219)	(229)
Discontinued operations	**10,967**	(132,636)	865	(194,326)	2,894
	(2,873)	(138,911)	(23,273)	(198,545)	2,665
INCOME TAX					
Continuing operations	**—**	—	—	—	—
Discontinued operations	**—**	—	—	—	—
	—	—	—	—	—
(LOSS)/PROFIT FOR THE YEAR	**(2,873)**	(138,911)	(23,273)	(198,545)	2,665
(LOSS)/PROFIT ATTRIBUTABLE TO:					
Equity holders of the Company	**(2,873)**	(138,911)	(23,273)	(165,419)	(7,484)
Minority interest	**—**	—	—	(33,126)	10,149
	(2,873)	(138,911)	(23,273)	(198,545)	2,665

Financial Summary

ASSETS, LIABILITIES AND MINORITY INTERESTS

	31 December				
			(Restated)	(Restated)	(Restated)
	2007	2006	2005	2004	2003
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
TOTAL ASSETS	**16,838**	112,058	129,451	134,160	377,536
TOTAL LIABILITIES	**(58,785)**	(143,384)	(24,199)	(22,341)	(88,072)
MINORITY INTERESTS	**—**	—	—	—	(33,126)
	(41,947)	(31,326)	105,252	111,819	256,338

Chairman's Statement

Dear Shareholders

I am pleased to present my third report since my appointment as your Chairman.

During the year 2007, major achievements have been made to resolve problems from the past, namely the disposals of all non-core subsidiaries and the major subsidiary of Zhangjiakou Xing Fa Development Company Limited. Through these disposals, the Group is now cleared of any old problems and is in a better position to go forward.

During the past year, the operation in Hong Kong is normal. Our office has moved to a new location.

The primary objective now is to restore the Company in a viable position and in this respect, the Company has submitted a resumption proposal to the Hong Kong Stock Exchange and I would expect a positive response will be received soon.

For the efforts and dedication during the past year, I would like to thank all staff members of the Company and our professional advisers and I am hopeful that the Company will be restored into a profitable condition and that the trading of our Company's shares in the Hong Kong Stock Exchange will soon be resumed to be benefit of all our shareholders.

Zhou Wenjun
Chairman

16 April, 2008

Management Discussion and Analysis

BUSINESS REVIEWS AND PROSPECTS

The Group reports a loss of HK$2,873,000 for the year ended 31 December 2007. The operations of the subsidiary, Zhangjiakou Xing Fa, disposed during the year, only achieved a turnover of about HK$390,000. The operations of another new subsidiary, Hao King, management right on an exhibition centre has terminated on 10 October 2007, achieved a turnover of about HK$1,486,000, representing rental and services income from running of an exhibition and event centre.

The Company has submitted a resumption proposal to the Stock Exchange on 6 August 2007. The resumption proposal will involve an open offer, placing of shares and acquisition of serviced apartments and elderly home businesses. On 4 March 2008, the Stock Exchange informed the financial adviser of the Company that the Listing Division considered the acquisition of the serviced apartments and elderly home businesses to be a reverse takeover of the Company under the Listing Rules. The Company has lodged an appeal to the Listing Committee in respect of this ruling of the Listing Division and a hearing date was set on 13 May 2008. Further announcements will be made by the Company as and when there is any material development in relation to the Company's quest for resumption of trading of the shares on the Stock Exchange.

Liquidity and financial resources

The Group financed the operations primarily from advance from shareholders. As at 31 December 2007, the Group had cash and cash equivalents of HK$14,497,000 (31 December 2006: HK$1,772,000) and unsecured bank loan of HK$249,000 (31 December 2006: HK$498,000), repayable within one year and unsecured bank loan of HK$Nil (31 December 2006: HK$249,000), repayable after one year but within two years.

Charges on assets

Save as disclosed, the Group had not pledged any other asset to its bankers as at 31 December 2007.

Gearing Ratio

As at 31 December 2007, the Group's gearing ratio was 3.49 (31 December 2006: 1.28), which was arrived at by dividing the total liabilities by total assets as at 31 December 2007.

Contingent liabilities and guarantees

As at 31 December 2007, the Group had not provided any guarantees in favor of any third party nor were there any significant contingent liabilities.

Management Discussion and Analysis

Exposure to foreign exchange risk

The Group has certain investments in foreign operations, whose net assets are exposed to foreign currency translation risk. Presently, there is no hedging policy with respect to the Group's foreign exchange exposure. The Group's transactional currency is mainly RMB as substantially most of the turnover are in RMB. The Group's transactions foreign exchange exposure was insignificant.

(i) *Exposure to currency risk*

The following table details the Group's exposure at the balance sheet date to currency risk arising from recognised assets or liabilities denominated in a currency other than the functional currency of the entity to which they relate.

	The Group	
	2007	2006
	HK$'000	HK$'000
Trade and other receivables	**—**	8,020
Cash and cash equivalents	**8,524**	1,747
Trade and other payables	**(10)**	(1,805)
Overall net exposure	**8,514**	7,962

(ii) *Sensitivity analysis*

During the year ended 31 December 2007, if RMB has strengthened/weakened by 5% against the HK$, with all other variable held constant, equity would have been approximately HK$426,000 (2006: HK$398,000), higher and lower and loss for the year would have been approximately HK$283,000 (2006: HK$6,635,000), higher and lower.

Capital expenditure

The Group had moved its office in Hong Kong in July 2007. Accordingly, there are additions of leasehold improvements, furniture and computer equipment amounting to approximately HK$1,329,000.

Material acquisitions and disposals

Save as disclosed, there has not been any material acquisitions or disposals of assets and subsidiaries of the Group.

Management Discussion and Analysis

Employee and remuneration policies

As at 31 December 2007, the Group has a total of 10 (2006: 44) employee. It is the corporate policy of the Group to set the remuneration of its employee at a level consummate with their responsibilities, experience and qualification and in line with market conditions.

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/employee of the Group. At 31 December 2007, there are no outstanding share option.

PROSPECT

The Company has already submitted a resumption proposal to the Stock Exchange of Hong Kong Limited, which involves the injection of new business to the Group. The Directors are working closely with the financial advisers so as to obtain approval from the Stock Exchange. Once approval is obtained, the Company will be put into a healthy position for the benefit of all shareholders.

Directors and Senior Management

EXECUTIVE DIRECTORS

Zhou Wenjun, *Chairman*

Mr. Zhou Wenjun, aged 46, has been appointed as an executive director and the Chairman of the Company since 12 April 2006. He is a senior accountant and senior economist in The People's Republic of China (the "PRC"). He graduated from Macquarie University, Australia and obtained a degree of Master of Economics. Mr. Zhou is currently the general manager of 江蘇連雲發展集團有限公司 (Jiangsu Lianyun Developing Group Company Limited) ("Jiangsu Lianyun"), the chairman and general manager of 江蘇金海投資有限公司 (Jiangsu Jinhai Investment Company Limited) ("Jiangsu Jinhai"), a wholly-owned subsidiary of Jiangsu Lianyun. Mr. Zhou is the sole director of Wonderland Group (Hong Kong) Corporation Limited ("Wonderland Group"), which is wholly owned by Jiangsu Jinhai. He is also the chairman and a director of Ever Fortune Holdings Group Limited ("Ever Fortune Holdings"), a substantial shareholder of the Company owned as to 60% by Wonderland Group and holding approximately 20.95% of the issued share capital of the Company. Accordingly, each of Jiangsu Lianyun, Jiangsu Jinhai and Wonderland Group is deemed to be interested in approximately 20.95% of the issued share capital of the Company under the Securities and Futures Ordinance ("SFO"). Mr. Zhou has been involved in various top management positions in the PRC and has extensive experience in business management.

Ji Kewei, *Deputy Chairman and Chief Executive Officer*

Mr. Ji Kewei, aged 48, has been appointed as an executive director, the Deputy Chairman and Chief Executive Officer of the Company since 12 April 2006. He is a senior economist. He holds a Master of Business Administration degree and a Doctor of Philosophy degree in Economics. Mr. Ji has over 20 years of experience in banking, securities, investment and top management. Mr. Ji is the chairman of Concord Group (B.V.I.) Limited ("Concord Group") and the deputy chairman of Ever Fortune Holdings. Concord Group holds 40% of Ever Fortune Holdings, which holds approximately 20.95% of the issued share capital of the Company. In addition, Concord Croup directly holds 0.79% of the Company. Accordingly, Concord Group is deemed to be interested in approximately 21.74% of the issued share capital of the Company under the SFO and both Concord Group and Ever Fortune Holdings are substantial shareholders of the Company. He is a brother of Mr. Ji Da Wei who is the sole shareholder of Evertop Investment Holdings Limited, which owns 34% of the issued shares of Concord Group and is deemed to be interested in the 21.74% issued shares of the Company under the SFO.

Directors and Senior Management

Ding Jiangyong

Mr. Ding Jiangyong, aged 38, has been appointed as an executive director of the Company with effect from 31 October, 2005. He attended the Wuhan Technology University of Survey and Mapping and obtained an education certificate. He has extensive experience in real estate development including execution of projects, infrastructure design, development and sales and marketing. Mr. Ding is currently the chairman of China Wallink Holding Group Co., Ltd. ("China Wallink") and the chairman of three of China Wallink's subsidiaries.

Dai Jun

Mr. Dai Jun, aged 37, has been appointed as an executive director and a Vice President of the Company since 12 April 2006. He is a registered accountant (non-practising) and senior accountant in the PRC. He graduated from Beijing University and obtained a Master degree in Business Administration. He is currently the manager of the human department of Jiangsu Jinhai. Mr. Dai is a director of Ever Fortune Holdings, which is indirectly held as to 60% by Jiangsu Jinhai. Both Jiangsu Jinhai and Ever Fortune Holdings are substantial shareholders of the Company deemed to be interested in approximately 20.95% of the issued share capital of the Company under the SFO.

Sun Kejun

Mr. Sun Kejun, aged 37, has been appointed as an executive director and a Vice President of the Company since 12 April 2006. He graduated from China Agricultural University and obtained a Bachelor degree in Engineering. He is currently the vice manager of the developing department of Jiangsu Lianyun and the vice president of Wonderland Group, which is indirectly wholly owned by Jiangsu Lianyun. He is a director of Ever Fortune Holdings, which is held as to 60% by Wonderland Group and holding approximately 20.95% of the issued share capital of the Company. Accordingly, each of Jiangsu Lianyun and Wonderland Group are substantial shareholders of the Company and deemed to be interested in approximately 20.95% of the issued share capital of the Company under the SFO. Mr. Sun has 10 years' experience in financial sector in the PRC.

Directors and Senior Management

INDEPENDENT NON-EXECUTIVE DIRECTORS

So Hoi Pan

Mr. So Hoi Pan, aged 64, has been appointed as an independent non-executive director of the Company since 12 April 2006. Mr. So is an ex-officio executive councillor of Heung Yee Kuk, New Territories, vice president of the New Territories General Chamber of Commerce. Mr. So is the chairman and managing director of Haw Hong (Holdings) Limited.

Yim Hing Wah

Mr. Yim Hing Wah, aged 44, has been appointed as an independent non-executive director of the Company since 12 April 2006. He holds a Bachelor degree with Honors in Accountancy from Hong Kong Polytechnic University. He is an associate member of Hong Kong Institute of Certified Public Accountants, a fellow member of the Chartered Association of Certified Accountants and a member of the Hong Kong Securities Institute. He is the audit partner of Chan Yim, Cheng & Co. He has over 16 years' experience in auditing, accounting and financial management. He had worked with Deloitte Touche Tohmatsu for over eight years. Mr. Yim is an independent non-executive director of China Haisheng Juice Holdings Co., Ltd., Far East Technology International Limited, Jiangsu Nandasoft Company Limited, Powerleader Science & Technology Company Limited and Launch Tech Company Limited, all of which are listed on The Stock Exchange of Hong Kong Limited.

Zhao Wen

Mr. Zhao Wen, aged 39, has been appointed as an independent non-executive director of the Company since 12 April 2006. He graduated from the Institute of International Relationship in 1991. He has over 10 years' experience in investment and merger and acquisition activities. He is currently the Chairman of the board of Nanjing Hyperion Investment & Consultant Co. Ltd. Mr. Zhao was a non-executive director of Nanjing Sample Technology Company, a company whose shares are listed on The Stock Exchange of Hong Kong Limited, during the period from December 1999 to May 2005.

Directors and Senior Management

SENIOR MANAGEMENT

Ji Kewei, *Chief Executive Officer*

Mr. Ji Kewei has been appointed as an executive director, the Deputy Chairman and Chief Executive Officer of the Company since 12 April 2006. His biographical details are set out above.

Dai Jun, *Vice President*

Mr. Dai Jun has been appointed as an executive director and a Vice President of the Company since 12 April 2006. His biographical details are set out above.

Sun Kejun, *Vice President*

Mr. Sun Kejun has been appointed as an executive director and a Vice President of the Company since 12 April 2006. His biographical details are set out above.

Zhao Ping, *Vice President*

Ms. Zhao Ping, aged 35, has been appointed as a Vice President of the Company since 12 April 2006. She has over 13 years experience in the banking and financial sector and has been in managerial roles in Shenzhen Commercial Bank and China Construction Bank. She obtained a Bachelor degree in International Finance from China Socialist Distant Learning University and Master of Business Administratis degree from the People of China Aviation Engineering College.

Fong Chi Wing, *Qualified Accountant and Financial Controller*

Mr. Fong Chi Wing, aged 40, joined the Company in July 2007, has over 10 years relevant experience. He is a fellow member of the Association of Chartered Certified Accountants and an associated member of the Hong Kong Institute of Certified Public Accountants.

Corporate Governance Report

The board of directors of the Company (the "Board") is pleased to present this Corporate Governance Report for the year ended 31 December 2007.

The board of directors recognizes the importance of good corporate governance to the Company's healthy growth and will devote considerable efforts to identifying and formulating corporate governance practices appropriate to the Company's needs in future. The Company's corporate governance practices will be based on principles and code provisions ("Code Provisions") as set out in the Code on Corporate Governance Practices ("CG Code") contained in Appendix 14 of the Rules Governing the Listing of Securities (the "Listing Rules") on The Stock Exchange of Hong Kong Limited (the "Stock Exchange").

To the best knowledge of and so far as is known to the current members of the Board, the Company has complied with the Code Provisions set out in the CG Code throughout the year ended 31 December 2007, save for the following provision:

A.4.2 Every director, including those appointed for a specific term, should be subject to retirement by rotation at least once every three years.

The Company's bye-laws deviate from Code Provision A.4.2 as it provides that one-third of the directors for the time being (save for the Chairman or Managing Director), or if their number is not three nor three nor a multiple of three, then the number nearest to one-third, shall retire from office and being eligible, offer themselves for re-election at the annual general meetings and that any new director appointed by the Board during the year shall hold office until the next following annual general meeting after appointment, and he/she shall be eligible for re-election.

To conform with Code Provision A.4.2, the Company in practice has complied with and adopted the said Code Provision A.4.2. According to the current corporate governance practices of the Company, all directors of the Company shall recommend themselves for re-election once every three years and any new director appointed to fill a casual vacancy shall submit himself/herself for re-election by shareholders at the first general meeting after appointment.

Corporate Governance Report

THE BOARD

Composition

The Board currently comprises the following directors:

Executive directors
Mr. Zhou Wenjun *(Chairman)*
Mr. Ji Kewei *(Deputy Chairman and Chief Executive Officer)*
Mr. Ding Jiangyong
Mr. Dai Jun
Mr. Sun Kejun

Independent non-executive directors:
Mr. So Hoi Pan
Mr. Yim Hing Wah
Mr. Zhao Wen

The list of directors (by category) is disclosed in all corporate communications issued by the Company pursuant to the Listing Rules from time to time.

The biography of the current members of the Board is disclosed under "Directors and Senior Management" on page 9.

During the year ended 31 December 2007, the Board has at all times met the requirements of the Listing Rules relating to the appointment of at least three independent non-executive directors with at least one independent non-executive director possessing appropriate professional qualifications, or accounting or related financial management expertise. Mr. Yim Hing Wah, an associate member of the Hong Kong Institute of Certified Public Accountants and a fellow member of the Chartered Association of Certified Accountants, possesses the appropriate professional qualification required under Rule 3.10(2) of the Listing Rules.

The Company considers all independent non-executive directors to be independent in accordance with the independence guidelines set out in the Listing Rules.

Board Meetings

Code Provision A.1.1 stipulates that the board should meet regularly and board meetings should be held at least four times a year at approximately quarterly intervals.

Code Provision A.1.3 stipulates that notice of at least 14 days should be given of a regular board meeting to give all directors an opportunity to attend.

Corporate Governance Report

During the year ended 31 December 2007, 7 Board Meetings have been held. Details of the attendance of the directors are as follows:

	Number of Board Meetings attended/ Number of Board Meeting held
Executive directors	
Mr. ZHOU Wenjun	5/7
Mr. JI Kewei	6/7
Mr. DING Jiangyong	3/7
Mr. DAI Jun	6/7
Mr. SUN Kejun	6/7
Non-executive directors	
Mr. SO Hoi Pan	3/7
Mr. YIM Hing Wah	3/7
Mr. ZHAO Wen	3/7

Responsibilities

The management and control of the business of the Company are vested in its Board. It is the duty of the Board to establish policies, strategies and plans, and to provide leadership in the attainment of the objective of creating value to shareholders.

The Board has delegated a schedule of responsibilities to the senior management of the Company. These responsibilities include the implementation of decisions of the Board, the co-ordination and direction of day-to-day operation and management of the Company in accordance with the management strategies and plans approved by the Board, formulating and monitoring the production and operating plans and budgets, and supervising and monitoring the control systems.

All directors have full and timely access to all relevant information as well as the advice and services of the Company Secretary, with a view to ensuring that board procedures and all applicable rules and regulations are followed.

Each director is normally able to seek independent professional advice in appropriate circumstances at the Company's expense, upon making request to the Board.

Corporate Governance Report

Appointment and Succession Planning of Directors

The Board will review its own structure, size and composition regularly to ensure that it has a balance of expertise, skills and experience appropriate to the requirements of the business of the Company.

Where vacancies on the Board exist, the Board will carry out the selection process by making reference to the skills, experience, professional knowledge, personal integrity and time commitments of the proposed candidates, the Company's needs and other relevant statutory requirements and regulations. An external recruitment agency may be engaged to carry out the recruitment and selection process when necessary.

Induction for Directors

Each newly appointed director will receive comprehensive, formal and tailored induction on the first occasion of his/her appointment, so as to ensure that he/she has proper understanding of the business and operations of the Company and that he/she is fully aware of his/her responsibilities and obligations under the Listing Rules and relevant regulatory requirements.

BOARD COMMITTEES

The Board has established 2 committees, namely, Remuneration Committee and Audit Committee, for overseeing particular aspects of the Company's affairs. All Board committees of the Company are established with defined written terms of reference.

All members of each Board committees are independent non-executive directors and the list of the members of each Board committee is set out under "Corporate Information" on page 2.

The Board committees are provided with sufficient resources to discharge their duties and, upon reasonable request, are able to seek independent professional advice in appropriate circumstances, at the Company's expenses.

Remuneration Committee

The Remuneration Committee is established and comprising three independent non-executive directors, namely Mr. So Hoi Pan, Mr. Yim Hing Wah and Mr. Zhao Wen.

The terms of reference of the Remuneration Committee are posted on the Company's website. The principal functions include:

— to recommend to the Board on the Company's policies and structure for the remuneration of the directors and senior management of the Group;

— to determine the remuneration packages of all executive directors and senior management of the directors and senior management of the Group; and

— to review and approve their performance-based remuneration.

Corporate Governance Report

The principal elements of executive remuneration package now only include basic salary. The emoluments of executive directors are based on skill, knowledge and involvement in the Company's affairs of each director and are determined by reference to the Company's performance and profitability, as well as remuneration benchmark in the industry and the prevailing market conditions.

The Remuneration Committee consults the chairman and chief executive officer about its proposals relating to the remuneration of other executive directors. During the year, a meeting of the Remuneration Committee was duly held and attended by all committee members for reviewing the remuneration policy and structure and determination of the annual remuneration packages of the executive directors and the senior executives and other related matters. The meeting was chaired by Mr. So Hoi Pan.

Audit Committee

The Audit Committee was established in April 2006 to review the Group's financial reporting, internal controls and make relevant recommendations to the Board. The terms of reference of the Audit Committee are posted on the Company's website. The Audit Committee comprises three independent non-executive directors, namely Mr. So Hoi Pan, Mr. Yim Hing Wah and Mr. Zhao Wen. The chairman of the Audit Committee is Mr. So Hoi Pan.

The Audit Committee held two meetings in 2007. Details of the attendance record of the committee meetings are as follows:

Committee members	Attendance
Mr. So Hoi Pan	2/2
Mr. Yim Hing Wah	2/2
Mr. Zhao Wen	2/2

The Group's 2007 half-yearly report and 2006 annual report have been reviewed by the Audit Committee, which was of the opinion that such reports were prepared in accordance with the applicable accounting standards and requirements. For 2006 annual report, the Audit Committee met with the external auditors to discuss auditing, internal control, statutory compliance and financial reporting matters before recommending it to the Board for approval. The committee also monitored the Company's progress in implementing the cord provisions on corporate governance practices as required under the Listing Rules.

MODEL CODE FOR SECURITIES TRANSACTIONS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as set out in Appendix 10 to the Listing Rules.

Having made specific enquires with all the Directors of the Company, the directors confirmed for the year ended 31 December 2007 have complied with the "Model Code for Securities Transactions by Directors of Listed Issuers" as set out in Appendix 10 of the Listing Rules.

Corporate Governance Report

RESPONSIBILITIES IN RESPECT OF THE FINANCIAL STATEMENTS

The Board is responsible for presenting a balanced, clear and understandable annual and interim reports, price-sensitive announcements and other disclosures required under the Listing Rules and other regulatory requirements.

The directors acknowledge their responsibility for preparing the financial statements of the Company.

The scope limitation on the audit of the financial statements for the year ended 31 December 2007 together with the qualified opinion of the auditors are set out in the "Independent Auditor's Report" on page 27.

AUDITORS' REMUNERATION

The remuneration paid to the external auditors of the Company in respect of audit services for the year ended 31 December 2007 amounted to HK$465,000.

Non-audit service rendered to the Company by its external auditors during the year under review amounted to HK$4,552,000.

INTERNAL CONTROLS

Pursuant to the Code Provision 2.1, the board of directors should ensure that the Company maintains sound and effective internal controls to safeguard the shareholders' investment and the Company's assets.

The Board has engaged an external consultancy firm to assist in reviewing the internal control system and report the contents and result of such review to the audit committee and the board of directors. The Board believes that the Group is responsible to improve the internal control system continuously.

On behalf of the Board

Zhou Wenjun
Chairman

16 April 2008

Report of the Directors

The directors present their report together with the audited financial statements of the Company and its subsidiaries (together the "Group") for the year ended 31 December 2007

PRINCIPAL ACTIVITIES

The principal activity of the Company is investment holding. The principal activities of the subsidiaries of the Company are set out in note 20 to the financial statements.

During the year ended 31 December 2007, the Group principally carried out its operation through 張家口興發農林發展有限公司(Zhangjiakou Xing Fa Development Company Limited*), its 70% owned subsidiary.

FINANCIAL RESULTS

The results for the Group for the year ended 31 December 2007 are set out in the financial statements of the Group on pages 30 to 98.

CASH FLOW POSITION

The cash flow position of the Group for the year ended 31 December 2007 is set out and analysed in the consolidated cash flow statement on pages 33 and 34.

DIVIDEND

The directors of the Company have resolved not to declare any dividend (2006: Nil).

FIVE-YEAR FINANCIAL SUMMARY

A summary of the results, assets and liabilities of the Group for the current year and the last four financial year is set out on pages 3 and 4.

RESERVES

Movements in the reserves of the Group during the year are set out in the consolidated statement of changes in equity on page 32.

Movement in the reserves of the Company during the year are set out in note 30 to the financial statements.

Report of the Directors

FIXED ASSETS

The movements of the fixed assets of the Group for the year ended 31 December 2007 are set out in notes 16 and 17 to the financial statements.

SUBSIDIARIES

Particulars of the principal subsidiaries are set out in note 20 to the financial statements.

MAJOR SUPPLIERS AND CUSTOMERS

In the year under review, sales to the Group's five largest customers accounted for approximately the total sales for the year and sales to the largest customer included therein amounted to approximately 40.6%. There were no purchase of inventories during the year as the sales were fulfilled by existing inventories.

None of the directors, their associates or any shareholders (which to the knowledge of the directors owns more than 5% of the Company's issued share capital) has any interest in the share capital of the five largest customers or the largest supplier of the Group.

SHARE CAPITAL AND SHARE OPTIONS

Details of the Company's share capital and share options as of 31 December 2007 are set out in notes 29 (a) and 29 (b) to the financial statements respectively.

The Company has adopted a share option scheme on 21 June 2002 (the "Scheme"). All outstanding options have been cancelled during prior year.

Report of the Directors

DIRECTORS

The directors of the Company during the year and up to the date of this report are as follows:

Executive directors:

Mr. Zhou Wenjun *(Chairman)*
Mr. Ji Kewei *(Deputy Chairman and Chief Executive Officer)*
Mr. Ding Jiangyong
Mr. Dai Jun
Mr. Sun Kejun

Independent non-executive directors:

Mr. So Hoi Pan
Mr. Yim Hing Wah
Mr. Zhao Wen

In accordance with bye-law 99 of the bye-laws of the Company, Mr. So Hoi Pan, Mr. Yim Hing Wah and Mr. Zhao Wen, will retire and, being eligible, offer themselves for re-election at the forthcoming annual general meeting.

DIRECTORS' INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES

As at 31 December 2007, none of the directors and chief executive of the Company had any interests or short positions in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance ("SFO")) which were required to be notified to the Company and The Stock Exchange of Hong Kong Limited (the "Stock Exchange") pursuant to the provisions of Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they were taken or deemed to have under such provisions of the SFO) or pursuant to the Model Code for Securities Transactions by Directors of Listed Companies contained in the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules") or which were required to be entered in the register required to be kept by the Company under section 352 of the SFO.

Report of the Directors

DISCLOSEABLE INTERESTS AND SHORT POSITIONS OF SHAREHOLDERS UNDER THE SFO

So far as is known to the directors of the Company, as at 31 December 2007, the persons or companies (other than the directors or chief executive of the Company) who had interests or short positions in the shares or underlying shares of the Company which were required to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO or which were recorded in the register required to be kept by the Company under section 336 of the SFO were as follows:

Long position in the shares of the Company

Name of shareholders	Capacity	Number of shares	Percentage of shareholding
Ever Fortune Holdings Group Limited (Formerly Chinabold International Investment Limited)	Beneficial owner	530,530,000	20.95%
Wonderland Group (Hong Kong) Corporation Limited	Interest of a controlled corporation	530,530,000	20.95%
Jiangsu Jinhai Investment Company Limited	Interest of a controlled corporation	530,530,000	20.95%
Concord Group (B.V.I.) Limited	Interest of a controlled corporation	550,530,000 *(Note 1)*	21.74%
Legend (Group) Investment Limited	Interest of a controlled corporation	550,530,000 *(Note 1)*	21.74%
China Wallink Holding Group Co., Ltd.	Interest of a controlled corporation	550,530,000 *(Notes 1 and 2)*	21.74%
Evertop Investment Holdings Limited	Interest of a controlled corporation	550,530,000 *(Note 1)*	21.74%
Mr. Ji Da Wei	Interest of a controlled corporation	550,530,000 *(Notes 1 and 3)*	21.74%
China Huaxing (HK) International Company Limited	Interest of a controlled corporation	550,530,000 *(Note 1)*	21.74%
China Huaxing Group Company	Interest of a controlled corporation	550,530,000 *(Notes 1 and 4)*	21.74%
Mr. Chen Xin	Beneficial owner	430,000,000	16.98%
Mr. Chan Hung Shek	Beneficial owner	334,000,000	13.19%

Report of the Directors

Notes:

1. Ever Fortune Holdings Group Limited (Formerly Chinabond International Investment Limited) ("Ever Fortune Holdings") is now holding 530,530,000 shares in the company, is owned as to 60% by Wonderland Group (Hong Kong) Corporation Limited ("Wonderland Group") and 40% by Concord Group (B.V.I.) Limited ("Concord Group").

   Wonderland Group is wholly owned by Jiangsu Jinhai Investment Company Limited ("Jinagsu Jinhai").

   Concord Group is held by Legend (Group) Investment Limited ("Legend"), Evertop Investment Holdings Limited ("Evertop"), and China Huaxing (HK) International Company Limited ("Huaxing (HK)") as to 33%, 34% and 33%, respectively.

   In addition, Concord Group also directly holds 20,000,000 shares in the Company.
   Accordingly, Jiangsu Jinhai and Wonderland Group were deemed to be interested in 530,530,000 shares held by Ever Fortune Holdings under the SFO.

   Legend, Evertop and Huaxing (HK) were deemed to be interested in 550,530,000 held by Ever Fortune Holdings and Concord Group under the SFO.

2. Legend was 99% owned by China Wallink Holding Group Co., Ltd. Accordingly, China Wallink Holding Group Co., Ltd. was deemed to be interested in 550,530,000 shares held by Concord Group under the SFO.

3. Evertop was wholly beneficially owned by Mr. Ji Da Wei. Accordingly, Mr. Ji Da Wei was deemed to be interested in 550,530,000 shares held by Concord Group under the SFO.

4. Huaxing (HK) was 98% owned by China Huaxing Group Company. Accordingly, China Huaxing Group Company was deemed to be interested in 550,530,000 shares held by Concord Group under the SFO.

Save as disclosed above, as at 31 December 2007, the Company had not been notified by any persons or companies (other than the directors or chief executive of the Company) who had interests or short positions in the shares or underlying shares of the Company which were required to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO or which were recorded in the register required to be kept by the Company under section 336 of the SFO.

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

Save as disclosed herein, at no time during the year ended 31 December 2007 was the Company or any of its subsidiaries a party to any arrangement to enable the directors of the Company to acquire benefits by means of the acquisition of shares in or debentures of the Company, its subsidiaries or any other body corporate; and none of the directors, or their spouses or children under the age of 18, had any right to subscribe for securities of the Company, or had exercised any such right during the year.

Report of the Directors

DIRECTORS' INTERESTS IN CONTRACTS

Save as disclosed in note 36 to the financial statements, no contracts of significance in relation to the Group's businesses to which the Company or any of its subsidiaries was a party and in which a director of the Company had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year.

DIRECTORS' SERVICE CONTRACTS

No director proposed for re-election at the forthcoming annual general meeting has a service contract with the Company or any of its subsidiaries not determinable by the employer within one year without payment of compensation, other than statutory compensation.

MANAGEMENT CONTRACTS

No contracts concerning the management and administration of the whole or any substantial part of the businesses of the Company were entered into or existed during the year.

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

During the year under review, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities.

PRE-EMPTIVE RIGHTS

There are no provisions for pre-emptive rights under the Company's bye-laws or the laws of Bermuda which oblige the Company to offer new shares on a pro-rata basis to existing shareholders. Such obligations are provided for in the Listing Rules.

CORPORATE GOVERNANCE

Information on the Company's corporate governance practices is set out in the Corporate Governance Report on pages 13 to 18.

Report of the Directors

AUDIT COMMITTEE

The audit committee of the Company currently comprises Mr. So Hoi Pan, Mr. Yim Hing Wah and Mr. Zhao Wen who are independent non-executive directors of the Company. The audit committee has reviewed the audited financial statements of the Company for the year ended 31 December 2007.

INDEPENDENCE OF INDEPENDENT NON-EXECUTIVE DIRECTORS

The Company has received from each of the independent non-executive directors confirmation of his/her independence to Rule 3.13 of the Listing Rules. The Board has assessed the independence of all the independent non-executive directors and is satisfied with their independence.

PUBLIC FLOAT

Based on the information that is publicly available to the Company and within the knowledge of the directors, the directors confirmed that at least 25% of the total issued share capital of the Company was held by the public as at the date this report.

AUDITORS

The financial statements for the year ended 31 December 2007 were audited by CCIF CPA Limited who retire and, being eligible, offer themselves for reappointment at the forthcoming annual general meeting.

PROCEEDINGS INVOLVING THE COMPANY

(a) On 31 May 2005, Tiffit Securities (Hong Kong) Limited ("Tiffit") issued a writ of summons in the High Court of Hong Kong against the Company, claiming an amount of HK$1,600,000, being commission for services allegedly provided by Tiffit to the Company. On 10 May 2006, the Court ordered the parties to exchange evidence and to fix a date for hearing of the action. Tiffit has not been able to comply with the Court's order to exchange evidence with the Company. On 27 February, 2007, provisional liquidators were appointed for Tiffit and as a result the action has been stayed since then.

(b) On 18 July 2006, the Company issued a writ of summons in the High Court of Hong Kong against Tsun & Partners (the "Defendant") in relation to certain invoices for legal services purported rendered and a purported deed of settlement dated 25 November 2005 (the "purported Deed"), which purported to constitute or represent or agree remuneration of the Defendant (the "Action"). The Company claims, amongst others, that the Defendant has grossly overcharged the Company in sums that are grossly excessive and that the purported Deed is illegal and unenforceable and/or was signed under duress, undue influence and/or coercion. The Company seeks, amongst others, the Court to tax or assess the fair and reasonable costs of the services rendered and the Defendant's proper remuneration, and for

Report of the Directors

cancellation of the purported Deed and/or cancellation that it is illegal and/or unenforceable. On 16 October 2006, the Company has paid an amount of HK$3,300,000 (the "Security") as security for the Action. The amount will be applied in accordance with the direction of the Court pending the outcome of the Action. On 15 November 2006, the Defendant filed a defence and counterclaim, claiming for the amount of HK$3,223,190 and interest at the rate of 6% per annum thereon. On 17 July 2007, by way of a consent order proposed by TS, the Company paid TS an amount of HK$1,680,000 out of the Security in full and final settlement of the claim and TS's counterclaim. The remaining balance of the Security together with interest thereon was paid to the Company.

(c) On 10 August 2006, Zhengzhou Arbitration Centre issued an arbitration notice to 張家口興發農林發展有限公司 (Zhangjiakou Xing Fa Development Company Limited*) ("Zhangjiakou Xing Fa"), naming it as one of the four respondents, in relation to, among others, the arbitration proceedings by Henan branch of the China Agricultural Bank (the "Bank") for the amount of RMB63.10 million due under a guarantee dated 4 July 2005 provided by the Bank to secure a loan in the amount of RMB63.10 million granted by the Bank to 河南省龍浩實業有限公司 (Henan Dragoncom Co., Ltd.*) ("Henan Dragoncom"). Henan Dragoncom, a company which to the best of the knowledge of the Directors was owned by Han Jide, a former director of the Company, who resigned on 26 August 2005. At a hearing on 6 March 2007, the Zhengzhou Arbitration Centre ordered the verification of the authentication of certain evidence so as to determine whether it would have jurisdiction to hear the case. The Directors will continue to seek legal advice as to the appropriate steps to protect the interest of the Company.

(d) On 13 March 2007, an enforcement notice was issued by the People's Court of Luoyang High-tech Development Zone pursuant to which Zhangjiakou Xing Fa was ordered to pay a sum of approximately RMB27.5 million to the People's Court of Luoyang High-tech Development Zone in satisfaction of a judgment rendered by the People's Court of Luoyang High-tech Development Zone against Zhangjiakou Xing Fa on 5 March 2007 in relation to a claim by the Luoyang City Commercial Bank for the amount of approximately RMB27.5 million due under the guarantee dated 15 June 2005 provided by Zhangjiakou Xing Fa in favour of the Commercial Bank to secure the loan in the amount of RMB27.5 million from Commercial Bank to Henan Dragoncom. As at the date of this announcement, no transfer of assets of Zhangjiakou Xing Fa has been effected. The Directors will continue to seek legal advice as to the appropriate steps to protect the interest of the Company.

In respect of (c) and (d) above, Zhangjiakou Xing Fa was disposed of to a third party on 28 December 2007.

On behalf of the Board

Zhou Wenjun
Chairman

16 April, 2008

Independent Auditor's Report

CCIF
CCIF CPA LIMITED
20/F Sunning Plaza
10 Hysan Avenue
Causeway Bay Hong Kong

INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF EVER FORTUNE INTERNATIONAL HOLDINGS LIMITED
(Incorporated in Bermuda with limited liability)

We were engaged to audit the consolidated financial statements of Ever Fortune International Holdings Limited (the "Company") set out on pages 30 to 98, which comprise the consolidated and company balance sheets as at 31 December 2007, and the consolidated income statement, the consolidated statement of changes in equity and the consolidated cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory notes.

DIRECTORS' RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

The directors of the Company are responsible for the preparation and the true and fair presentation of these financial statements in accordance with Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants and the disclosure requirements of the Hong Kong Companies Ordinance. This responsibility includes designing, implementing and maintaining internal control relevant to the preparation and the true and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

AUDITOR'S RESPONSIBILITY

Our responsibility is to express an opinion on these financial statements based on our audit. This report is made solely to you, as a body, in accordance with section 90 of the Bermuda Companies Act 1981 of Bermuda, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

Except for the limitations in the scope of our work as explained below, we conducted our audit in accordance with Hong Kong Standards on Auditing issued by the Hong Kong Institute of Certified Public Accountants. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance as to whether the financial statements are free from material misstatement. However, because of the matters described in the basis for disclaimer of opinion paragraph, we were unable to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion.

Independent Auditor's Report

BASIS FOR DISCLAIMER OF OPINION

1. Scope limitation — Prior year's audit scope limitation affecting opening balances and comparative figures

As shown in the previous auditor's report, we disclaimed our opinion on the Group's financial statements for the year ended 31 December 2006 because of the significance of the possible effects of the limitation in evidence available to us in respect of certain matters set out therein. Any adjustment found to be necessary to the opening net liabilities of the Group would have a consequential effect on its results for the year ended 31 December 2007. In respect of the limitation on our work in the prior year described above, we were unable to express our opinion on the fairness of the balances brought forward as at 1 January 2007 and the comparative figures included in these financial statements.

2. Scope limitation — Gain from discontinued operations

As detailed in note 11 to the financial statements, the Group disposed of a subsidiary, North Asia Forest Development Limited ("North Asia") during the year which principal asset is a 70% equity interest in Zhangjiakou Xing Fa Development Company Limited ('Zhangjiakou Xing Fa') which had issued certain corporate guarantees as disclosed in note 26b(i) and (ii) to the financial statements. Since there was insufficient information and explanations available for us to confirm the completeness of the guarantees and to ascertain the related actual and contingent liabilities arising therefrom, we are unable to determine the carrying amount of the net liabilities of Zhangjiakou Xing Fa on the date of disposal and whether the gain from discontinued operations of approximately HK$10,967,000 as shown in the consolidated income statement has been fairly stated and the details of the disposal have been properly disclosed.

We were unable to carry out alternative audit procedures to satisfy ourselves as to the matters set out in paragraphs 1 and 2 above.

Any adjustment that might have been found to be necessary in respect of the matters set out above would have a consequential effect on the financial positions of the Group and the Company as at 31 December 2007, the net loss and cash flows of the Group for the year then ended and the related disclosures in the financial statements.

Independent Auditor's Report

QUALIFICATION ARISING FROM MATERIAL UNCERTAINTIES RELATING TO THE GOING CONCERN BASIS

In forming our opinion, we have considered the adequacy of the disclosure made in note 2(b) to the financial statements which describes the liquidity issues and financial difficulties experienced by the Group and the measures undertaken by the Group to ensure that adequate cash resources are available to the Group. Specifically, the Group is dependent upon the continuing financial support of its substantial shareholder. On the assumption that there are successful outcome from the measures undertaken as described in note 2(b) to the financial statements, the directors consider that the Group will be able to meet in full its financial obligations as they fall due in the foreseeable future.

The consolidated financial statements have been prepared on a going concern basis, the validity of which depends upon the continuing financial support from its substantial shareholder and the successful outcome of the measures undertaken as described in note 2(b) to the financial statements to ensure that adequate cash resources are available to meet the Group's future working capital and financial requirements. The financial statements do not include any adjustments that might be necessary should the implementation of the above measures be unsuccessful. We consider that appropriate disclosures have been made. However, in view of the extent of the material uncertainties relating to the measures mentioned above that might cast significant doubt on the Group's ability to continue as a going concern, we have disclaimed our opinion. The financial statements do not include any adjustments that would be necessary if the various measures as described above fail to take place. Any adjustment to the financial statements may have a consequential significant effect on the Group's loss for the year and net liabilities as at 31 December 2007.

DISCLAIMER OF OPINION: DISCLAIMER ON VIEW GIVEN BY FINANCIAL STATEMENTS

Because of the significance of the possible effects of the scope limitations in relation to (i) prior year's audit scope limitation and (ii) gain from discontinued operations and the material uncertainties relating to the going concern basis as set out above, we do not express an opinion on the financial statements as to whether they give a true and fair view of the state of affairs of the Company and of the Group as at 31 December 2007 and of the loss and cash flows of the Group for the year then ended in accordance with Hong Kong Financial Reporting Standards and as to whether the financial statements have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

CCIF CPA Limited
Certified Public Accountants
Hong Kong, 16 April 2008

Sze Chor Chun, Yvonne
Practising Certificate Number P05049

Consolidated Income Statement

For the year ended 31 December 2007

	Note	2007 HK$'000	2006 HK$'000 (Restated)
Continuing operations			
Turnover	6	**1,486**	—
Other income and gains	8	**1,815**	9,300
Staff costs		**(4,090)**	(3,072)
Depreciation		**(349)**	(95)
Impairment on intangible assets	19	**(708)**	—
Impairment on receivables		**—**	(78)
Provisions		**—**	(4,083)
Other operating expenses		**(16,423)**	(8,105)
Operating loss		**(18,269)**	(6,133)
Finance costs		**—**	(142)
Gain on disposal of subsidiaries	33(c)	**4,429**	—
Loss before income tax	9	**(13,840)**	(6,275)
Income tax	10	**—**	—
Loss for the year from continuing operations		**(13,840)**	(6,275)
Discontinued operations			
Gain/(loss) for the year from discontinued operations	11	**10,967**	(132,636)
Loss for the year		**(2,873)**	(138,911)
Loss attributable to:			
Equity holders of the Company	12	**(2,873)**	(138,911)
Minority interest		**—**	—
		(2,873)	(138,911)
Dividends		**—**	—
Earnings/(loss) per share	13		
Basic			
– Continuing operations		**(HK0.54 cents)**	(HK0.25 cents)
– Discontinued operations		**HK0.43 cents**	(HK5.24 cents)
		(HK0.11 cents)	(HK5.49 cents)
Diluted		**N/A**	N/A

The notes on pages 36 to 98 form part of these financial statements.

Consolidated Balance Sheet

As at 31 December 2007

	Note	2007 HK$'000	2006 HK$'000
Non-current assets			
Property, plant and equipment	16	**1,137**	161
Leasehold land and land use rights	17	**—**	62,642
Biological assets	18	**—**	31,879
Intangible assets	19	**—**	708
		1,137	95,390
Current assets			
Leasehold land and land use rights	17	**—**	2,565
Biological assets	18	**—**	379
Inventories	21	**—**	82
Trade and other receivables	22	**1,204**	11,870
Cash balance at PRC Trust Co-operative Union	23	**—**	—
Cash and cash equivalents	24	**14,497**	1,772
		15,701	16,668
Current liabilities			
Trade and other payables	25	**58,450**	39,173
Provisions	26	**—**	103,378
Bank borrowing	27	**249**	498
Other borrowing	28	**86**	86
		58,785	143,135
Net current liabilities		**(43,084)**	(126,467)
Total assets less current liabilities		**(41,947)**	(31,077)
Capital and reserves attributable to the equity holders of the Company			
Issued capital	29	**25,325**	25,325
Reserves		**(67,272)**	(56,651)
		(41,947)	(31,326)
Minority interests		**—**	—
Total equity		**(41,947)**	(31,326)
Non-current liabilities			
Bank borrowing	27	**—**	249
Total assets less current liabilities		**(41,947)**	(31,077)

On behalf of the Board

Zhou Wenjun
Director

Ji Kewei
Director

The notes on pages 36 to 98 form part of these financial statements.

Consolidated Statement of Changes in Equity

For the year ended 31 December 2007

		Attributable to equity shareholders of the Company							
	Issued Capital	Share premium (note a)	Reserve fund (note b)	Contributed surplus (note c)	Exchange fluctuation reserve (note d)	Accumulated losses	Total reserves	Minority interests	Total
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
At 1 January 2006	25,325	163,532	3,168	126,883	3,144	(216,800)	79,927	—	105,252
Exchange difference on translation of financial statements of subsidiaries	—	—	—	—	2,333	—	2,333	—	2,333
Loss for the year	—	—	—	—	—	(138,911)	(138,911)	—	(138,911)
At 31 December 2006	25,325	163,532	3,168	126,883	5,477	(355,711)	(56,651)	—	(31,326)
At 1 January 2007	25,325	163,532	3,168	126,883	5,477	(355,711)	(56,651)	—	(31,326)
Exchange difference on translation of financial statements of subsidiaries	—	—	—	—	(733)	—	(733)	—	(733)
Reserves realised upon disposal of subsidiaries (note 33(b))	—	—	(3,168)	—	(3,847)	—	(7,015)	—	(7,015)
Loss for the year	—	—	—	—	—	(2,873)	(2,873)	—	(2,873)
At 31 December 2007	25,325	163,532	—	126,883	897	(358,584)	(67,272)	—	(41,947)

Notes:

(a) The application of the share premium account is governed by the Companies Act 1981 of Bermuda.

(b) In accordance with the accounting principles and financial regulations applicable in the PRC, the PRC subsidiaries are required to transfer part of its profit after taxation to the reserve fund. The transfer amounts are determined by the subsidiary's board of directors in accordance with the articles of association and the transfers are made before profit distribution. Reserve fund can only be used to make good losses, if any, and for increasing capital.

(c) 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 (the "Group Reorganisation"); (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 under the Group reorganisation, over the nominal value of the shares of the Company issued in exchange thereof; and (iii) the credit arising from the capital reduction of approximately HK$112,950,000.

(d) The exchange fluctuation reserve comprises all foreign exchange differences arising from the translation of the accounts of foreign operations. The reserve is dealt with in accordance with the accounting policy set out in note 3 "Foreign currency translation".

Consolidated Cash Flow Statement

For the year ended 31 December 2007

	Note	2007 HK$'000	2006 HK$'000
OPERATING ACTIVITIES			
Loss from continuing and discontinued operations before income tax		**(2,873)**	(138,911)
Adjustments for:			
Interest income		**(268)**	(22)
Loss arising from changes in fair value less estimated point-of-sale costs of biological assets		**2,056**	3,912
Impairment loss on intangible assets		**708**	—
Amortisation of leasehold land and land use rights		**2,695**	2,565
Depreciation		**349**	95
Impairment loss on receivables		**—**	28,607
Gain on disposal of subsidiaries	33(c)	**(4,429)**	—
Gain on disposal of subsidiaries attributable to discontinued operations	33(b)	**(16,312)**	—
Finance costs		**—**	154
Operating loss before working capital changes		**(18,074)**	(103,600)
Increase in inventories		**(2)**	(3)
(Increase)/decrease in biological assets		**(14)**	413
Decrease/(increase) in trade and other receivables		**9,375**	(12,100)
Decrease in cash balance at PRC Trust Co-operatives Union		**—**	7
Increase in trade and other payables		**25,481**	19,763
(Decrease)/increase in provisions		**(3,223)**	101,537
Cash generated from operations		**13,543**	6,017
Interest paid		**—**	(154)
NET CASH GENERATED FROM OPERATING ACTIVITIES		**13,543**	5,863

Consolidated Cash Flow Statement

For the year ended 31 December 2007

	Note	2007 HK$'000	2006 HK$'000
INVESTING ACTIVITIES			
Interest received		**268**	22
Disposal of subsidiaries, net of cash disposed of	33(b) & (c)	**—**	—
Payment for purchase of property, plant and equipment		**(1,329)**	(49)
NET CASH USED IN INVESTING ACTIVITIES		**(1,061)**	(27)
FINANCING ACTIVITIES			
Repayment of other borrowing		**—**	(4,642)
Repayment of bank borrowing		**(498)**	(229)
NET CASH USED IN FINANCING ACTIVITIES		**(498)**	(4,871)
NET INCREASE IN CASH AND CASH EQUIVALENTS		**11,984**	965
CASH AND CASH EQUIVALENTS AT 1 JANUARY		**1,772**	248
EFFECT OF FOREIGN EXCHANGE RATES CHANGES		**741**	**559**
CASH AND CASH EQUIVALENTS AT 31 DECEMBER	24	**14,497**	1,772

The notes on pages 36 to 98 form part of these financial statements.

Balance Sheet

As at 31 December 2007

	Note	**2007 HK$'000**	2006 HK$'000
Non-current assets			
Property, plant and equipment	16	**1,109**	27
Intangible assets	19	**—**	—
Subsidiaries	20	**13,957**	8,000
		15,066	8,027
Current assets			
Other receivables	22	**1,204**	3,850
Cash and bank balances		**946**	17
		2,150	3,867
Current liabilities			
Other payables	25	**58,428**	32,016
Provisions	26	**—**	3,223
Bank borrowing	27	**249**	498
Other borrowing	28	**86**	86
		58,763	35,823
Net current liabilities		**(56,613)**	(31,956)
Total assets less current liabilities		**(41,547)**	(23,929)
Capital and reserves attributable to the equity holders of the Company			
Issued capital	29	**25,325**	25,325
Reserves	30	**(66,872)**	**(49,503)**
Total equity		**(41,547)**	(24,178)
Non-current liabilities			
Bank borrowing	27	**—**	249
Total assets less current liabilities		**(41,547)**	(23,929)

On behalf of the Board

Zhou Wenjun
Director

Ji Kewei
Director

The notes on pages 36 to 98 form part of these financial statements.

Notes to the Financial Statements

For the year ended 31 December 2007

1. GENERAL INFORMATION

Ever Fortune International Holdings Limited (the "Company") and its subsidiaries (together the "Group") are principally engaged in nurturing, selling and trading of tree seedlings and seeds and management of exhibition and event centre. During the year, the Group's nurturing, selling and trading of tree seedlings and seeds operation was discontinued.

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.

The Company has its primary listing on Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange").

These consolidated financial statements are presented in thousands of units of Hong Kong dollars (HK$'000), unless otherwise stated. These consolidated financial statements have been approved for issue by the Board of Directors (the "Board") on 16 April 2008.

2. BASIS OF PREPARATION AND MATERIAL UNCERTAINTIES IN RESPECT OF GOING CONCERN

(a) Basis of preparation

The consolidated financial statements of the Company have been prepared in accordance with all applicable Hong Kong Financial Reporting Standards ("HKFRS"), which collective term includes all applicable individual Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards ("HKAS") and interpretations issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and accounting principles generally accepted in Hong Kong. They were also prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance and Rules Governing the Listing Securities on the Stock Exchange. They have been prepared under the historical cost convention modified by the revaluation of certain assets as explained in the accounting policies in note 3 below, and on a going concern basis as explained in note 2(b) below.

The preparation of financial statements in conformity with HKFRS 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.

(i) *Standards, amendment and interpretations effective in 2007*

HKFRS 7, "Financial instruments: Disclosures", introduces new disclosures relating to financial instruments and the nature and extent of risks arising from those instruments. HKFRS 7 does not have any impact on the classification and valuation of the Group's financial instruments.

Notes to the Financial Statements

For the year ended 31 December 2007

2. BASIS OF PREPARATION AND MATERIAL UNCERTAINTIES IN RESPECT OF GOING CONCERN (Continued)

(a) Basis of preparation (Continued)

(i) *Standards, amendment and interpretations effective in 2007* (Continued)

The amendment to HKAS 1 "Presentation of financial statements – Capital disclosures" requires expanded disclosures in respect of information of the Group's and the Company's capital and the objectives, policies and process for managing capital.

HK(IFRIC) – Int 8, "Scope of HKFRS 2", requires consideration of transactions involving the issuance of equity instruments, where the identifiable consideration received is less than the fair value of the equity instruments issued in order to establish whether or not they fall within the scope of HKFRS 2. This standard does not have any impact on the Group's financial statements.

HK(IFRIC) – Int 10, "Interim financial reporting and impairment", prohibits the impairment losses recognised in an interim period on goodwill and investments in equity instruments and in financial assets carried at cost to be reversed at a subsequent balance sheet date. This standard does not have any impact on the Group's financial statements.

(ii) *Standards, amendments and interpretations effective in 2007 but not relevant for the Group's operations*

The following standards, amendments and interpretations to published standards are mandatory for accounting periods beginning on or after 1 January 2007 but they are not relevant to the Group's operations:

- HKFRS 4, "Insurance contracts";
- HK(IFRIC) – Int 7, "Applying the restatement approach under HKAS 29, Financial reporting in hyper-inflationary economics"; and
- HK(IFRIC) – Int 9, "Re-assessment of embedded derivatives".

Notes to the Financial Statements

For the year ended 31 December 2007

2. BASIS OF PREPARATION AND MATERIAL UNCERTAINTIES IN RESPECT OF GOING CONCERN (Continued)

(a) Basis of preparation (Continued)

(iii) *Standards, amendments and interpretations to existing standards that are not yet effective and have not been early adopted by the Group*

The following standards, amendments and interpretations to existing standards have been published and are mandatory for accounting periods beginning on or after 1 January 2008 or later periods, but the Group has not early adopted them:

- HKAS 1 (Revised), "Presentation of financial statements" (effective from 1 January 2009). HKAS 1 (Revised) requires all owner changes in equity to be presented in a statement of changes in equity. All comprehensive income is presented in one statement of comprehensive income or in two statements (a separate income statement and a statement of comprehensive income). It requires presenting a statement of financial position as at the beginning of the earliest comparative period in a complete set of financial statements when there are retrospective adjustments or reclassification adjustments. However, it does not change the recognition, measurement or disclosure of specific transactions and other events required by other HKFRSs. The Group will apply HKAS 1 (Revised) from 1 January 2009.

- HKAS 23 (Revised), "Borrowing costs" (effective from 1 January 2009). The amendment requires an entity to capitalise borrowing costs directly attributable to the acquisition, construction or production of a qualifying asset (one that takes a substantial period of time to get ready for use or sale) as part of the cost of that asset. The option of immediately expensing those borrowing costs will be removed. The Group will apply HKAS 23 (Revised) from 1 January 2009 but is currently not applicable to the Group as there are no qualifying assets.

- HKFRS 8, "Operating segments" (effective from 1 January 2009). HKFRS 8 replaces HKAS 14 and requires a "management approach", under which segment information is presented on the same basis as that used for internal reporting purposes. The Group will apply HKFRS 8 from 1 January 2009. The expected impact is still being assessed by management, but it appears that the number of reportable segments, as well as the manner in which the segments are reported, will likely be changed in a manner that is consistent with the internal reporting provided to the chief operating decision-maker. As goodwill is allocated to groups of cash generating units based on segment level, the change will also require management to reallocate goodwill to the newly identified operating segments.

Notes to the Financial Statements

For the year ended 31 December 2007

2. BASIS OF PREPARATION AND MATERIAL UNCERTAINTIES IN RESPECT OF GOING CONCERN (Continued)

(a) Basis of preparation (Continued)

(iii) *Standards, amendments and interpretations to existing standards that are not yet effective and have not been early adopted by the Group* (Continued)

- HK(IFRIC) – Int 14 "HKAS 19 – The limit on a defined benefit asset, minimum funding requirements and their interaction" (effective from 1 January 2008). HK(IFRIC) – Int 14 provides guidance on assessing the limit in HKAS 19 on the amount of the surplus that can be recognised as an asset. It also explains how the pension asset or liability may be affected by a statutory or contractual minimum funding requirement. The Group will apply HK(IFRIC) – Int 14 from 1 January 2008, but it is not expected to have any impact on the Group's financial statements.

(iv) *Interpretations to existing standards that are not yet effective and not relevant for the Group's operations*

The following interpretations to existing standards have been published and are mandatory for accounting periods beginning on or after 1 January 2008 or later periods but are not relevant for the Group's operations:

- HK(IFRIC) – Int 11, "HKFRS 2 – Group and treasury share transactions", effective for accounting periods beginning on or after 1 March 2007. HK(IFRIC) – Int 11 provides guidance on whether share-based transactions involving treasury shares or involving group entities (for example, options over a parent's shares) should be accounted for as equity-settled or cash-settled share-based payment transactions in the stand-alone accounts of the parent and group companies. This interpretation does not have an impact on the Group's financial statements. It is not relevant for the Group's operations because none of the Group's companies have such transactions.

- HK(IFRIC) – Int 12, "Service concession arrangements" (effective from 1 January 2008). HK(IFRIC) – Int 12 applies to contractual arrangements whereby a private sector operator participates in the development, financing, operation and maintenance of infrastructure for public sector services. HK(IFRIC) – Int 12 is not relevant for the Group's operations because none of the Group's entities provides public sector services.

Notes to the Financial Statements

For the year ended 31 December 2007

2. BASIS OF PREPARATION AND MATERIAL UNCERTAINTIES IN RESPECT OF GOING CONCERN (Continued)

(a) Basis of preparation (Continued)

(iv) Interpretations to existing standards that are not yet effective and not relevant for the Group's operations (Continued)

- HK(IFRIC) – Int 13, "Customer loyalty programmes" (effective from 1 July 2008). HK(IFRIC) – Int 13 clarifies that where goods or services are sold together with a customer loyalty incentive (for example, loyalty points or free products), the arrangement is a multiple-element arrangement and the consideration receivable from the customer is allocated between the components of the arrangement using fair values. HK(IFRIC) – Int 13 is not relevant for the Group's operations because none of the Group's companies operate any loyalty programmes.

(b) Material uncertainties in respect of going concern

The Group sustained a loss attributable to equity holders of the Company of HK$2,873,000 (2006: HK$138,911,000) for the year ended 31 December 2007. At 31 December 2007, the Group had net current liabilities and net liabilities of HK$43,084,000 (2006: HK$126,467,000) and HK$41,947,000 (2006: HK$31,326,000) respectively.

In view of the liquidity problems faced by the Group, the directors have adopted the following measures with the view to improve the Group's overall financial and cash flow position and to maintain the Group's existence as a going concern:

(i) the directors have been and will continue to seek financial support from its substantial shareholder to provide adequate funds for the Group to meet its financial obligations as they fall due, both present and future;

(ii) the Group successfully implemented new business strategies which included the termination of unprofitable business (i.e. nurturing, trading and selling of tree seedlings and seeds) and disposal of certain off-strategy subsidiaries to generate additional cash flows for the Group's operations. The Group's net loss decreased from HK$138,911,000 in 2006 to HK$2,873,000 in 2007;

(iii) the Group has been taking active steps to work on a valid resumption proposal, involving open offer, placing of shares, acquisition of Hong Kong assets and capital reorganisation, which would enable the Group to derive sufficient operating cash flow in 2008; and

Notes to the Financial Statements

For the year ended 31 December 2007

2. BASIS OF PREPARATION AND MATERIAL UNCERTAINTIES IN RESPECT OF GOING CONCERN (Continued)

(b) Material uncertainties in respect of going concern (Continued)

(iv) the directors are planning to adopt various cost control measures to reduce various general and administrative and other operating expenses.

In the opinion of the directors, when the above-mentioned measures are successfully implemented, the Group will have sufficient cash resources to satisfy its future working capital and other financing requirements. Accordingly, the directors are of the view that it is appropriate to prepare the financial statements on a going concern basis.

Should the Group be unable to implement the above measures and fail to continue in business as a going concern, adjustments would have to be made to restate the values of the assets to their immediate recoverable amounts, to provide for any further liabilities which might arise, and to reclassify non-current assets and liabilities as current assets and liabilities, respectively. The effects of these adjustments have not been reflected in the financial statements.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies applied in the preparation of these consolidated financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

Consolidation

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

(a) Subsidiaries

Subsidiaries are all entities (including special purposes 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.

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.

Notes to the Financial Statements

For the year ended 31 December 2007

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Consolidation (Continued)

(a) *Subsidiaries* (Continued)

The purchase method of 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 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.

Inter-company transactions, balances and unrealised gains on transactions between group companies are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

In the Company's balance sheet, the investments in subsidiaries are stated at cost less provision for impairment losses. The results of subsidiaries are accounted for by the Company on the basis of dividends received and receivable.

(b) *Transactions and minority interests*

Minority interests represent the interests of outside shareholders in the operating results and net assets of subsidiaries.

The Group applies a policy of treating transactions with minority interests as transactions with parties external to the Group. Disposals to minority interests that result in gains and losses for the Group are recorded in the consolidated income statement.

Segment reporting

A business segment is a group of assets and operations engaged in providing products or services that are subject to risks and returns that are different from those of other business segments. A geographical segment is engaged in providing products or services within a particular economic environment that are subject to risks and returns that are different from those of segments operating in other economic environments.

Notes to the Financial Statements

For the year ended 31 December 2007

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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:

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

— 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

— 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 operations, and of borrowings and other currency instruments designated as hedges of such investments, are taken to shareholders' equity. When a foreign operation is partially disposed of or sold, exchange differences that are recorded in equity 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 are translated at the closing rate.

Notes to the Financial Statements

For the year ended 31 December 2007

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Property, plant and equipment

Property, plant and equipment is stated at historical cost less depreciation. Historical 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. The carrying amount of the replaced part is derecognised. All other repairs and maintenance are charged in the income statement during the financial period in which they are incurred.

Depreciation on property, plant and equipment is calculated using the straight-line method to allocate their cost to their residual values 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.

Gains or losses on disposal are determined by comparing the proceeds with the carrying amount, and are recognised in the income statement.

Intangible assets

(a) *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 subsidiary acquired at the date of acquisition. Goodwill on acquisitions of subsidiaries is included in intangible assets. Separately recognised goodwill is tested annually for impairment and carried at cost less accumulated impairment losses. Impairment losses on goodwill are 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. The allocation is made to those cash-generating units or groups of cash-generating units that are expected to benefit from the business combination in which the goodwill arose.

Notes to the Financial Statements

For the year ended 31 December 2007

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Intangible assets (Continued)

(b) *Production right*

Production right is amortised on a 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.

(c) *Computer software development costs*

Costs associated with developing or maintaining computer software programmes are recognised as expenses as incurred. Costs that are directly associated with the development 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.

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 over their estimated useful lives, not exceeding a period of 5 years.

(d) *Motor vehicle registration licence*

Motor vehicle registration licence can be used indefinitely with no expiry date, no amortisation was provided accordingly. Instead it will be tested for impairment annually and whenever there is an indication that it may be impaired.

Impairment of investments in subsidiaries and non-financial assets

Assets that have an indefinite useful life or are not yet available for use are not subject to amortisation and are tested annually for impairment. Assets that are subject to amortisation 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). Non-financial assets other than goodwill that suffered an impairment are reviewed for possible reversal of the impairment at each reporting date.

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, costs incurred and expected yield.

Notes to the Financial Statements

For the year ended 31 December 2007

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial assets

Financial assets of the Group are loans and receivables. The classification depends on the purposes for which the financial assets were acquired. Management determines the classification of its financial assets at initial recognition.

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for maturities greater than 12 months after the balance sheet date, then they are classified as non-current assets. Loans and receivables are classified as trade and other receivables in the balance sheet.

Loans and receivables are carried at amortised cost using the effective interest method. The Group assesses at each balance sheet date whether there is objective evidence that a financial asset or a group of financial assets is impaired.

Inventories

Inventories, other than agricultural produces which are 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 raw materials, direct labour, other direct costs and related production overheads. Net realisable value is the estimated selling prices in the ordinary course of business, less applicable selling expenses.

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 the 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 indicators 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 original effective interest rate. The carrying amount of the asset is reduced through the use of an allowance account, and the amount of the loss is recognised in the income statement. When a trade receivable is uncollectible, it is written off against the allowance account for trade receivables. Subsequent recoveries of amounts previously written off are credited to the income statement.

Cash and cash equivalents

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

Notes to the Financial Statements

For the year ended 31 December 2007

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

Trade payables

Trade payables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

Borrowings

Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently stated at amortised cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognised 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.

Current and deferred income tax

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the balance sheet date in the countries where the Group's entities operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation and established provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

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 is not accounted for if it 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. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantively enacted by the balance sheet date and are expected to apply when the related deferred income tax asset is realised 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 utilized.

Deferred income tax is provided on temporary differences arising on investments in subsidiaries, 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.

Notes to the Financial Statements

For the year ended 31 December 2007

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 operate 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 are recognised when they accrue to employees. A provision is made for the estimated liability for annual 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 Group 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.

Notes to the Financial Statements

For the year ended 31 December 2007

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Employee benefits (Continued)

(d) Share-based compensation

The Group operates an equity-settled, share-based compensation plan. The fair value of the employee's 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 vest. At each balance sheet date, the entity revises its estimates of the number of options that are expected to vest. It recognises the impact of the revision of original estimates, if any, in the income statement, with a corresponding adjustment to equity.

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

Provisions

Provisions are recognised when the Group has a present legal or constructive obligation as a result of past events, it is probable 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.

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to passage of time is recognised as interest expense.

Revenue recognition

Revenue comprises the fair value of the consideration received or receivable for the sale of goods and services in the ordinary course of the Group's activities. Revenue is shown net of value-added tax, returns, rebates and discounts.

The Group recognises revenue when the amount of revenue can be reliably measured, it is probable that future economic benefits will flow to the entity and specific criteria have been met for each of the Group's activities as described below:

(i) 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;

Notes to the Financial Statements

For the year ended 31 December 2007

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Revenue recognition (Continued)

(ii) lease income is recognised over the term of the lease on a straight-line basis; and

(iii) interest income, on a time proportion basis using the effective interest method.

Leases

Leases in which a significant portion of the risks and rewards of ownership are retained by lessors are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are charged to the income statement on a straight-line basis over the period of the lease.

When assets are leased out under an operating lease, the asset is included in the balance sheet based on the nature of the asset.

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.

Notes to the Financial Statements

For the year ended 31 December 2007

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Related parties

For the purposes of these financial statements, a party is considered to be related to the Group if:

(i) the party has the ability, directly or indirectly through one or more intermediaries, to control the Group or exercise significant influence over the Group in making financial and operating policy decisions, or has joint control over the Group;

(ii) the Group and the party are subject to common control;

(iii) the party is a subsidiary, an associate of the Group or a joint venture in which the Group is a venturer;

(iv) the party is a member of key management personnel of the Group or the Group's parent, or a close family member of such an individual, or is an entity under the control, joint control or significant influence of such individuals;

(v) the party is a close family member of a party referred to in (i) or is an entity under the control, joint control or significant influence of such individuals; or

(vi) the party is a post-employment benefit plan which is for the benefit of employees of the Group or of any entity that is a related party of the Group.

Close family members of an individual are those family members who may be expected to influence, or be influenced by, that individual in their dealings with the entity.

Discontinued operations

A discontinued operation is a component of the Group's business, the operations and cash flows of which can be clearly distinguished from the rest of the Group and which represents a separate major line of business or geographical area of operations, or is part of a single co-ordinated plan to dispose of a separate major line of business or geographical area of operations, or is a subsidiary acquired exclusively with a view to resale.

Classification as a discontinued operation occurs upon disposal or when the operation meets the criteria to be classified as held for sale, if earlier. It also occurs when the operation is abandoned.

Notes to the Financial Statements

For the year ended 31 December 2007

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Discontinued operations (Continued)

Where an operation is classified as discontinued, a single amount is presented on the face of the income statement, which comprises:

— the post-tax profit or loss of the discontinued operation; and

— the post-tax gain or loss recognised on the measurement to fair value less costs to sell, or on the disposal, of the assets or disposal group(s) constituting the discontinued operation.

4. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group's major financial instruments include trade and other receivables, cash and cash equivalents, trade and other payables and borrowings. Details of the financial instruments are disclosed in the respective notes. The risks associated with these financial instruments include credit risk, liquidity risk, interest rate risk and foreign exchange risk. The policies on how to mitigate these risks are set out below. The management manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.

(a) Credit risk

(i) As at 31 December 2007, the maximum exposure to credit risk is represented by the carrying amount of each financial asset in the consolidated balance sheet after deducting any impairment allowance.

(ii) In respect of trade and other receivables, in order to minimize risk, the management has a credit policy in place and the exposures to these credit risks are monitored on an ongoing basis. Credit evaluations of its customers' financial position and conditions are performed on each and every major customer periodically. These evaluations focus on the customer's past history of making payments when due and current ability to pay, and take into account information specific to the customer as well as pertaining to the economic environment in which the customer operates. The Group does not require collateral in respect of its financial assets. Debts are usually due within 90 to 180 days from the date of billing.

(iii) At the balance sheet date, the Group has a certain concentration of credit risk as approximately 58% (2006: Nil) and Nil (2006: 67%) of the total trade and other receivables was due from the landlord for the rental deposit and a loan receivable from a third party respectively. No analysis of the age of financial assets is disclosed as none of the balances is past due nor impaired as at the balance sheet dates.

(iv) The credit risk on liquid funds is limited because the counterparties are banks with high credit ratings assigned by international credit-rating agencies.

Notes to the Financial Statements

For the year ended 31 December 2007

4. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

(b) Liquidity risk

Liquidity risk is the risk that the Group will not be able to meet its financial obligations as they fall due. The Group's policy is to regularly monitor current and expected liquidity requirements and its compliance with lending covenants, to ensure that it maintains sufficient reserves of cash and adequate committed lines of funding from banks to meet its liquidity requirements in the short and longer term.

The following table details the remaining contractual maturity at the balance sheet date of the Group's and the Company's non-derivative financial liabilities, which are based on the contractual undiscounted cash flows and the earliest date the Group can be required to pay.

Liquidity risk tables

	2007				2006			
	Carrying amount HK$'000	**Total contractual undiscounted cash flow HK$'000**	**Within 1 year or on demand HK$'000**	**More than 1 year but less than 2 years HK$'000**	Carrying amount HK$'000	Total contractual undiscounted cash flow HK$'000	Within 1 year or on demand HK$'000	More than 1 year but less than 2 years HK$'000
The Group								
Trade and other payables	**58,450**	**58,450**	**58,450**	**—**	39,173	39,173	39,173	—
Bank borrowing	**249**	**249**	**249**	**—**	747	768	498	270
Other borrowing	**86**	**86**	**86**	**—**	86	86	86	—
	58,785	**58,785**	**58,785**	**—**	40,006	40,027	39,757	270
The Company								
Other payables	**58,428**	**58,428**	**58,428**	**—**	32,016	32,016	32,016	—
Bank borrowing	**249**	**249**	**249**	**—**	747	768	498	270
Other borrowing	**86**	**86**	**86**	**—**	86	86	86	—
	58,763	**58,763**	**58,763**	**—**	32,849	32,870	32,600	270

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For the year ended 31 December 2007

4. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

(c) Interest rate risk

Interest rate risk is the risk the value of a financial instrument will fluctuate because of changes in market interest rates. Cash flow interest rate risk is the risk that the future cash flows of a financial instrument will fluctuate because of changes in market interest rates.

As the Group has no interest-bearing liabilities, the Group's expenses and financing cash flows are independent of changes in market interest rates.

The Group is exposed to interest rate risk as its bank deposits are all interest-bearing. All bank deposits are short-term deposits with maturities less than or equal to three months. Management does not anticipate any significant impact resulting from the change in interest rates because the Group's bank balances are carried at low interest rates and the interest income thereon is not significant.

(d) Foreign exchange risk

The Group has certain investments in foreign operations, whose net assets are exposed to foreign currency translation risk. Presently, there is no hedging policy with respect to the Group's foreign exchange exposure. The Group's transactional currency is mainly RMB as substantially most of the turnover are in RMB. The Group's transactions foreign exchange exposure was insignificant.

(i) Exposure to currency risk

The following table details the Group's exposure at the balance sheet date to currency risk arising from recognised assets or liabilities denominated in a currency other than the functional currency of the entity to which they relate.

	The Group	
	2007	2006
	HK$'000	HK$'000
Trade and other receivables	**—**	8,020
Cash and cash equivalents	**8,524**	1,747
Trade and other payables	**(10)**	(1,805)
Overall net exposure	**8,514**	7,962

(ii) Sensitivity analysis

During the year ended 31 December 2007, if RMB has strengthened/weakened by 5% against the HK$, with all other variable held constant, equity would have been approximately HK$426,000 (2006: HK$398,000), higher and lower and loss for the year would have been approximately HK$283,000 (2006: HK$6,635,000), higher and lower.

Notes to the Financial Statements

For the year ended 31 December 2007

4. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

(e) Fair value estimation

The fair values of cash and cash equivalents, bank deposits, debtors, other receivables, trade and other payables are not materially different from their carrying amounts because of the immediate or short term maturity of these financial instruments. The carrying amounts of bank and other borrowing approximate their fair values.

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) Going concern and liquidity

The Group has consolidated net liabilities of approximately HK$41,947,000 at 31 December 2007 and loss of approximately HK$2,873,000 for the year then ended indicating the existence of a material uncertainty which may cast significant doubt about the Group's ability to continue as a going concern. The directors are taking measures to improve the liquidity position of the Group and details are set out in note 2(b). The consolidated financial statements have been prepared on a going concern basis. Should the measures fail to improve the liquidity position of the Group and the Group is unable to continue in business as a going concern, adjustments would have to be made to reduce the carrying amounts of the assets of the Group to their recoverable amount and to provide for further liabilities which might arise.

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For the year ended 31 December 2007

5. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS (Continued)

(b) Useful lives and residual values of property, plant and equipment

The Group estimates the useful lives and residual values of its property, plant and equipment based on the period over which the assets are expected to be available for use. The estimated useful lives and residual values of the property, plant and equipment are reviewed annually and updated if expectations differ from previous estimates due to physical wear and tear, technical or commercial obsolescence and legal or other limits on the use of the assets. In addition, the Group's estimation of the useful lives and residual values of its property, plant and equipment is based on its collective assessment of industry practice, internal technical evaluation and experience with similar assets. It is possible, however, that future results of operations could be materially affected by changes in those estimates brought about by changes in factors mentioned above. The amounts and timing of recorded expenses for any period would be affected by changes in these factors and circumstances. A reduction in the estimated useful lives and residual value of the Group's property, plant and equipment would increase its recorded depreciation expenses and decrease its non-current assets.

(c) Impairment losses for bad and doubtful accounts

The policy for impairment losses for bad and doubtful debts of the Group is based on the evaluation of collectibility and ageing analysis of receivable accounts on management's judgement. A considerable amount of judgement is required in assessing the ultimate realisation of these receivables, including the current creditworthiness and the past collection history of each customer. If the financial conditions of customers of the Group were to deteriorate thus resulting in an impairment of their ability to make payments, additional allowances for impairment losses may be required.

(d) Impairment of goodwill

The Group determines whether goodwill is impaired at least on an annual basis. This requires an estimation of the value in use of the cash-generating units to which the goodwill is allocated. Estimating the value in use requires the Group to make an estimate of the expected future cash flows from the cash-generating unit and also to choose a suitable discount rate in order to calculate the present value of these cash flows. The carrying amount of goodwill at 31 December 2007 was HK$Nil (2006: HK$258,000). More details are given in note 19.

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For the year ended 31 December 2007

5. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS (Continued)

(e) Fair value of biological assets

The Group's management determines the fair value of trees and tree seedlings with reference to the market-determined prices, cultivation area, species, size and age, growing conditions, costs incurred and expected yield. Should these assumptions be changed, there would be changes to the carrying amount of the biological assets.

6. TURNOVER

Turnover represents revenue arising on sales of tree seedlings and seeds, and rental income for the year. An analysis of the Group's revenue for the year, for both continuing and discontinued operations, is as follow:

	2007 **HK$'000**	2006 HK$'000 (Restated)
Continuing operations		
Rental income from exhibition centre	**1,486**	—
Discontinued operations		
Sales of tree seedlings and seeds (note 11)	**390**	1,705
	1,876	1,705

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For the year ended 31 December 2007

7. BUSINESS AND GEOGRAPHICAL SEGMENTS

Business segments

The Group comprises the following main business segments:

(a) Exhibition : Management of exhibition and event centre.

(b) Tree seedlings and seeds: Nurturing, selling and trading of tree seedlings and seeds.

Further details of the discontinued operation under the segment of nurturing, selling and trading of tree seedlings and seeds are set out in note 11 to the financial statements.

There were no inter-segment sales and transfer during the current and prior years.

An analysis of the Group's turnover, contribution to profit/(loss) from operations for the years ended 31 December 2007 and 2006 and certain assets, liabilities and expenditure information regarding business segments is as follow:

	Continuing operations		Discontinued operations			
	Exhibition		Tree seedlings and seeds		Consolidated	
	2007 HK$'000	2006 HK$'000	**2007 HK$'000**	2006 HK$'000	**2007 HK$'000**	2006 HK$'000
Turnover	**1,486**	—	**390**	1,705	**1,876**	1,705
Segment result	**(64)**	(52)	**(5,345)**	(132,636)	**(5,409)**	(132,688)
Unallocated operating income					**1,668**	9,279
Unallocated operating expenses					**(19,873)**	(15,348)
Operating loss					**(23,614)**	(138,757)
Finance costs					**—**	(154)
Gain on disposal of subsidiaries						
– segment	**—**	—	**16,312**	—	**16,312**	—
– unallocated					**4,429**	—
Loss before income tax					**(2,873)**	(138,911)
Income tax expenses					**—**	—
Loss for the year					**(2,873)**	(138,911)

Notes to the Financial Statements

For the year ended 31 December 2007

7. BUSINESS AND GEOGRAPHICAL SEGMENTS (Continued)

Business segments (Continued)

	Continuing operations		Discontinued operations			
	Exhibition		Tree seedlings and seeds		Consolidated	
	2007 HK$'000	2006 HK$'000	**2007 HK$'000**	2006 HK$'000	**2007 HK$'000**	2006 HK$'000
Depreciation and amortisation						
— segment	—	—	(2,695)	(2,565)	(2,695)	(2,565)
— unallocated					(349)	(95)
Impairment loss on other receivables						
— segment	—	—	—	(28,529)	—	(28,529)
— unallocated					—	(78)
Impairment loss on intangible assets						
— segment	—	—	—	—	—	—
— unallocated					(708)	—
Provisions						
— segment	—	—	—	(98,314)	—	(98,314)
— unallocated					—	(4,083)
Loss arising from changes in fair value less estimated point-of-sale costs of biological assets	—	—	2,056	3,912	2,056	3,912
Segment assets	8,531	8,005	—	99,321	8,531	107,326
Unallocated assets					8,307	4,732
Total assets					16,838	112,058
Segment liabilities	—	—	—	101,961	—	101,961
Unallocated liabilities					58,785	41,423
Total liabilities					58,785	143,384
Capital expenditure incurred during the year						
— segment	—	—	—	4	—	4
— unallocated					1,329	45
Total					1,329	49

Notes to the Financial Statements

For the year ended 31 December 2007

7. BUSINESS AND GEOGRAPHICAL SEGMENTS (Continued)

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.

8. OTHER INCOME AND GAINS

	2007 **HK$'000**	2006 HK$'000
Interest income	**268**	22
Reversal of provision for legal claim (note 26)	**1,543**	—
Debts waived by creditors	**—**	9,253
Others	**151**	117
	1,962	9,392
Representing:		
Continuing operations	**1,815**	9,300
Discontinued operations (note 11)	**147**	92
	1,962	9,392

Notes to the Financial Statements

For the year ended 31 December 2007

9. LOSS BEFORE INCOME TAX

Loss before income tax is arrived at after charging/(crediting):

(a) Finance costs

	2007 HK$'000	2006 HK$'000
Interest expenses on		
— bank borrowing	—	135
— other borrowing wholly repayable within five years	—	19
	—	154
Representing:		
Continuing operations	—	142
Discontinued operations (note 11)	—	12
	—	154

(b) Staff costs (including directors' emoluments)

	2007 HK$'000	2006 HK$'000
Salaries, wages and allowance	**4,086**	3,090
Retirement benefits scheme contribution	**74**	36
	4,160	3,126
Representing:		
Continuing operations	**4,090**	3,072
Discontinued operations (note 11)	**70**	54
	4,160	3,126

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For the year ended 31 December 2007

9. LOSS BEFORE INCOME TAX (Continued)

(c) Other items

	2007 HK$'000	2006 HK$'000
Continuing operations:		
Auditor's remuneration		
— audit services	**465**	530
— other services	**4,552**	—
Depreciation	**349**	95
Minimum lease payments under an operating lease in respect of land and buildings	**1,165**	668
Exchange loss, net	**272**	—
Impairment loss on other receivables	**—**	78
Impairment loss on intangible assets	**708**	—
Legal and professional fees	**5,379**	4,104
Provisions	**—**	4,083
Gain on disposal of subsidiaries	**(4,429)**	—
Discontinued operations: (note 11)		
Amortisation of leasehold land and land use rights	**2,695**	2,565
Loss arising from changes in fair value less estimated point-of-sale costs of biological assets	**2,056**	3,912
Exchange loss, net	**—**	1
Impairment loss on other receivables	**—**	28,529
Legal and professional fees	**131**	279
Provisions	**—**	98,314
Gain on disposal of subsidiaries	**(16,312)**	—

10. INCOME TAX

No provision for Hong Kong profits tax has been made as the Group did not generate any assessable profits arising in Hong Kong during the year (2006: 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.

Notes to the Financial Statements

For the year ended 31 December 2007

10. INCOME TAX (Continued)

A reconciliation between tax expense and accounting loss at applicable tax rates is as follow:

Group

	2007 HK$'000	2006 HK$'000
Loss from continuing and discontinued operations before income tax	**(2,873)**	(138,911)
Tax credit at the applicable tax rate	**(1,381)**	(44,876)
Tax exemption	**1,869**	43,788
Income not subject to tax	**(3,780)**	(1,624)
Expenses not deductible for tax	**701**	963
Tax losses not recognised	**2,591**	1,754
Others	**—**	(5)
Income tax	**—**	—

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

On 16 March 2007, the People's Republic of China promulgated the Law of the People's Republic of China on Enterprise Income Tax (the "New Law") by Order No. 63 of the President of the People's Republic of China. On 6 December 2007, the State Council of the PRC issued Implementation Regulations of the New Law. The New Law and Implementation Regulations will change the tax rate from 33% to 25% for a subsidiary from 1 January 2008. The deferred tax balance has been adjusted to reflect the tax rates that are expected to apply to the respective periods when the asset is realised or the liability is settled.

11. DISCONTINUED OPERATIONS

Pursuant to the resolution passed by the independent shareholders at the special general meeting on 27 December 2007, the Company disposed of its entire equity interest in North Asia Forest Development Limited ("North Asia") and the amount due to the Company from North Asia and Zhangjiakou Xing Fa Development Company Limited ("Zhangjiakou Xing Fa") (formerly known as "Hebei Bashang Nursery Company Limited") at a total consideration of HK$3 to an independent third party. North Asia was an investment holding company and its principal asset is a 70% equity interest in Zhangjiakou Xing Fa. Zhangjiakou Xing Fa was principally engaged in nurturing, selling and trading of tree seedlings and seeds.

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For the year ended 31 December 2007

11. DISCONTINUED OPERATIONS (Continued)

The gain/(loss) from the discontinued operations is analysed as follows:

	From 1 January 2007 to 27 December 2007 HK$'000	For the year ended 31 December 2006 HK$'000
Loss from operation of North Asia	**(5,345)**	(132,636)
Gain on disposal of North Asia (note 33(b))	**16,312**	—
	10,967	(132,636)

The results of North Asia for the period from 1 January 2006 to 27 December 2007 are as follows:

	From 1 January 2007 to 27 December 2007 HK$'000	For the year ended 31 December 2006 HK$'000
Turnover	**390**	1,705
Other income and gains	**147**	92
Raw materials and consumables used	**(193)**	(527)
Staff costs	**(70)**	(54)
Amortisation of leasehold land and land use rights	**(2,695)**	(2,565)
Loss arising from changes in fair value less estimated point-of-sale costs of biological assets	**(2,056)**	(3,912)
Impairment loss on other receivables	**—**	(28,529)
Provisions	**—**	(98,314)
Other operating expenses	**(868)**	(520)
Operating loss	**(5,345)**	(132,624)
Finance costs	**—**	(12)
Loss before income tax	**(5,345)**	(132,636)
Income tax expenses	**—**	—
Loss for the period/year	**(5,345)**	(132,636)

During the year, North Asia utilised the Group's net operating cash flows by HK$983,000 (2006: contributed HK$32,007,000) and contributed HK$1,000 (2006: paid HK$1,000) in respect of investing activities.

No tax charge arose on the disposal of North Asia.

The carrying amounts of the assets and liabilities of North Asia at the date of disposal have been disclosed in note 33(b).

Notes to the Financial Statements

For the year ended 31 December 2007

12. LOSS ATTRIBUTABLE TO EQUITY HOLDERS OF THE COMPANY

The consolidated loss attributable to equity shareholders of the Company includes a loss of HK$17,369,000 (2006: HK$6,711,000) which has been dealt with in the financial statements of the Company (note 30).

13. EARNINGS/(LOSS) PER SHARE

(a) Basic

(i) From continuing and discontinued operations

The calculation of basic loss per share is based on the loss attributable to ordinary equity shareholders of the Company of HK$2,873,000 (2006: HK$138,911,000) and the weighted average number of 2,532,543,083 (2006: 2,532,543,083) ordinary shares in issue during the year.

(ii) From continuing operations

The calculation of basic loss per share is based on the loss attributable to ordinary equity shareholders of the Company of HK$13,840,000 (2006: HK$6,275,000) and the weighted average number of 2,532,543,083 (2006: 2,532,543,083) ordinary shares in issue during the year.

(iii) From discontinued operations

The calculation of basic loss per share is based on the profit attributable to ordinary equity shareholders of the Company of HK$10,967,000 (2006: loss of HK$132,636,000) and the weighted average number of 2,532,543,083 (2006: 2,532,543,083) ordinary shares in issue during the year.

(b) Diluted

Diluted loss per share amount for the current and prior years have not been disclosed as there were no dilutive potential shares in issue during both years.

14. 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$74,000 (2006: HK$36,000). No contributions were payable to the retirement benefit schemes as at 31 December 2007 and 2006 that 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 2007 and 2006.

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15. DIRECTORS' REMUNERATION AND INDIVIDUALS WITH HIGHEST EMOLUMENTS

(a) Directors' remuneration

Directors' remuneration disclosed pursuant to section 161 of the Hong Kong Companies Ordinance is as follows:

		Year ended 31 December 2007				
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
Executive directors						
Ding Jiangyong	(i)	**80**	**—**	**—**	**—**	**80**
Ji Kewei	(ii)	**—**	**1,788**	**—**	**12**	**1,800**
Zhou Wenjun	(ii)	**80**	**—**	**—**	**—**	**80**
Sun Kejun	(ii)	**192**	**—**	**—**	**9**	**201**
Dai Jun	(ii)	**192**	**—**	**—**	**9**	**201**
Independent non-executive directors						
So Hoi Pan	(ii)	**50**	**—**	**—**	**—**	**50**
Yim Hing Wah	(ii)	**50**	**—**	**—**	**—**	**50**
Zhao Wen	(ii)	**50**	**—**	**—**	**—**	**50**
		694	**1,788**	**—**	**30**	**2,512**

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For the year ended 31 December 2007

15. DIRECTORS' REMUNERATION AND INDIVIDUALS WITH HIGHEST EMOLUMENTS (Continued)

(a) Directors' remuneration (Continued)

		Year ended 31 December 2006				
Name of directors	Note	**Fees** HK$'000	**Salary and other allowances** HK$'000	**Bonuses** HK$'000	**Contribution to retirement benefits schemes** HK$'000	**Total** HK$'000
Executive directors						
Gong Zengli	(i)&(iii)	—	22	—	—	22
Jiang Guoan	(i)&(iii)	—	221	—	—	221
Cheng Chuange	(i)&(iii)	—	23	—	—	23
Zhao Ping	(i)&(iii)	—	23	—	—	23
Ding Jiangyong	(i)	—	80	—	—	80
Ji Kewei	(ii)	—	1,229	—	—	1,229
Zhou Wenjun	(ii)	58	—	—	—	58
Sun Kejun	(ii)	138	—	—	—	138
Dai Jun	(ii)	138	—	—	—	138
Independent non-executive directors						
Chen Bin	(i)&(iii)	—	14	—	—	14
Qin Li	(i)&(iii)	—	14	—	—	14
Lee Chunxiu	(i)&(iii)	—	14	—	—	14
So Hoi Pan	(ii)	36	—	—	—	36
Yim Hing Wah	(ii)	36	—	—	—	36
Zhao Wen	(ii)	36	—	—	—	36
		442	1,640	—	—	2,082

Notes:

(i) appointed during the year ended 31 December 2005.

(ii) appointed during the year ended 31 December 2006.

(iii) resigned during the year ended 31 December 2006.

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

As at the balance sheet dates, no share options were held by directors of the Company. The details of the share options are set out in note 29(b) to the financial statements.

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For the year ended 31 December 2007

15. DIRECTORS' REMUNERATION AND INDIVIDUALS WITH HIGHEST EMOLUMENTS (Continued)

(b) Individuals with highest emoluments

Of the five individuals with the highest emoluments in the Group, three (2006: two) were directors of the Company whose emoluments are included in the disclosures in note 15(a) above. The emoluments of the remaining two (2006: three) individuals were as follows:

	2007 **HK$'000**	2006 HK$'000
Salaries and other allowances	**1,075**	751
Bonuses	**—**	—
Contributions to retirement benefits schemes	**24**	23
	1,099	774

Their emoluments were all within HK$1,000,000.

During the year, no emoluments or incentive payments were paid to the directors and the five highest paid individuals as an inducement to join or upon joining the Group or as compensation for loss of office during the year.

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16. PROPERTY, PLANT AND EQUIPMENT

Group

	Buildings HK$'000	Leasehold improvements HK$'000	Plant, machinery and equipment HK$'000	Furniture and fixtures HK$'000	Motor vehicles HK$'000	Total HK$'000
Cost						
At 1 January 2006	880	—	3,053	292	178	4,403
Additions	—	33	16	—	—	49
Acquisition of subsidiary (note 33(a))	—	—	—	—	207	207
Write off	—	—	(36)	(262)	—	(298)
Exchange realignment	33	—	112	1	10	156
At 31 December 2006	913	33	3,145	31	395	4,517
At 1 January 2007	913	33	3,145	31	395	4,517
Additions	—	1,046	24	259	—	1,329
Disposal of subsidiaries attributable to discontinued operations (note 33(b))	(973)	—	(3,339)	(33)	(200)	(4,545)
Exchange realignment	60	—	206	2	12	280
At 31 December 2007	—	1,079	36	259	207	1,581
Accumulated depreciation and impairment						
At 1 January 2006	880	—	3,053	292	178	4,403
Provided during the year	—	16	2	—	77	95
Write off	—	—	(36)	(262)	—	(298)
Exchange realignment	33	—	112	1	10	156
At 31 December 2006	913	16	3,131	31	265	4,356
At 1 January 2007	913	16	3,131	31	265	4,356
Provided during the year	—	199	4	44	102	349
Disposal of subsidiaries attributable to discontinued operations (note 33(b))	(973)	—	(3,336)	(33)	(200)	(4,542)
Exchange realignment	60	—	207	2	12	281
At 31 December 2007	—	215	6	44	179	444
Net book value						
At 31 December 2007	—	864	30	215	28	1,137
At 31 December 2006	—	17	14	—	130	161

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16. 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 2006	—	36	262	298
Additions	33	12	—	45
Write off	—	(36)	(262)	(298)
At 31 December 2006 and 1 January 2007	33	12	—	45
Additions	1,046	24	259	1,329
At 31 December 2007	1,079	36	259	1,374
Accumulated depreciation and impairment				
At 1 January 2006	—	36	262	298
Provided during the year	16	2	—	18
Write off	—	(36)	(262)	(298)
At 31 December 2006 and 1 January 2007	16	2	—	18
Provided during the year	199	4	44	247
At 31 December 2007	215	6	44	265
Net book value				
At 31 December 2007	864	30	215	1,109
At 31 December 2006	17	10	—	27

Note:

The accumulated impairment losses of property, plant and equipment for the Group as at 31 December 2007 amounted to HK$58,000 (2006: HK$3,024,000).

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17. LEASEHOLD LAND AND LAND USE RIGHTS

Group

	2007	2006
	HK$'000	HK$'000
At 1 January	**65,207**	65,376
Exchange differences	**4,179**	2,396
Amortisation	**(2,695)**	(2,565)
Disposal of subsidiaries attributable to discontinued operations (note 33(b))	**(66,691)**	—
At 31 December	**—**	65,207
Non-current portion	**—**	62,642
Current portion	**—**	2,565
	—	65,207

Note:

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:

	2007	2006
	HK$'000	HK$'000
In PRC held on:		
Leases of over 50 years	—	39,026
Leases of between 10 to 50 years	—	26,181
	—	65,207

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For the year ended 31 December 2007

18. BIOLOGICAL ASSETS

Group

	2007	2006
	HK$'000	HK$'000
Balance as at year end	—	32,258

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

	2007	2006
	HK$'000	HK$'000
Non-current portion	—	31,879
Current portion	—	379
	—	32,258

(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 2006	87,800	34,572	4,770,778	792	35,364
Increase due to growth/ acquisitions	—	—	—	94	94
Changes in fair value less estimated point-of-sale costs	—	(3,912)	—	—	(3,912)
Effect of movements in foreign exchange	—	1,219	—	30	1,249
Decrease due to sales/ natural loss	(254)	—	(780,000)	(537)	(537)
At 31 December 2006	87,546	31,879	3,990,778	379	32,258
Non-current		31,879		—	31,879
Current		—		379	379
		31,879		379	32,258

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For the year ended 31 December 2007

18. 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 2007	87,546	31,879	3,990,778	379	32,258
Increase due to growth/ acquisitions	—	—	—	206	206
Changes in fair value less estimated point-of-sale costs	—	(2,056)	—	—	(2,056)
Effect of movements in foreign exchange	—	2,019	—	26	2,045
Decrease due to sales/ natural loss	—	—	(2,246,707)	(193)	(193)
Disposal of subsidiaries attributable to discontinued operations (note 33(b))	(87,546)	(31,842)	(1,744,071)	(418)	(32,260)
At 31 December 2007	—	—	—	—	—
Non-current		—		—	—
Current		—		—	—
		—		—	—

Notes to the Financial Statements

For the year ended 31 December 2007

18. BIOLOGICAL ASSETS (Continued)

(c) The biological assets as at 31 December 2006 were stated at fair value less estimated point-of-sale costs.

In accordance with the valuation report issued by an independent professional valuer, the fair value less estimated point-of-sale costs of the trees are determined by reference to the market-determined prices of biological assets with similar size, species and age.

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

The valuation methodology is in compliance with HKAS 41 to determine the fair value of biological assets in their present location and condition.

(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:

	2007	2006
	Number	Number
Trees	**—**	—
Tree seedlings	**2,246,707**	780,000

Notes to the Financial Statements

For the year ended 31 December 2007

19. INTANGIBLE ASSETS

Group

	Production right (note a) HK$'000	Goodwill (note b) HK$'000	Computer software development costs (note c) HK$'000	Others (note d) HK$'000	Total HK$'000
Cost					
As at 1 January 2006	28,500	45,436	1,302	—	75,238
Acquisition of subsidiary (note 33(a))	—	258	—	450	708
As at 31 December 2006	28,500	45,694	1,302	450	75,946
Write off	—	—	(1,302)	—	(1,302)
Disposal of subsidiaries attributable to discontinued operations (note 33(b))	—	(45,436)	—	—	(45,436)
Disposal of subsidiaries (note 33(c))	(28,500)	—	—	—	(28,500)
As at 31 December 2007	—	258	—	450	708
Accumulated amortisation and impairment					
As at 1 January 2006 and 31 December 2006	28,500	45,436	1,302	—	75,238
Impairment loss for the year	—	258	—	450	708
Write off	—	—	(1,302)	—	(1,302)
Disposal of subsidiaries attributable to discontinued operations (note 33(b))	—	(45,436)	—	—	(45,436)
Disposal of subsidiaries (note 33(c))	(28,500)	—	—	—	(28,500)
As at 31 December 2007	—	258	—	450	708
Net book value					
As at 31 December 2007	—	—	—	—	—
As at 31 December 2006	—	258	—	450	708

Notes to the Financial Statements

For the year ended 31 December 2007

19. INTANGIBLE ASSETS (Continued)

Company

	Computer software development costs (note c) HK$'000
Cost	
As at 1 January 2006 and 31 December 2006	1,302
Write off	(1,302)
As at 31 December 2007	—
Accumulated amortisation	
As at 1 January 2006 and 31 December 2006	1,302
Write off	(1,302)
As at 31 December 2007	—
Net book value	
As at 31 December 2007	—
As at 31 December 2006	—

Notes:

(a) The production right represented 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 had been made in respect of the production right based on its value in use in prior year.

During the year, pursuant to the completion of disposal of certain subsidiaries as mentioned in note 33(c), the ownership in respect of the production right was derecognised from the Group.

Notes to the Financial Statements

For the year ended 31 December 2007

19. INTANGIBLE ASSETS (Continued)

Notes: (Continued)

(b) The amount of the goodwill capitalised arose from the acquisitions of two subsidiaries, Kwok Hong Company Limited ("Kwok Hong") of HK$258,000 (note 33(a)) and Zhangjiakou Xing Fa of HK$45,436,000.

Zhangjiakou Xing Fa was engaged in nurturing, selling and trading of tree seedlings and seeds, the business of which formed the major business activities for the Group. In view of the material effect of the provision for loss on a cash deposit amounting to RMB134,389,000 (approximately HK$126,845,000) made (note 23) by Zhangjiakou Xing Fa, its ability to continue as a going concern was impaired. As a result, the directors decided that the goodwill arising from the acquisition of Zhangjiakou Xing Fa was wholly impaired.

Kwok Hong has not yet commenced business since its incorporation and its principal asset is a motor vehicle registration licence (note 19(d)). The recoverable amount of goodwill arose from the acquisition of Kwok Hong is determined based on value-in-use calculations. However, in view of the full impairment made on the motor vehicle registration licence and the net liability position of Kwok Hong, the directors decided that full impairment on goodwill arising from the acquisition of Kwok Hong is required.

The accumulated impairment losses of goodwill as at 31 December 2007 amounted to HK$258,000 (2006: HK$40,513,000).

(c) Computer software development costs represented the costs 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 estimated useful lives, not exceeding a period of 5 years.

(d) Other intangible asset represents a motor vehicle registration licence that can be used indefinitely with no expiry date. No amortisation was provided accordingly. The recoverable amount of the motor vehicle registration licence is determined based on the estimated market value. The balance was stated at the estimated market value determined by the directors of the Group as at 31 December 2006. However, the Board were advised by an independent professional valuer during the year that the motor vehicle registration licence is not transferable. As a result, the directors decided that full impairment as at 31 December 2007 is required.

Notes to the Financial Statements

For the year ended 31 December 2007

20. SUBSIDIARIES

Company

	2007 HK$'000	2006 HK$'000
Unlisted shares, at cost	**572**	159
Due from subsidiaries	**13,385**	318,419
Due to subsidiaries	**—**	(55)
	13,957	318,523
Less: Impairment losses	**—**	(310,523)
	13,957	8,000

Notes:

(a) The balances with subsidiaries are unsecured, interest-free and with no fixed terms of repayment. In the opinion of the directors, no demand for repayment will be made by the Company in the next twelve months. Accordingly, the amounts are shown as non-current.

In view of the poor financial performance of certain subsidiaries, the directors considered that it was appropriate to made full impairment for the investment costs and amounts due from certain subsidiaries.

(b) Particulars of the principal subsidiaries of the Company as at the balance sheet dates 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 Group 2007	2006	Principal activities
Directly held:						
Kwok Hong Company Limited	Hong Kong	Hong Kong	HK$2	**100**	100	Holding of a motor vehicle registration licence
Indirectly held:						
連雲港豪景實業有限公司#	Mainland China	Mainland China	HK$8,000,000	**100**	100	Management of exhibition and event centre
Zhangjiakou Xing Fa ^	Mainland China	Mainland China	US$1,829,000	**—**	70	Nurturing, selling and trading of tree seedlings and seeds

\# wholly foreign owned enterprise

^ Sino-foreign equity joint venture

Notes to the Financial Statements

For the year ended 31 December 2007

20. SUBSIDIARIES (Continued)

Notes: (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.

21. INVENTORIES

Group

	2007 **HK$'000**	2006 HK$'000
Raw materials	—	82
Representing:		
Continuing operations	—	—
Discontinued operations	—	82

Upon disposal of North Asia on 28 December 2007 as set out in note 33(b), the Group had no inventories as at 31 December 2007.

22. TRADE AND OTHER RECEIVABLES

	Group		**Company**	
	2007 **HK$'000**	2006 HK$'000	**2007** **HK$'000**	2006 HK$'000
Trade receivables (note a)	—	22,478	—	—
Less: allowance for doubtful debts (note b)	—	(22,478)	—	—
	—	—	—	—
Other receivables, deposit and prepayments (note c)	**1,204**	3,887	**1,204**	3,850
Loan receivable (note d)	—	7,983	—	—
	1,204	11,870	**1,204**	3,850

Notes to the Financial Statements

For the year ended 31 December 2007

22. TRADE AND OTHER RECEIVABLES (Continued)

Notes:

(a) The Group's trading terms with its customers were 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.

The ageing analysis of the trade receivables was as follows:

Group

	2007 **HK$'000**	2006 HK$'000
Over 365 days	**—**	22,478

Upon the disposal of North Asia on 28 December 2007 as set out in note 33(b), the Group had no trade receivables as at 31 December 2007.

(b) Impairment loss in respect of trade debtors are recorded using an allowance account unless the Group is satisfied that recovery of the amount is remote, in which case the impairment loss is written off against trade debtors directly.

Movement in the allowance for doubtful debts:

Group

	2007 **HK$'000**	2006 HK$'000
At 1 January	**22,478**	22,478
Disposal of subsidiaries attributable to discontinued operations	**(22,478)**	—
At 31 December	**—**	22,478

(c) The balance as at 31 December 2006 mainly included a security deposit of HK$3,300,000 placed at the High Court of the Hong Kong Special Administrative Region (the "High Court") in relation to the litigation as disclosed in note 26(a) to the financial statements. Upon full and final settlement of the legal claim, the remaining balance of the security deposit together with interest thereon had been repaid to the Company during the year.

(d) The loan was unsecured, bearing interest at 5.58% per annum and was repaid on 14 March 2007.

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

Notes to the Financial Statements

For the year ended 31 December 2007

23. CASH BALANCE AT PRC TRUST CO-OPERATIVE UNION

Group

	2007 **HK$'000**	2006 HK$'000
Balance as at year end	—	126,845
Less: Provision for loss in cash deposit	—	(126,845)
	—	—

The Group's cash balance at PRC Trust Co-operative Union 農村信用合作社 ("Union") as at 31 December 2006 represented the cash deposit in the Union by Zhangjiakou Xing Fa (the "Deposit"). The Deposit with the Union was mainly a refund of deposits for potential investments from 洛陽山嶺農林工程技術有限公司 on 10 June 2004.

During the prior year, the Board had been negotiating with the management of Zhangjiakou Xing Fa for obtaining a refund of the Deposit. As the negotiation failed, the Board considered that the recoverability of the Deposit is uncertain and resolved to make a full provision in 2005.

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

On 28 July 2005, the directors of the Company decided to report the case to the police in 尚義縣 (Shanyi County), PRC. In addition, the Independent Investigation Committee has resolved to report the matters to relevant regulatory authorities in Hong Kong. This matter was reported to the Stock Exchange and the Hong Kong Police Force on 29 July 2005 and 4 August 2005, respectively. Up to 28 December 2007, the completion date of the disposal of Zhangjiakou Xing Fa, the case was still under investigation by the respective authorities.

Upon the disposal of North Asia on 28 December 2007 as detailed in note 33(b), the Group had no cash balance with the Union as at 31 December 2007.

Notes to the Financial Statements

For the year ended 31 December 2007

24. CASH AND CASH EQUIVALENTS

	Group	
	2007	2006
	HK$'000	HK$'000
Deposits with bank	**5,010**	—
Cash at bank and on hand	**9,487**	1,772
Cash and cash equivalents in the consolidated balance sheet and the consolidated cash flow statement	**14,497**	1,772

Included in cash and cash equivalents in the consolidated balance sheet are the following amount denominated in a currency other than the functional currency of the Company:

	Group	
	2007	2006
	RMB'000	RMB'000
Renminbi	**7,966**	1,753

Notes to the Financial Statements

For the year ended 31 December 2007

25. TRADE AND OTHER PAYABLES

	Group		Company	
	2007	2006	**2007**	2006
	HK$'000	HK$'000	**HK$'000**	HK$'000
Trade payables	**—**	747	**—**	—
Other payables and accruals	**2,884**	8,637	**2,884**	3,145
Due to related companies (note 36(b))	**55,566**	29,789	**55,544**	28,871
	58,450	39,173	**58,428**	32,016

Notes:

(a) The following is an age analysis of trade payables as at the balance sheet date:

Group

	2007	2006
	HK$'000	HK$'000
Within 90 days	**—**	—
91 days to 180 days	**—**	—
181 days to 365 days	**—**	—
Over 365 days	**—**	747
	—	747

(b) Upon the disposal of North Asia on 28 December 2007 as set out in note 33(b), the Group had no trade payables as at 31 December 2007.

Notes to the Financial Statements

For the year ended 31 December 2007

26. PROVISIONS

Group

	Legal claim (Note a) HK$'000	Guarantees (Note b) HK$'000	Total HK$'000
At 1 January 2006	—	—	—
Charged to the income statement	3,223	99,174	102,397
Used during the year	—	(860)	(860)
Exchange difference	—	1,841	1,841
At 31 December 2006 and 1 January 2007	3,223	100,155	103,378
Credited to the income statement			
— Unused amounts reversed (note 8)	(1,543)	—	(1,543)
Used during the year	(1,680)	—	(1,680)
Exchange difference	—	6,554	6,554
Disposal of subsidiaries attributable to discontinued operations (note 33(b))	—	(106,709)	(106,709)
At 31 December 2007	—	—	—

Company

	Legal claim HK$'000	Guarantees HK$'000	Total HK$'000
At 1 January 2006	—	—	—
Charged to the income statement	3,223	860	4,083
Used during the year	—	(860)	(860)
At 31 December 2006 and 1 January 2007	3,223	—	3,223
Credited to the income statement			
— Unused amounts reversed	(1,543)	—	(1,543)
Used during the year	(1,680)	—	(1,680)
At 31 December 2007	—	—	—

Notes to the Financial Statements

For the year ended 31 December 2007

26. PROVISIONS (Continued)

Notes:

(a) Legal claim

The amount represented a provision for legal claim brought against the Company by a law firm in relation to the legal fees and disbursements of HK$3,223,190 for the provision of professional and legal services rendered to the Company in prior years. The provision was recognised in the income statement during the year ended 31 December 2006. In the directors' opinion, after taking appropriate legal advice, the outcome of the legal claim will not give rise to any significant loss beyond the amount provided at 31 December 2006. Further on 17 July 2007, by way of a consent order proposed by the law firm, the Company paid the law firm an amount of HK$1,680,000 out of the security deposit as mentioned in note 22(c) in full and final settlement of the claim.

(b) Guarantees

(i) Zhangjiakou Xing Fa, a former 70%-owned subsidiary of the Company had received a notice of arbitration from the arbitration office in Zhengzhou on 15 August 2006 about a guarantee provided to the China Agricultural Bank on 4 July 2005 in respect of bank loan granted to 河南省龍浩實業有限公司 ("河南龍浩"), a former related company of the Group. The China Agricultural Bank demanded repayment amounting to RMB73,005,000 (including principal of RMB63,100,000 and accrued interest up to the extent known by the Board of RMB9,905,000) (equivalent to a total of HK$71,392,000). At the hearing on 6 March 2007, the arbitration office ordered the verification of the authentication of certain evidence so as to determine whether it would have jurisdiction to hear the case. The Directors had looked into the matter and in particular, the circumstances under which the guarantee was being granted and sought advice as to the appropriate course of action to be taken. The loss under the guarantee had been fully provided for in 2006. In the directors' opinion, after taking appropriate legal advice, the outcome of this litigation would not give rise to any significant loss beyond the amounts provided at 31 December 2006. In addition, the Group reserved their rights to demand compensation from 河南龍浩 after bearing the loss under the guarantee, if any.

Notes to the Financial Statements

For the year ended 31 December 2007

26. PROVISIONS (Continued)

Notes: (Continued)

(b) Guarantees (Continued)

(ii) In March 2007, Zhangjiakou Xing Fa had received an execution notice from the People's Court of Luoyang High-Tech Development Zone (the "Court") in Mainland China about a guarantee provided to Luoyang City Commercial Bank on 15 June 2005 in respect of bank loan granted to 河南龍浩. Luoyang City Commercial Bank had demanded repayment amounting to RMB27,531,000 (including principal of RMB27,500,000 and execution charges of RMB31,000) (equivalent to a total of HK$26,922,000) and filed a prosecution to the Court.

Upon receiving the notice, the Group appointed an independent law firm to look into the matter and collect certain documents from the Court. It was found that on 14 June 2006, the Court had issued a <民事調解書> in which Zhangjiakou Xing Fa was bound to bear the responsibility of providing the guarantee. In addition, Luoyang City Commercial Bank had right to apply for the forced sale of certain leasehold land and land use rights of Zhangjiakou Xing Fa if 河南龍浩 failed to make the principal repayment of RMB27,500,000 on or before 15 August 2006. The proceeds arising from such forced sale would first be used for the repayment to Luoyang City Commercial Bank. Due to failure in fulfilling the obligation, the Court further issued a <申報財產通知書> on 31 January 2007 by requesting Zhangjiakou Xing Fa to provide a breakdown of all its assets to the Court on or before 23 March 2007.

According to a <民事裁定書> issued by the Court on 5 March 2007, the bank balance of Zhangjiakou Xing Fa was to be frozen. If the bank balance was not sufficient to cover the repayment to the Luoyang City Commercial Bank, asset of Zhangjiakou Xing Fa of an equivalent amount would be seized and sold. Further on 13 March 2007, the Court issued a <人民法院執行通知書> and required Zhangjiakou Xing Fa to pay a sum of approximately RMB27,531,000 to the Court within the period from 13 March 2007 to 23 March 2007. On the same date, the Court issued a <協助執行通知書> to 尚義縣林業局, the minority shareholder of Zhangjiakou Xing Fa, asking them for assistance to seize certain leasehold land and land use rights of Zhangjiakou Xing Fa.

The Directors had looked into the matter and in particular, the circumstances under which the guarantee was being granted and sought legal advice as to the appropriate course of action to be taken. The loss under the guarantee had been fully provided for in 2006. In the directors' opinion, after taking appropriate legal advice, the outcome of this litigation will not give rise to any significant loss beyond the amounts provided at 31 December 2006. In addition, the Group reserved their rights to demand compensation from 河南龍浩 after bearing the loss under the guarantee, if any.

During the year, pursuant to the completion of disposal of Zhangjiakou Xing Fa as mentioned in note 33(b), all liabilities regarding these guarantees have been released from the Group.

Notes to the Financial Statements

For the year ended 31 December 2007

26. PROVISIONS (Continued)

Notes: (Continued)

(b) Guarantees (Continued)

(iii) In prior years, the Company had provided certain corporate guarantees of unknown amount to the bankers of its former wholly-owned subsidiary, Corasia International Limited ("Corasia HK") to secure certain banking facilities granted to Corasia HK. During the year ended 31 December 2006, the Company had successfully come to agreement with the relevant bankers and all contingent liabilities regarding these corporate guarantees had either been released or crystallized.

27. BANK BORROWING

Group and Company

	2007 HK$'000	2006 HK$'000
Bank borrowing, unsecured	**249**	747
At the balance sheet date, the unsecured bank borrowing was repayable as follows:		
Within one year or on demand	**249**	498
After one year but within 2 years	**—**	249
	249	747
Amounts due within one year included under current liabilities	**(249)**	(498)
Non-current borrowing	**—**	249

According to a consent order issued by the High Court dated 14 February 2005, the balance was unsecured and to be repaid by instalment from 5 January 2005 to 30 June 2005. Interest was charged at the daily rate of HK$317 from 5 January 2005 to the date hereof and thereafter at judgement rate until full payment. After repaying two instalments of HK$120,000 each, the Company had defaulted further repayments.

On 31 July 2006, the Company entered into an agreement with the bank under which the Company undertakes to pay to the bank a sum of HK$996,000 by 24 equal monthly instalments of HK$41,500 each until full payment thereof. The first instalment was paid on 31 July 2006.

Notes to the Financial Statements

For the year ended 31 December 2007

28. OTHER BORROWING

	Group and Company	
	2007	2006
	HK$'000	HK$'000
Other borrowing, unsecured		
Within one year	**86**	86

No interest is charged (2006: at 3% per month) on the outstanding balance.

29. ISSUED CAPITAL

	2007	2006
	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 (2006: 2,532,543,083) ordinary shares of HK$0.01 each	**25,325**	25,325

(a) There was no movement in the share capital of the Company for the current and prior years.

(b) Share options

The Company operates a share option scheme (the "Scheme") for the purpose of recognising the 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 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 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.

Notes to the Financial Statements

For the year ended 31 December 2007

29. ISSUED CAPITAL (Continued)

(b) Share options (Continued)

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 to be determined by the directors, and will commence on the first business date from the date of the grant of the share options and end 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.

The exercise price of the share options is to be determined by the directors, but may not be less than the higher of (i) the closing price of the Company's shares published on the 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.

Notes to the Financial Statements

For the year ended 31 December 2007

29. ISSUED CAPITAL (Continued)

(b) Share options (Continued)

Movement of the share options during the year ended 31 December 2006 under the Scheme are set out below:

Name or category of participant	At 1 January 2006	Granted during the year	Exercised during the year	Cancelled during the year (note iv)	At 31 December 2006	Date of grant of share options (note ii)	Exercise period of share options (both dates inclusive)	Exercise price of share options (note iii) HK$
	Number of share options							
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	60,426,000	–	–	(60,426,000)	–	26-06-02	26-06-02 to 20-06-12	0.1312
	9,000,000	–	–	(9,000,000)	–	30-07-02	30-07-02 to 20-06-12	0.2360
	69,426,000	–	–	(69,426,000)	–			
	130,080,000	–	–	(130,080,000)	–			

Notes:

(i) The Group had no legal or constructive obligation to repurchase or settle the options in cash. As all grants of share options vested on or before 1 January 2005 and accordingly, no adjustment was 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 was from the date of the grant until the commencement of the exercise period.

(iii) The exercise price of the share options was subject to adjustment in the case of rights or bonus issues, or other similar changes in the Company's share capital.

(iv) By a resolution passed in a board meeting on 1 August 2006, all share options outstanding under the Scheme were cancelled.

(v) During the year 31 December 2007, no option has been granted under the Scheme.

Notes to the Financial Statements

For the year ended 31 December 2007

30. RESERVES

Company

	Note	Share premium account HK$'000	Contributed surplus HK$'000	Accumulated losses HK$'000	Total HK$'000
At 1 January 2006		163,532	153,519	(359,843)	(42,792)
Loss for the year	12	—	—	(6,711)	(6,711)
At 31 December 2006 and 1 January 2007		163,532	153,519	(366,554)	(49,503)
Loss for the year	12	—	—	(17,369)	(17,369)
At 31 December 2007		163,532	153,519	(383,923)	(66,872)

The contributed surplus of the Company arose as a result of the 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 thereof; and the credit arising from the capital reduction of approximately HK$112,950,000.

The Company has no reserve available for distribution to shareholders as at 31 December 2007 (2006: HK$Nil).

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For the year ended 31 December 2007

31. CAPITAL MANAGEMENT

Capital comprises all components of equity as stated in the balance sheet. The Group's objective when managing capital is to safeguard its ability to continue as a going concern, so that it can continue to provide returns for shareholders.

The Group manages capital by regularly monitoring its current and expected liquidity requirements rather than using debt/equity ratio analyses.

The entity has share capital of HK$25,325,000 (2006: HK$25,325,000) which is used for the Group's operations.

32. DEFERRED INCOME TAX

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

The components of major deferred income tax (assets)/liabilities recognised in the consolidated balance sheet and the movements during the year are as follows:

	Accelerated depreciation allowance	**Tax losses**	**Total**
	HK$'000	HK$'000	HK$'000
Deferred income tax arising from:			
At 1 January 2006, 31 December 2006 and 1 January 2007	—	—	—
Charged/(credited) to income statement	28	(28)	—
At 31 December 2007	28	(28)	—

At the balance sheet date, the Group has unused tax losses of HK$25,397,000 (2006: HK$10,528,000) available for offset against future profits that may be carried forward indefinitely. No deferred tax asset has been recognised in respect of the tax losses due to the unpredictability of future profit streams.

Notes to the Financial Statements

For the year ended 31 December 2007

33. ACQUISITION AND DISPOSAL OF SUBSIDIARIES

(a) Acquisition of subsidiary — Kwok Hong

	Note	2006 HK$'000
Net assets acquired:		
Property, plant and equipment	16	207
Intangible asset	19	450
Due to an immediate holding company		(329)
Due to a related company		(10)
Accrual		(5)
		313
Goodwill on acquisition	19	258
Consideration payable		571
Satisfied by:		
Transfer (note)		571

An analysis of the net inflow of cash and cash equivalents in respect of the acquisition of subsidiary during the year ended 31 December 2006 is as follows:

	HK$'000
Cash consideration	—
Cash and bank balances acquired	—
Net inflow of cash and cash equivalents in respect of the acquisition of subsidiary	—

The acquisition was completed by a share transfer for a consideration of HK$571,000 and assignment of loans from a related company to the Group.

Goodwill has arisen in an acquisition of Kwok Hong because of the anticipated appreciation in the market value of the motor vehicle registration licence at the date of acquisition.

Note : The consideration payable was fully settled during the year ended 31 December 2006 by transferring the balance to a related company.

Notes to the Financial Statements

For the year ended 31 December 2007

33. ACQUISITION AND DISPOSAL OF SUBSIDIARIES (Continued)

(b) Disposal of subsidiaries attributable to discontinued operations

As explained in note 11, the Company disposed of its entire equity interest in North Asia and the amount due to the Company from North Asia and Zhangjiakou Xing Fa on 28 December 2007 at a total consideration of HK$3 to an independent third party. The net liabilities of North Asia at the date of disposal were as follows:

	2007 HK$'000
Net liabilities disposed of:	
Property, plant and equipment (note 16)	3
Leasehold land and land use rights (note 17)	66,691
Biological assets (note 18(b))	32,260
Inventories	84
Trade receivables	64
Prepayments, deposits and other receivables	1,227
Cash and bank balances	45
Other payables and accruals	(1,774)
Provisions (note 26)	(106,709)
Due to the Group	(11,414)
	(19,523)
Assignment of amounts due from the subsidiaries	10,226
Exchange fluctuation reserve realised	(3,847)
General reserve realised	(3,168)
Gain on disposal of subsidiaries attributable to discontinued operations (note 11)	16,312
Consideration	—
Satisfied by:	
Cash	—
Net outflow of cash and cash equivalents arising on the disposal of subsidiaries attributed to discontinued operations:	
Cash and cash equivalents of the subsidiaries disposed of	(45)
Net outflow of cash and cash equivalents	(45)

The impact of North Asia on the Group's results and cash flows in the current and prior years has been disclosed in note 11.

Notes to the Financial Statements

For the year ended 31 December 2007

33. ACQUISITION AND DISPOSAL OF SUBSIDIARIES (Continued)

(c) Disposal of subsidiaries

Pursuant to the resolution passed by independent shareholders at the special general meeting on 27 December 2007, other than the disposal of North Asia to an independent third party as disclosed in note 11, the Company also disposed of its entire equity interest in First Dragoncom International Limited ("FDIL"), Corasia Technology Investments Limited, Macro-Invest Ltd. ("MIL"), Dragoncom Bio-Tech Limited ("DBTL"), Harvard Technology Limited ("HTL") and the amounts due from FDIL, First Dragoncom (Hong Kong) Limited, Corasia Bio-Technology Company Limited, MIL, DBTL and HTL to the Company to Ever Fortune Holdings Group Limited, a controlling shareholder of the Company at a total consideration of HK$2.

The details of net liabilities disposed of at the date of disposal are as follows:

	2007 HK$'000
Net liabilities disposed of:	
Production right (note 19)	—
Due from the Group	30
Other payables	(4,429)
Due to the Group	(300,609)
	(305,008)
Assignment of amounts due from the subsidiaries	300,579
Gain on disposal of subsidiaries	4,429
Consideration	—
Satisfied by:	
Cash	—
Net outflow of cash equivalents in connection with the disposal of subsidiaries	—

The results of the subsidiaries disposed of during the year ended 31 December 2007 have no significant impact on the Group's turnover or loss from operations before income tax for the year ended 31 December 2007.

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For the year ended 31 December 2007

34. OPERATING LEASE ARRANGEMENTS

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

	Group		Company	
	2007	2006	**2007**	2006
	HK$'000	HK$'000	**HK$'000**	HK$'000
Within one year	**2,411**	297	**—**	297
In the second to fifth year inclusive	**3,306**	—	**—**	—
	5,717	297	**—**	297

35. CAPITAL COMMITMENTS

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

36. RELATED PARTY TRANSACTIONS

Name of party	Relationship
Concord Credit Services Limited ("Concord Credit")	Mr. Ji Kewei is a common director
Dragoncom (Hong Kong) Limited ("Dragoncom")	Mr. Hong Fong Ming, the former director of the Company is a director of Dragoncom
Concord Group BVI Limited ("Concord Group")	Mr. Ji Kewei is a common director
Concord Capital Securities Limited ("Concord Capital")	Mr. Ji Kewei is a common director
Ever Fortune Holdings Group Limited ("Ever Fortune Holdings")	A controlling shareholder of the Company and Mr. Ji Kewei is a common director
Wonderland Group (Hong Kong) Corporation Limited ("Wonderland Group")	A 60% shareholder of Ever Fortune Holdings and Mr. Zhou Wenjun is a common director
Jiangsu Jinhai Investment Company Limited ("Jiangsu Jinhai")	Parent of Wonderland Group
連雲港金海旅遊發展有限公司 ("金海旅遊")	A wholly-owned subsidiary of Jiangsu Jinhai

Notes to the Financial Statements

For the year ended 31 December 2007

36. RELATED PARTY TRANSACTIONS (Continued)

(a) In addition to the transaction disclosed elsewhere in the financial statements, the Group also entered into the following related party transactions during the year.

	The Group	
	2007	2006
	HK$'000	HK$'000
Rental expenses paid to Concord Credit	**255**	378
Debts waived on amount due to Concord Credit	**—**	500
Debts waived on amount due to Dragoncom	**—**	897
Management charges paid to 金海旅遊	**913**	—
Rental income from Jiangsu Jinhai	**423**	—
Acquisition of subsidiary from Concord Group	**—**	571
Disposal of subsidiaries to Ever Fortune Holdings	**—**	—

In addition, remuneration for key management personnel, including amounts paid to the Company's directors and certain of highest paid employee as disclosed in note 15, is as follows:

	The Group	
	2007	2006
	HK$'000	HK$'000
Short-term employee benefits	**3,557**	2,833
Post-employment benefits	**54**	23
	3,611	2,856

Notes to the Financial Statements

For the year ended 31 December 2007

36. RELATED PARTY TRANSACTIONS (Continued)

(b) Amounts due to related parties

	Group		Company	
	2007	2006	**2007**	2006
	HK$'000	HK$'000	**HK$'000**	HK$'000
Concord Capital	**9**	9	**9**	—
Concord Credit	**103**	—	**103**	—
Concord Group	**10,044**	909	**10,032**	—
Ever Fortune Holdings	**—**	18,432	**—**	18,432
Wonderland Group	**45,400**	10,439	**45,400**	10,439
金海旅遊	**10**	—	**—**	—
	55,566	29,789	**55,544**	28,871

The amounts due to the related parties are unsecured, interest free and with no fixed terms of repayment except for the amounts due to Concord Group and Wonderland Group totalling HK$55,444,000 which are repayable within one year. As at 31 December 2006, the amounts totalling HK$11,348,000 due to Concord Group and Wonderland Group had no fixed terms of repayment.

The amounts due to related parties are included in "Trade and other payables" in the consolidated balance sheet (note 25).

37. EVENTS AFTER THE BALANCE SHEET DATE

On 14 March 2008, two subsidiaries of the Group, namely 連雲港豪景實業有限公司 and 連雲港旭景實業有限公司 were deregistered.

38. COMPARATIVE FIGURES

As a result of adopting HKFRS 7, Financial Instruments: Disclosures, and the amendments to HKAS 1, Presentation of financial statements: Capital disclosures, certain comparative figures have been adjusted to conform with changes in disclosures in the current year and to show separately comparative amounts in respect of items disclosed for the first time in 2007. Further details of these developments are disclosed in note 2(a).

In addition, certain comparative figures have been restated or reclassified as a result of the presentation of discontinued operations and conformation with the current year's presentation.