

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2006

1. BASIS OF PREPARATION

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

In preparing the condensed consolidated financial statements, the directors have given careful consideration to the future liquidity of the Company and its subsidiaries (the “Group”) in light of the Group’s net current liabilities of HK\$14,065,000 at 30 June 2006. The directors are of the opinion that, after taking into account the presently available banking facilities, the Group is able to meet in full its financial obligations as they fall due for the foreseeable future. Accordingly, the condensed consolidated financial statements have been prepared on a going concern basis.

The condensed consolidated financial statements are presented in Hong Kong dollars, which is the same as the functional currency of the Company.

2. PRINCIPAL ACCOUNTING POLICIES

The condensed consolidated financial statements have been prepared under the historical cost basis except for investment properties and certain financial instruments, which are measured at fair value.

The accounting policies used in the condensed consolidated financial statements are consistent with those followed in the preparation of the Group’s annual financial statements for the year ended 31 December 2005.

In the current period, the Group has applied, for the first time, a number of new standard, amendments and interpretations (“new HKFRSs”) issued by the HKICPA which are either effective for accounting periods beginning on or after 1 December 2005 or 1 January 2006. The adoption of the new HKFRSs has no material effect on how the results for the current or prior accounting periods are prepared and presented. Accordingly, no prior period adjustment has been required.

The Group has not early applied the following new standard, amendment or interpretations that have been issued but are not yet effective. The directors of the Company anticipate that the application of these new standard, amendment or interpretations will have no material impact on the results and the financial position of the Group.

HKAS 1 (Amendment)	Capital Disclosures ¹
HKFRS 7	Financial Instruments: Disclosures ¹
HK(IFRIC) – Int 7	Applying the Restatement Approach under HKAS 29 Financial Reporting in Hyperinflationary Economies ²
HK(IFRIC) – Int 8	Scope of HKFRS 2 ³
HK(IFRIC) – Int 9	Reassessment of Embedded Derivatives ⁴

¹ Effective for annual periods beginning on or after 1 January 2007.

² Effective for annual periods beginning on or after 1 March 2006.

³ Effective for annual periods beginning on or after 1 May 2006.

⁴ Effective for annual periods beginning on or after 1 June 2006.

3. REVENUE AND SEGMENT INFORMATION

The Group's revenue and contribution to (loss) profit before taxation analysed by business segments are as follows:

BUSINESS SEGMENTS

For the six months ended 30 June 2006

	Production and sales of fertilizers HK\$'000	Property investment HK\$'000	Investment holding HK\$'000	Consolidated HK\$'000
Revenue	1,287	4,937	–	6,224
Segment results	(526)	9,035	(24)	8,485
Unallocated other income				82
Unallocated corporate overheads				(4,776)
Finance costs				(4,344)
Loss before taxation				(553)

For the six months ended 30 June 2005

	Production and sales of fertilizers HK\$'000	Property investment HK\$'000	Investment holding HK\$'000	Consolidated HK\$'000
Revenue	2,851	4,958	23,325	31,134
Segment results	(645)	42,038	3,165	44,558
Unallocated other income				13
Unallocated corporate overheads				(3,652)
Finance costs				(2,226)
Profit before taxation				38,693

4. FINANCE COSTS

	Six months ended	
	30.6.2006 HK\$'000 (unaudited)	30.6.2005 HK\$'000 (unaudited)
Interest on:		
Bank borrowings	4,217	2,147
Other loans wholly repayable within five years	–	5
Others	127	74
	4,344	2,226

5. INCOME TAX EXPENSE

The charge for the period represents the recognition of deferred tax (note 14).

No provision for Hong Kong Profits Tax has been made as the individual group entity neither have any assessable profit or the assessable profits are wholly absorbed by tax losses brought forward for both periods.

Pursuant to the relevant laws and regulations in the PRC, a subsidiary in the PRC is entitled to exemption from PRC enterprise income tax for the first two profitable years and will be entitled to a 50% relief from PRC enterprise income tax for the following three years. No provision for PRC income tax has been made as the subsidiary does not have any assessable profit for both periods.

6. (LOSS) PROFIT FOR THE PERIOD

The result for the period has been arrived at after charging depreciation and amortisation of HK\$290,000 (six months ended 30.6.2005: HK\$286,000) in respect of property, plant and equipment and land lease prepayment.

7. DIVIDENDS

No dividends were paid during the period. The directors do not recommend the payment of an interim dividend.

8. (LOSS) EARNINGS PER SHARE – BASIC

The calculation of basic (loss) earnings per share attributable to the ordinary equity holders of the parent is based on the following data:

	Six months ended	
	30.6.2006 HK\$'000 (unaudited)	30.6.2005 HK\$'000 (unaudited)
Earnings		
(Loss) earnings for the purposes of basic (loss) earnings per share	(1,372)	38,877
Number of shares		
Number of shares	285,989	238,389

The Company has no potential ordinary shares outstanding in both periods.

9. MOVEMENTS IN PROPERTY, PLANT AND EQUIPMENT AND INVESTMENT PROPERTIES

During the period, the Group acquired property, plant and equipment amounted to approximately HK\$1,471,000.

The Group's investment properties were fair-valued by LCH (Asia Pacific) Surveyors Limited, a firm of independent qualified professional valuers, at 30 June 2006. The resulting increase in fair value of investment properties of HK\$5,070,000 has been recognised directly in the condensed consolidated income statement.

10. DEPOSIT PAID FOR ACQUISITION OF SUBSIDIARIES

The deposit represents payments for the acquisition of a 51% interest in Keycharm Investments Limited (note 18). During the period, an additional RMB30,000,000 (approximately HK\$29,055,000) was paid upon signing the acquisition agreement dated 27 February 2006.

11. TRADE RECEIVABLES

Receivables from tenants are due on presentation of invoices. The Group allows an average credit period of 30 days to other trade customers.

The following is an aged analysis of trade receivables at the balance sheet date:

	30.6.2006 HK\$'000 (unaudited)	31.12.2005 HK\$'000 (audited)
0 – 60 days	611	298
61 – 90 days	–	647
Over 90 days	–	8
	<u>611</u>	<u>953</u>

12. TRADE AND OTHER PAYABLES

The following is an aged analysis of trade and other payables at the balance sheet date:

	30.6.2006 HK\$'000 (unaudited)	31.12.2005 HK\$'000 (audited)
Trade payables aged within 60 days	59	59
Other payables	7,621	7,953
	<u>7,680</u>	<u>8,012</u>

13. BANK BORROWINGS

During the period, the Group obtained new bank loans amounting to HK\$56,000,000 and repaid bank borrowings of approximately HK\$19,647,000. The loans bear interest at HIBOR plus 1.05% per annum and are repayable in instalments over a period of one to ten years. The proceeds were used to finance its daily operation and for acquisition of subsidiaries (note 18).

14. DEFERRED TAXATION

	Property, plant and equipment HK\$'000	Investment properties HK\$'000	Tax losses HK\$'000	Total HK\$'000
At 1 January 2006	685	6,132	(108)	6,709
(Credit) charge to income statement for the period	<u>(4)</u>	<u>1,175</u>	<u>(352)</u>	<u>819</u>
At 30 June 2006	<u>681</u>	<u>7,307</u>	<u>(460)</u>	<u>7,528</u>

15. SHARE CAPITAL

	Number of shares '000	Nominal amount HK\$'000
Ordinary shares of HK\$0.005 each		
Issued and fully paid:		
At 30 June 2006 and 31 December 2005	285,989	1,430

16. PLEDGED ASSETS

- (a) All the Group's investment properties and the issued shares of a subsidiary of the Company are pledged and the rental income in respect of the investment properties under operating leases are assigned to banks against the bank loans granted to the Group.
- (b) At 31 December 2005, property, plant and equipment and land lease prepayment of HK\$7,063,000 (30.6.2006: Nil) were pledged against a bank loan granted to the Group.

17. RELATED PARTY DISCLOSURES

- (a) The amount due to a minority shareholder of a subsidiary is unsecured, interest bearing at 6% per annum and repayable on demand. The amount of interest paid during the period is approximately HK\$127,000 (six months ended 30.6.2005: HK\$24,000).
- (b) At 31 December 2005, a minority shareholder provided a guarantee, at no charge to the Group, to a bank for a bank loan of HK\$962,000 (30.6.2006: Nil) granted to a subsidiary.
- (c) The remuneration of directors and other members of key management during the period was HK\$1,822,000 (six months ended 30.6.2005: HK\$2,011,000).

18. EVENT AFTER THE BALANCE SHEET DATE

Subsequent to the balance sheet date, the Group has completed the acquisition of a 51% interest in Keycharm Investments Limited ("Keycharm"), a company incorporated in British Virgin Islands (the "Acquisition") on 20 September 2006. The Group is in the process of assessing the fair values of the identifiable assets and liabilities of the acquiree, it is therefore impracticable to present the financial effects of the Acquisition in the interim financial report.