

BUSINESS REVIEW AND PROSPECTS

With the discontinuation of the business of manufacture and sales of aquatics feed products in the PRC, turnover of the Group for the year ended 31 December 2004 was approximately HK\$47.3 million (approximately HK\$80 million for the year ended 31 December 2003) and were mainly generated from the business of sale of tree seedlings and seeds. The net loss from ordinary activities attributable to shareholders for the year ended 31 December 2004 was HK\$164,430,000, compare to the net loss of HK\$7,484,000 for the year ended 31 December 2003.

During the year ended 31 December 2004, the Group is principally engaged in nurturing, selling and trading of tree seedlings and seeds. The Group has scaled down and discontinued the operations of the business of manufacturing and selling of shrimp feed products in the second half of 2003 and has disposed of its entire interest in Qionghai Juhau Feed Co., Ltd. in June 2004. Details of the disposal were set out in an announcement made by the Company dated 29 June 2004.

During the year under review, the Group principally carried out its operation through, 河北壩上林木種苗有限公司 (Hebei Bashang Nursery Company Limited) (“Hebei Bashang”), its 70% owned subsidiary. Although it was stated in the interim report of the Company for the six months ended 30 June 2004 that as a result of the governmental policy of the People’s Republic of China (the “PRC”) to promote agricultural development and encourage national afforestation projects, Hebei Bashang has recorded a turnover of approximately HK\$45 million, the turnover of Hebei Bashang has decreased significantly in the second half of 2004 as a result of changes in management during the period and the lack of financial resources to expand and further its business. As stated in the announcement by the Company dated 8 November 2005, Hebei Bashang continued to be in operation.

On 20 July 2005, an independent investigation committee (the “Independent Investigation Committee”), comprising Mr. Ng Wing Hang, Patrick and Mr. Chan Chung Yin, Victor, both of whom were then independent non-executive directors of the Company was established to conduct a full review and investigation on the annual accounts of the Group for the year ended 31 December 2004. It was announced by the Company on 5 August 2005 that an independent professional accounting firm engaged by the Independent Investigation Committee has reported that two deposits in the amounts of RMB54,389,500 and RMB80,000,000 respectively allegedly received by Hebei Bashang on behalf of the Company in June 2004 and placed in a PRC trust co-operatives union were and are non-existent. As stated in the announcements by the Company dated 5 August 2005 and 8 November 2005, respectively, the non-existent of the deposits have been reported to the local police in the PRC, The Stock Exchange of Hong Kong Limited (the “Stock Exchange”) and the Hong Kong Police on 28 July 2005, 29 July 2005 and 4 August 2005, respectively.

As announced by the Company on 13 and 22 September 2005, the Company has received two statutory demands on 8 September and 9 September 2005, respectively claiming for the amounts of HK\$12,330,000 and HK\$4,860,000 and two writs of summons for the amounts were subsequently issued on 22 September 2005. On 12 October 2005, the Company has received a writ of summons from a creditor claiming for the amount of HK\$3,085,000. On 30 September 2005, a winding-up petition was filed against the Company by a creditor for the amount of HK\$3,723,000. The Company has reached a settlement with the creditor and a joint application has been made to the court for an order to dismiss and to discontinue the winding up petition. The Company is currently in discussion with other creditors in an effort to reach a settlement with them to settle the outstanding indebtedness.

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

During the years 2004 and 2005, the board composition of the Company has undergone substantial changes. Details of the changes were set out in the announcements made by the Company dated 20 August 2004, 26 August 2004, 23 September 2004, 7 April 2005, 15 July 2005, 29 July 2005, 26 August 2005, 5 September 2005, 7 September 2005, 13 September 2005, 22 September 2005 and 8 November 2005, respectively. A majority of the members of the current board were elected at the special general meeting of the Company held on 31 October 2005. Trading of the shares of the Company on the Stock Exchange has been suspended since 9:30 a.m. on 29 April 2005.

On 6 December 2005, the Company was informed by the Stock Exchange that as a result of the prolong suspension of the shares of the Company, the failure by the Company to demonstrate to the Stock Exchange that it can comply with Rule 13.24 of the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules"), in that the Group has sufficient assets and operation to warrant to continue listing on the Stock Exchange and the failure by the Company to publish the financial results for the year ended 31 December 2004 and the six months ended 30 June 2005 on a timely basis as required by the Listing Rules so as to provide reliable information for the investing public to assess the financial position and performance of the Group and to make informed investment decision, the Company was placed in the first stage of the delisting procedures under the Listing Rules. The Company was required to take adequate action to obtain restoration of its listing and to submit a valid resumption proposal which satisfactorily addressed the concerns of the Stock Exchange within six months from 6 December 2005. Otherwise, the Stock Exchange will proceed to place the Company in the second stage of the delisting procedures at the expiration of the six-month period, ie. by 5 June 2006. With the publication of the financial results for the year ended 31 December 2004, the Board will strive to publish the financial results for the six months ended 30 June 2005 as soon as practicable. The Board is currently undertaking a review of the business and affairs of the Group and intends to prepare a resumption proposal for submission to the Stock Exchange upon completion of such review.

LIQUIDITY AND FINANCIAL RESOURCES

The Group financed the operations primarily from the refund of deposit paid for potential future investments of HK\$126,000,000, repayment of promissory notes receivable in connection with the disposal of Corasia BVI of HK\$60,000,000 and the proceeds from the issue of share capital of HK\$22,778,000. During the year, 325,400,000 new ordinary shares of the Company of HK\$0.01 each were allotted and issued for cash to certain parties at a price of HK\$0.07 per share, pursuant to certain placing agreements.

As at 31 December 2004, the Group had cash and bank balances of HK\$2,334,000 (2003: HK\$169,000) and unsecured bank loan of HK\$1,216,000 (2003: HK\$Nil), repayable within one year.

As at 31 December 2004, since the Group had no long-term liabilities, the Group had zero gearing, which is expressed as a percentage of the long-term liabilities over the shareholders' equity at the balance sheet date. The Group's liquidity ratio at 31 December 2004 was 133.2% (2003: 269.7%). The calculation of liquidity ratio is based on current assets and the current liabilities as at the balance sheet date.

CONTINGENT LIABILITIES

The Company has provided certain corporate guarantees of unknown amount to secure banking facilities of Corasia International Limited ("Corasia HK"), a former wholly owned subsidiary of the Company. Subject to the release of the corporate guarantees by the relevant banks, the guaranteed amount was a contingent liability of the Company and the Group as at 31 December 2004. However, due to the lack of appropriate evidence on the amount of the banking facilities granted to Corasia HK subject to the corporate guarantees plus the interest accrued thereon as at the balance sheet date, the amount of contingent liabilities was uncertain.

CHARGES ON ASSETS

As at 31 December 2004, the Group had not pledged any asset to its bankers to secure banking facilities granted to the Group. The Group's leasehold land and buildings with an aggregate net book value of HK\$10,809,000 (2003: HK\$Nil) and biological assets amounting to HK\$28,067,000 (2003: HK\$Nil) at 31 December 2004 were pledged to secure loan of RMB30,000,000 granted to a related company.

EXPOSURE TO FOREIGN EXCHANGE RISK

For the year ended 31 December 2004, the Group conducted its business transactions principally in Hong Kong dollars and Renminbi. The Group had not experienced any material difficulties or negative effects on its operations as a result of fluctuations in currency exchange rates. The Directors believe it was not necessary to hedge the exchange risk. Nevertheless, the management will continue to monitor the foreign exchange exposure and will take prudent measure as deemed appropriate.

CAPITAL EXPENDITURE

During the year, the Group incurred HK\$6,510,000 for computer software development cost for the establishment of the Group's computerized information system, HK\$492,000 on leasehold improvements and HK\$2,150,000 on purchasing additional plant, machinery and equipment which included HK\$1,981,000 for hardware cost for the information system.

MATERIAL ACQUISITIONS AND DISPOSALS

During the year ended 31 December 2004, there has not any material acquisitions or disposals of assets of the Group.

EMPLOYEES AND REMUNERATION POLICIES

As at 31 December 2004, the Group has a total of 36 employees (compare to 80 employees as at 31 December 2003). Staff costs amount to HK\$705,000 (compare to HK\$2,651,000 for the year ended 31 December 2003). It is the corporate policy of the Group to set the remuneration of its employees at a level commensurate with their responsibilities, experience and qualification and in line with the market conditions. Staff benefits available to Hong Kong employees include Hong Kong mandatory provident fund, insurance, professional training subsidies and entitlement under the share option scheme.

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