Guangzhao Industrial Forest Biotechology Group Limited

Annual Report 2007

GROWING FROM STRENGTH TO STRENGTH

CORPORATE PROFILE

Based in Shanghai, China, Guangzhao Industrial Forest Biotechnology Group Limited ("Guangzhao" or "the Group") is engaged in the tissue culture and propagation of plantlets and saplings, of which its main product is the Guangzhao Fast-Growing Poplar. This unique poplar is able to grow at twice the normal rate and can also thrive in conditions where the soil is arid or saline. Currently, its tissue-cultured poplar is planted in over 18,600 hectares spread across eight provinces in China for eventual harvest and sale for the pulp or timber industries.

Building upon its successful commercialisation of tissue culture for poplar trees, the Group has in recent years begun supplying plantlets and saplings for other plant species both within China and Southeast Asia. These include *Jatropha curcas*, orchids, tropical fruit such as banana and non-poplar trees such as the Oriental Fir. Established in 1999, Guangzhao was listed on the Singapore Exchange in July 2004. The Group's founders believe that tissue culture of plants will not only yield commercial rewards for its shareholders and other stakeholders, but will also contribute positively to environmental preservation.

CONTENTS

We continue to focus on research and development to deliver customer satisfaction.

CHAIRMAN'S STATEMENT

DEAR SHAREHOLDERS

It is my honour to present you Guangzhao Industrial Forest Biotechnology Group Ltd's ("Guangzhao" or "the Group") annual report for FY2007.

BUSINESS REVIEW

With the support of our loyal shareholders, Guangzhao has grown in the four years since we were listed on the Singapore Exchange.

FY2007 marked an important milestone in Guangzhao's business as we began the first harvests of our plantations in Jiangxi Province, People's Republic of China ("PRC"), unlocking the value of our biological assets.

Following six long and arduous years of assessments, the Shandong Institute of Forestry ("the Institute") accredited Guangzhao's work in the development of Guangzhao No.1 Salt-tolerant poplar in November 2007, when it considered our development work comparable with international biotechnological standards.

The accreditation not only will impact positively on Guangzhao's business development, its benefits also extended to the forestry industry in the PRC and the environment.

Through a joint-venture with a renowned Malaysian agricultural company, the Group established Malaysia's biggest tropical fruit tissue-culturing laboratory in FY2007. It marked Guangzhao's first foray into Southeast Asia's lucrative agricultural market and made an immediate contribution to the Group's sales during the year under review.

In light of the growing concerns over the world's dwindling energy resources, Guangzhao harnessed its strong biotechnology capabilities to develop superior strains of a biofuel crop. We expect to make further progress in FY2008 following the cultivation of the crop in our nurseries in Cambodia, which can spur future opportunities for the Group.

While these represented new opportunities for the future, growth for our traditional businesses continued to be healthy. The Group's gains arising from changes in fair value of our biological assets grew marginally lower from RMB 158.6 million in FY2006 to RMB 158.0 million in FY2007.

Guangzhao's carrying value of biological assets rose 28.6% from RMB 541 million in FY2006 to RMB 695.8 million in FY2007. As a result of revenue from the harvest and the gains in value of our biological assets, the Group's net profit attributable to shareholders decreased marginally to RMB 65.9 million in FY2007.

Earnings per share (on a weighted average basis) decreased to 11.91 RMB cents in FY2007 from 14.12 RMB cents in FY2006, while Guangzhao's net asset value per share rose to 108.22 RMB cents as at 31 December 2007 from 99.14 RMB cents in 31 December 2006.

董事长苏敏在踏查土地。
Guangzhao Chairman, Ms Su Min, surveyed the land at Cambodia.

GUANGZHAO – AWARDED SINGAPORE'S FASTEST-GROWING PRC-LISTED COMPANY ON SGX-ST IN 2007

FUTURE PLANS

The commencement of large-scale harvests of our biological assets in FY2008 will usher in substantial growth for the Group's revenue and profits. We also expect production capacities and sales of our ornamental flowers and tropical fruit plantlets to increase significantly in the coming year, boosting the Group's cash flow and enhancing shareholder value.

Following the Institute's endorsement, our work on Guangzhao No.1 Salt-tolerant poplar has attracted considerable interest from various provincial authorities who are keen to put economically unviable land to good use.

The Group plans to commercially produce salt-tolerant poplar plantlets in early 2008 for their eventual cultivation on large swathes of land with high saline soil during autumn. With this, the lower land rentals will reduce the Group's capital expenditure, and subsidies or grants from provincial authorities for our re-afforestation work will boost our earnings.

In FY2008, we plan to collaborate with a few major investors on our biofuel project in Cambodia. The project, which involves the mass cultivation of our proprietary strain of *Jatropha curcas* – which yields more oil and matures faster – on a large plot of land and our offer of expertise in the management of the crop, could add new revenue streams for Guangzhao.

With these plans, the Board of Directors and I are confident of Guangzhao's performance in FY2008.

APPRECIATION

I would like to take this opportunity to thank our shareholders for their support and trust in the Group; our Board for their hard work; the senior management and staff for their diligence and contributions; our auditors, our valuer and our investor relations agency for the expertise rendered to us; and also to friends and associates who provided assistance to Guangzhao in any way.

We believe that with your continued support, and the contributions and hard work from the management and staff, Guangzhao will grow from strength to strength.

SU MIN
Chairman

光兆在新加坡研究室内的组培幼苗。
On-going R&D effort in Guangzhao laboratories in Singapore.

组培生根。
Tissue-cultured plantlets.

在上海科研基地的小桐子幼苗。
Jatropha curcas plantlets in Shanghai, R&B base.

主席致辞

亲爱的股东:

本人再一次荣幸的向大家提呈财政年报和公司发展状况。

业务回顾

在各位股东的支持和关爱下，光兆公司上市后，已走过了近四个年头。2007年是公司发展过程中的重要一年。公司开始进行砍伐活动，也同时取得收益。

经过6年艰苦漫长的科学实验，在2007年11月，由山东省科技厅主持，对“光兆耐盐一号杨”进行了国际科学技术鉴定。并认为此项技术，处于国际先进水平。对于未来行业发展、社会效益、以及公司的未来发展和经济效益，都将产生积极的，深远的影响。

公司与马来西亚的知名农业发展公司合资，建立了目前当地规模最大的热带水果种苗组培公司，完成了公司进入东南亚热带水果种苗市场战略布局的第一步。也同时为公司带来不错的收入。

在世界能源危机日趋严峻的情势下，公司利用自己的科技优势，快速启动了生物能源树种的育苗，并且准备在柬埔寨进行大规模种植项目。这个项目将为公司开拓其他业务发展机会。

在公司快速向前发展的同时，公司的核心业务依旧稳健发展。公司生物资产的公允价值变化所带来的收益由2006年的1.586亿元（人民币，下同），增加至2007年的1.58亿元。公司的生物资产总值，由2006的5.41亿元，激增百分之28.6到6.96亿元。公司的净利润，由2006年的7,040万元，　也减低到6,587万元。公司每股（加权平均）净利润，由2006年的0.1412元，减低到0.1191元。每股净资产，由2006年的0.9914元，则增加百分之9。2到1.082元。

公司被评为2007年度成长最快的新加坡上市中国企业。

未来展望

未来的一年，将是公司真正收获的开始，公司将按照计划和林木的成熟度，进行大面积采伐，销售。

公司的花卉组培种苗、食用百合种苗、热带水果种苗等生产、销售量，也相信会取得不错的增长。

预计在2008年公司将会实现正现金流。所有股东将会由此获益。

2008年初，已经开始耐盐碱杨的育苗工作，预计秋天，将进行大面积盐碱地造林。这个项目已引起政府有关部门的高度重视。获得政府支持和土地使用成本的大幅下降，相信在未来若干年里，耐盐碱杨将为公司带来巨大效益。

光兆培育的优良菠萝。
A superior variant of pineapple developed by Guangzhao.

组培的山竹幼苗
Tissue-cultured mangosteen plantlet

一年生光兆小桐子果实。
The fruits of Guangzhao's one-year-old *Jatropha curcas* plant.

2008年，公司将与数位投资者合作，在柬埔寨大面积种植生物柴油植物—小桐子。种植由公司专有技术产品研发的品种，具高产油率，高产量，配合公司的种植管理经验，公司在生物柴油植物领域将大有作为，为公司增加新的利润。

本人和所有公司董事成员，对公司未来一年和发展前景，充满信心！

感谢

让我借此机会，感谢所有股东对公司的信任和支持；感谢公司董事们的辛勤努力；感谢公司管理层以及公司所有员工们的辛劳和贡献；感谢审计公司、评估公司、公关公司为公司所做的工作和帮助；感谢关心过公司、帮助过公司的所有的朋友们。

相信大家一定会一如既往关心公司、支持公司、帮助公司！相信公司在各位朋友的关心和支持下，在各位董事和员工的辛勤努力下，一定会越来越健康成长、发展壮大！

苏敏
主席

在马来西亚大棚内的香蕉苗。
The banana plantlets at our nursery in Malaysia.

BOARD OF DIRECTORS

1. 2. 3.

4. 5. 6.

1 SU MIN
EXECUTIVE CHAIRMAN
Age: 53

Appointed on 1 July 2003, Su Min is one of the founders of our Group. She is responsible for charting the strategic direction of our Group. Su Min was instrumental in leading the Group's technological development in the biotechnology industry. Since the establishment of Shanghai Guangzhao in April 1999, she has been its Executive Chairman and Chief Technology Officer and, together with Song Xuemeng, was instrumental in developing the commercial production of our Guangzhao Fast Growing Poplar. Prior to 1999, together with Song Xuemeng, she co-founded Shanghai Shihua Technology Investment Co., Ltd. (上海世华科技投 资有限公司), an investment management company that also provides investment advisory services and was its Chairman from 1996 to 2001. From 1998 to 2001, Su Min was also the Chairman of Shanghai Shihua Plant Gene Engineering Co., Ltd (上海世华植物基因工程有限公司), a company involved in the development and provision of plant gene engineering technology. Between 1994 to 1996, Su Min was the Deputy General Manager of the Shanghai branch of Heilongjiang Land Resource Development Co. (黑龙江国土资源开发公司上海分公司) where she served as deputy general manager involved in business development.

Ms Su graduated from Zhongshan University (中山大学) in 1982 with a Bachelor of Arts degree in Literature (中文系文学专业). In 1992, Su Min obtained a doctorate in Oriental Medicine from the International Martial Arts Medical University, California through parttime studies from 1990 to 1992. In July 2003, Su Min completed a post-graduate program in Ethics (Orientation of Economic Ethics and Strategic Decision-making) at Fudan University (复旦大学).

2 SONG XUEMENG
CHIEF EXECUTIVE OFFICER
Age: 54

Appointed on 1 July 2003, and together with Su Min, is one of the founders of the Group. He oversees the operations, finance and business development of the Group. Song Xuemeng has more than ten years of experience in business management and finance as a result of his experience gained from the management of several companies. Since the establishment of Shanghai Guangzhao in April 1999, he has been its Chief Executive Officer and, together with Su Min, was instrumental in developing the commercial production of our Guangzhao Fast Growing Poplar. Prior to 1999, Song Xuemeng co-founded Shanghai Shihua Technology Investment Co., Ltd. (上海世华科技投资有限公司), and was its Chief Executive Officer and Chief Financial Officer from 1996 to 2001. From 1998 to 2001, he was also the Chief Financial Officer of Shanghai Shihua Plant Gene Engineering

Co., Ltd （上海世华植物基因工程有限公司）. Between 1994 to 1996, Song Xuemeng was the General Manager of the Shanghai branch of Heilongjiang Land Resource Development Co. (黑龙江国土资源开发公司上海分公司) where he was responsible for the management of various business projects of the company in Shanghai.

Mr Song graduated from Beijing University (北京大学) in 1988 with a Bachelor of Arts degree.

3 LEW SYN PAU
INDEPENDENT DIRECTOR
Age: 54

Appointed on 29 March 2004. Mr Lew is presently the Chairman of Stanbridge International Pte Ltd, an international executive search firm. He is also presently the Honorary President of the Singapore Manufacturers Federation and the Chairman of Ascendas Pte Ltd. In addition, he holds directorships in several other public listed and private companies in Singapore. Between 1988 to 2001, he served as a Member of the Singapore Parliament and chaired the Government Parliamentary Committees for Education, Finance, Trade and Industry and National Development. Between 1994 and 1997, Lew Syn Pau was General Manager and Senior Country Officer of Banque Indosuez (now known as Credit Agricole Indosuez). Prior to that, he was the Assistant Secretary-General of NTUC from 1990 to 1994, and the Managing Director of General Automotive Services Pte Ltd from 1990 to 1993. Between 1987 to 1993, he was the General Manager and subsequently Managing Director of NTUC Comfort. During this period, he was concurrently the General Manager of NTUC Pasir Ris Resort from 1989 to 1991.

Mr Lew is a Colombo Plan scholar and holds a Masters of Engineering from Cambridge University, UK and a Masters of Business Administration from Stanford University, USA.

4 ONG HAN SIM
FINANCE DIRECTOR
Age: 56

Mr Ong Han Sim was appointed as Finance Director on 15 May 2006 and has been our Chief Financial Officer from September 2005. Overseeing the Group's overall financial management and corporate planning, Mr Ong brings with him a wealth of experience in financial management and risk control. Having held key positions in numerous multi-national companies, Mr Ong was the Group Financial Controller for SESDAQ listed Mayfran International Ltd from 2002 and the General Manager of Jeje Corporatama Pte Ltd from 1997. He was also the Finance Director of DIT Singapore Pte Ltd from 1991. Mr Ong graduated from Nanyang University, Singapore with Honours in Accountancy and has a Post Graduate Diploma in Business and Administration from Brunel University, United Kingdom. He is a Fellow of the Member of Institute of Certified Public Accountants of Singapore.

5 DR JEAN YONG WAN HONG
INDEPENDENT DIRECTOR
Age: 39

A plant biochemist and eco-physiologist by training, Dr. Jean Yong received his B.Sc. (Hons) and M.Sc. degrees from the National University of Singapore. His Ph.D. was awarded by the Research School of Biological Sciences, Australian National University. Currently, he is an Assistant Professor at National Institute of Education, Nanyang Technological University (NTU). Among his accolades of achievements, he has published his research in a number of scientific journals and also contributed to several books. Between 2003 and 2004, Dr. Jean Yong was the US Fulbright Scholar with Brown University, USA where he had the opportunity to be immersed in his other research interest of climate change science and policy issues. On his return to Singapore, Dr. Jean Yong continued to contribute his technical and scientific expertise to various governmental agencies and commercial firms in addition to his regular research on the biochemistry and physiology of plant growth regulators (especially for cytokinins). Pragmatic and yet learned in his approach towards problem solving, he provides effective solutions and academically, inspires many students under his charge, to follow in his footsteps, a passion in pursuing sustainable development, biodiversity conservation, plant industry and climate change science. He has also, recently won the 2006 Nanyang Award for Teaching Excellence, and the ROAR (Research Outcome Award & Recognition) Award at NTU. Within the local context, he firmly believes in the restoration of native mangroves in Singapore to yield a natural protection against coastal erosion, to provide a means of remediation against pollutants and the other chemical contaminants while conferring a natural solution to sequester CO_2 using the ubiquitous seawater via mangrove plant photosynthesis. Regionally, he is evaluating various "ecologically-friendlier" bio-fuel plant species for wide-scale industrial implementation in order to support the emerging bio-diesel industry throughout Asia, while at the same time ensuring the continual preservation of the tropical rain forests and the adjacent arable lands.

MR ONG KIAN MIN
INDEPENDENT DIRECTOR
AGE: 47

Ong Kian Min is an advocate and solicitor practising as a consultant with Singapore law firm, Drew & Napier LLC. He was called to the Bar of England and Wales in 1988 and to the Singapore Bar the following year. He has been a practicing advocate and solicitor of the Supreme Court of Singapore since 1989. Before joining Drew & Napier LLC in October 2000, he was a partner with Messrs Shook Lin & Bok from 1994 where his areas of practice included commercial, corporate finance and banking law.

In 1979, he was awarded the President's Scholarship and Singapore Police Force Scholarship. He holds a Bachelor of Laws (Honours) external degree from the University of London in England and a Bachelor of Science (Honours) degree from the Imperial College of Science & Technology, England.

Mr Ong has been an elected Member of Parliament since January 1997 and is presently the Vice Chairman of the Government Parliamentary Committee (GPC) for Transport.

We continue to cultivate enduring qualities and facilitate strategic solutions to meet rising challenges.

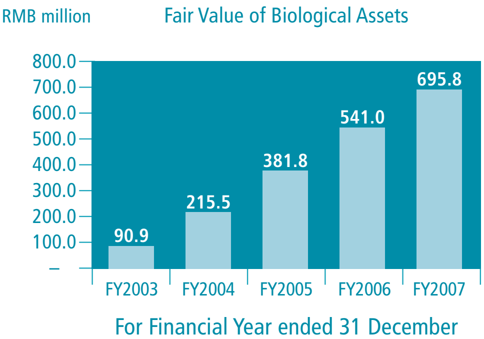
OPERATIONS REVIEW

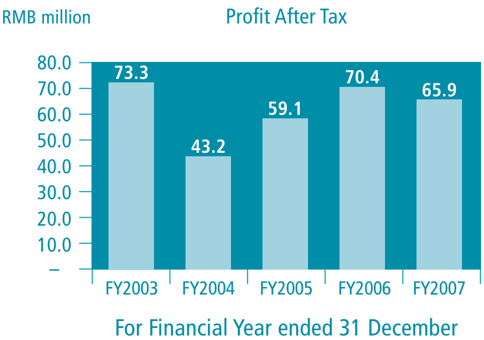
OPERATIONS REVIEW

In FY2007, we began harvests of pine trees in our Jiangxi Province plantations, in line with our intention to realise cash from our biological assets.

FINANCIAL PERFORMANCE

Boosted by first-time sales of standing timber from our pine forests in Jiangxi Province – where 1,230 hectares were select-harvested, Guangzhao's revenue for the financial year ended 31 December 2007 ("FY2007") rose to RMB11.3 million from RMB247,000 in FY2006, a 4,477% increase. The first harvests of pine on 19,280 cubic meters of our plantations contributed to RMB9.3 million in revenue, while the remaining RMB2.0 million came from sales of tissue-cultured banana plantlets, orchids and ornamental plants from our nurseries in Shanghai.





The continued healthy growth of our saplings and trees raised carrying value of our biological assets to RMB695.8 million as at 31 December 2007, a 28.6% increase from RMB541 million as at 31 December 2006. Guangzhao did not acquire any land in FY2007; as such the total land area of our plantations remains at 18,600 hectares or 280,000 *mu*.

Owing to increases in other operating expenses, including a one-time notes issue expenses and R&D

总经理宋学孟在柬埔寨踏查土地。
Guangzhao's CEO, Mr Song Xuemeng, surveyed the land at Cambodia.

costs, Guangzhao's profit attributable to shareholders decreased by 6.4% to RMB65.9 million in FY2007 compared to RMB70.4 million in FY2006. The Group made a RMB17.0 million income tax provision in FY2007 to account for the timing difference between accounting and tax bases in the recognition of gains arising from changes in fair value of biological assets.

Guangzhao's cash and bank balances increased to RMB67.8 million as at 31 December 2007 from RMB31.1 million a year ago, including a pledged fixed deposit of RMB37.3 million (2006: RMB 25.1 million). Shareholders' equity rose to RMB634.4 million as at 31 December 2007 from RMB494.2 million as at 31 December 2006.

The Group's earnings per share decreased to 11.91 RMB cents for FY2007 (based on a weighted average of 552,955,075 shares) compared to 14.12 RMB cents for FY2006 (based on a weighted average of 498,502,360 shares) while net asset value per share increased to 108.2 RMB cents as at 31 December 2007 compared to 99.1 RMB cents at 31 December 2006.

WINTER STORMS – UPDATE SUBSEQUENT TO FINANCIAL YEAR

Following the winter storms that struck the PRC in January and February 2008, we conducted initial field surveys to determine the impact on our biological assets.

Based on our preliminary findings, the storms affected our plantations in Anhui, Jiangxi, Guizhou and Hubei provinces as well as Shanghai, but damage to our biological assets are not expected to be significant.

While our plantations in Jiangxi Province bore the brunt of the adverse weather, damage to our biological assets there were minimal as we had harvested our pine trees earlier in 2007. The remaining poplar trees were also protected from the impact of heavy snowfall as they have shed their leaves during winter.

东方杉苗圃。
Orient Fir nursery.

OPERATIONS REVIEW

To date, we have dispatched restoration teams to the affected plantations. We have also appointed a valuer to determine the extent of the damages and applied for grants and compensation from the relevant forestry authorities in the PRC.

SUPPLY OF BANANA PLANTLETS

Capitalising on the success of our proprietary techniques to cultivate superior breeds of tropical fruit commercially, the Group sealed a five-year deal in March 2007 to supply banana plantlets to the Department of Agriculture, Malaysia, via our Malaysia-based joint-venture Jalur Lipur Sdn. Bhd. ("Jalur"). Through Jalur, Guangzhao has also set up a tissue-culture facility with an annual capacity of one million plantlets in the outskirts of the Malaysian capital, Kuala Lumpur, which will complement the Group's expansion into Southeast Asia's lucrative agricultural market.

To date, one million banana plantlets have been delivered which contributed approximately RMB1 million to the Group's sales of agricultural products in FY2007.

JATROPHA CURCAS

Utilising our R&D capabilities, Guangzhao has successfully developed two varieties of *Jatrophas curcas* with higher oil content and faster maturity compared to other strains of the biodiesel crop. Our strains of *Jatropha curcas* have attracted considerable interest from the bio-diesel industry, which uses the seed as a feedstock.

SALT-TOLERANT POPLAR

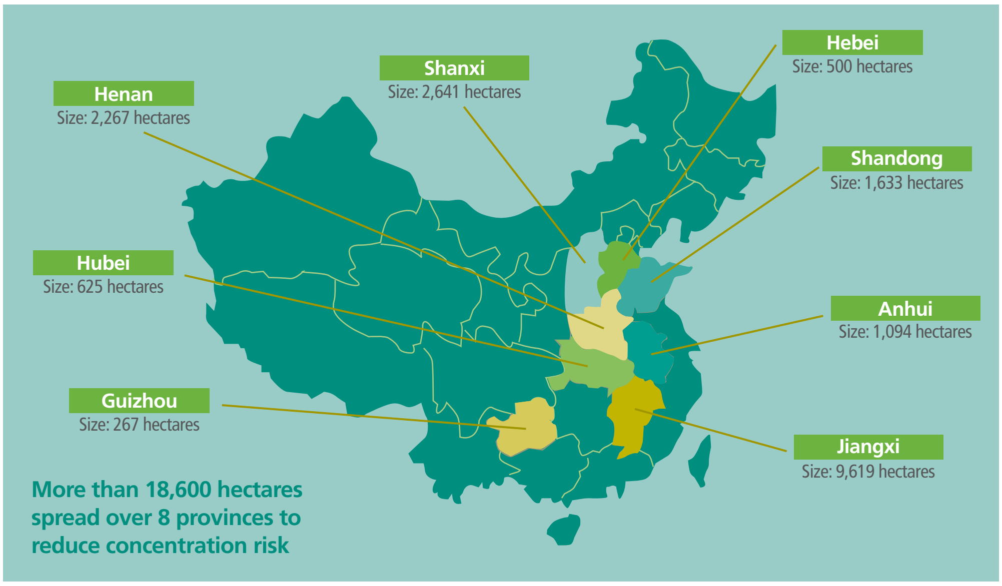
In November 2007, Guangzhao received certification from the Shandong Institute of Forestry ("the Institute") for the Group's development of its proprietary salt-tolerant poplar. Following the certification, the Institute has recommended that the salt-tolerant poplar can be cultivated in the Huang Huai region – between the Yellow and Huai Rivers – where large parcels of land remain unused due to the high saline content of its soil.

The Group's salt-tolerant poplar has also received recognition from renowned environment-biologist Prof GD Farquhar who highlighted how the poplar would be "a valuable resource for reafforestation and rehabilitation of coastal areas… and inland areas subject to dryland salinity".

FORWARD STRATEGIES AND DEVELOPMENTS

Harvesting our pine and poplar assets

We are encouraged by how our biological assets have grown and their values increased at a time when the PRC continues to experience timber and pulp shortage. Driven by the rapid economic development of the country,



栽种仅一年的光兆小桐已经硕果累累子。
Guangzhao's proprietary strain of *Jatropha curcas* bears plenty of fruits a year after being planted.

王汉森董事在山东寿光耐盐碱光兆一号杨实验基地。
Guangzhao's director Mr Davie Ong visited the Group's plantation in Shouguang, Shandong Province, where Guangzhao Salt-tolerant No.1 poplars are being cultivated experimentally on high saline soil.

timber and pulp prices have continued to climb.

With the PRC's entry to the World Trade Organisation and the economic benefits that accrue from hosting the Beijing Olympics, infrastructure and business developments in the country are expected to gather pace in 2008 and beyond. This is despite concerns of a global economic slowdown.

Based on industry estimates, the PRC will continue to experience an annual shortfall of 160 -180 million cubic metres of domestic timber supply till 2010. This figure is expected to hit 300 million cubic metres in 2015, and the country is currently only behind the US in terms of timber consumption.

Guangzhao will be able to capitalise on these favourable market conditions as harvests of pine and poplar trees in our plantations continue in 1Q2008 and 4Q2008 – specifically in Jiangxi Province. To enhance our earnings, we intend to process the timber, which can then be sold at a higher premium on prices for raw standing timber.

Salt-tolerant poplar

Much of the land in PRC's north and northwestern regions is non-arable, and its size is approximately equal to the country's economically viable and arable land. This problem is compounded by rapid desertification in these regions, which the authorities are eager to reverse with afforestation.

In addition, large swathes of such lands are situated near regions in the PRC that are experiencing high economic growth rates. An example is Shandong Province ("Shandong") – which has experienced rapid economic development in recent years – where the difference in rental prices between commercially viable and arid, non-arable lands can be up to three to four times.

Following accreditations received on our work in developing a salt-tolerant variant of poplar from the Institute and Prof Farquhar, the Group is exploring opportunities in Shandong to reafforest the arid and non-arable lands.

If successful, Guangzhao could receive subsidies or grants from the Shandong provincial authorities for our reafforestation efforts and benefit from the lower land rentals. The Group could also work with foreign governmental organisations in countries such as the US and Australia where there are large swathes of arid and non-arable land.

Presently, we have engaged professional assessors to determine the value of the technology Guangzhao has developed for the salt-tolerant poplar.

Tropical fruit

As part of Guangzhao's foray into Southeast Asia's lucrative agricultural industry, the Group increased its stake in Jalur in January 2008. The strategic value in the acquisition rests in Jalur's tissue-culture facility with plans underway to raise its capacity to four million.

Our entry into Malaysia – where weather and environmental conditions are conducive for the commercial cultivation of tropical fruit – will allow us to export our strong biotechnological expertise to agricultural markets in Southeast Asia. Guangzhao has also been engaged to offer Australian agricultural organisations our expertise in banana cultivation in 1Q2008.

Jatropha curcas

Taking advantage of Cambodia's excellent weather and environmental conditions for cultivating *Jatropha curcas*, Guangzhao began working with local authorities in 4Q2007 and secured a plot of 40-hectare land in March 2008 as part of a pilot cultivation project.

With the continued harvests of pine and poplar in FY2008 expected to improve the Group's cash flow position, the long-term outlook for Guangzhao remains positive. We are confident that our other developments – tropical fruit business in Southeast Asia, salt-tolerant poplar in Shandong Province and *Jatropha curcas* – will contribute to our financial performance in FY2008.

王汉森-董事在马来西亚光兆子公司香蕉育苗基地。
Guangzhao Director, Mr Davie Ong, visited the Group's nursery in Malaysia which houses its banana plantlets.

光兆推出的最新产品，红袋鼠花。
宋先生与两名来自澳大利亚国立大学的国际知名科学家，教授格雷厄姆法夸尔和黄博士。杰出的教授格雷厄姆法夸尔也是皇家学院的研究员，两位科学家也以观察员的身份参加了在济南山东的光兆盐碱杨树的验证研讨会。
One of Guangzhao's latest product is the red kangaroo paws. (Note: Mr Song with two internationally renowned scientists from the Australian National University (ANU), Prof Graham Farquhar and Dr. Chin Wong. Distinguished Prof Graham Farquhar is also a Fellow of the Royal Society. Both scientists are observers for Guangzhao's salt tolerant poplar validation workshop at Jinan, Shandong, PRC.)

FINANCIAL HIGHLIGHTS

	Group	
	FY2007	**FY2006**
	RMB'000	**RMB'000**
Revenue		
Sales of agricultural products	**11,304**	247
Gains arising from changes in fair value less estimated point-of-sales costs	**157,963**	158,647
Profitability		
Operating Profit	**89,919**	97,016
Profit before income tax	**82,905**	95,363
Profit after income tax	**65,873**	70,377
Return on Assets (%)	**7.60%**	10.61%
Return on Equity (%)	**10.38%**	14.24%
Earnings per ordinary share (RMB cents) - Basic	**11.91**	14.12
Earnings per ordinary share (RMB cents) - Diluted	**8.66**	11.72
Financial Position		
Total Assets	**867,057**	663,033
Total Debts	**232,692**	168,805
Shareholders' Equity	**634,365**	494,228
Debt to equity ratio (times)	**0.37**	0.34
Net Tangible Assets per share (RMB cents)	**108.22**	99.14
Cashflows		
Net cash used in operating activities	**(68,094)**	(30,580)
Net cash generated (used in)/from investing activities	**(2,492)**	792
Net cash from financing activities	**95,200**	31,582

CORPORATE INFORMATION

BOARD OF DIRECTOR

SU MIN	Executive Chairman	
SONG XUEMENG	Chief Executive Officer	
DR JEAN YONG WAN HONG	Independent Director	
LEW SYN PAU	Independent Director	
ONG KIAN MIN	Independent Director	(Appointed on 12 February 2008)
ONG HAN SIM	Finance Director	

AUDIT COMMITTEE
LEW SYN PAU (Chairman)
DR JEAN YONG WAN HONG
ONG KIAN MIN (Appointed on 12 February 2008)

REMUNERATION COMMITTEE
DR JEAN YONG WAN HONG (Chairman)
LEW SYN PAU
ONG KIAN MIN (Appointed on 12 February 2008)

NOMINATING COMMITTEE
LEW SYN PAU (Chairman)
DR JEAN YONG WAN HONG
ONG KIAN MIN (Appointed on 12 February 2008)

COMPANY SECRETARIES
ONG WEI JIN (LLB - Hons)
GOH WEI LIN (LLB - Hons)

SHANGHAI, P.R. CHINA OFFICE
138, Yulu Road, Malu Town
Jiading District
Shanghai 201801 P.R. China
Tel: 86-21-6915 6062
Fax: 86-21-6915 6076

中国上海市嘉定区马陆镇育绿路138号,
邮编: 201801
电话: 86-21-6915 6062
传真: 86-21-6915 6076

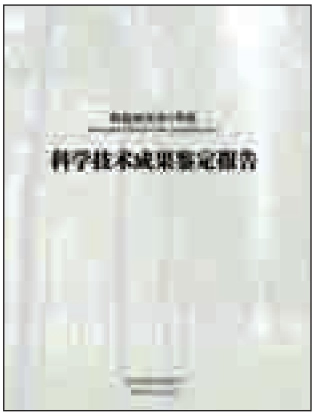
REGISTERED OFFICE
6, Temasek Boulevard #23-06
Suntec Tower Four
Singapore 038986

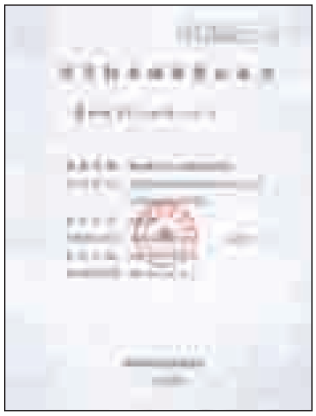
SHARE AND WARRANT REGISTRAR
Boardroom Corporate &
Advisory Services Pte Ltd
3 Church Street #08-01
Samsung Hub
Singapore 049483
Tel: 6536 5355
Fax: 6536 1360

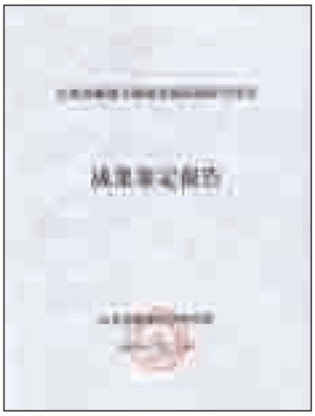
AUDITORS
Moore Stephens
11 Collyer Quay #10-02
The Arcade
Singapore 049317
Partner-in-charge: Neo Keng Jin
Date of appointment: 29 April, 2006

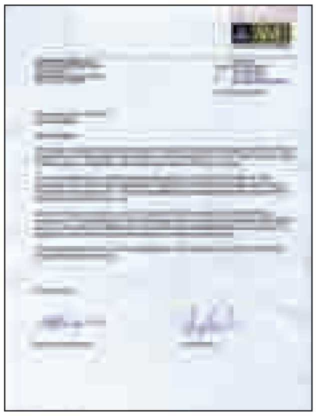
BANKER
DBS Bank Ltd
United Overseas Bank Ltd

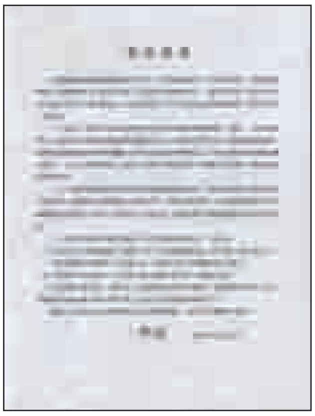
CERTIFICATES

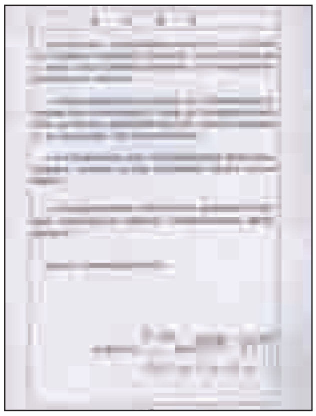


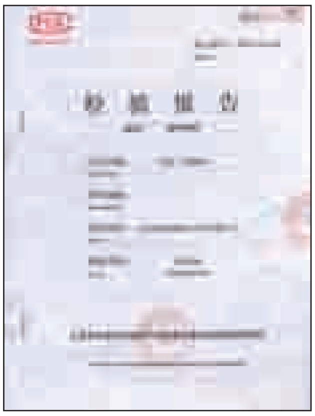












FINANCIAL CONTENTS

CORPORATE GOVERNANCE

Report for the period 1 January 2007 to 31 December 2007

The Board of Directors (the "Board") of Guangzhao Industrial Forest Biotechnology Group Limited is committed to maintaining a high standard of corporate governance within the Company and its subsidiaries (the "Group") based on which its operations, businesses and strategies are directed and controlled. Good corporate governance establishes and maintains an ethical environment in the Group, which strives to enhance the interests of the shareholders of the Company (the "Shareholders"). This report describes the Company's corporate governance processes and activities in FY2007 with specific reference to the Code of Corporate Governance 2005 (the "Code").

BOARD MATTERS

PRINCIPLE 1: BOARD'S CONDUCT OF ITS AFFAIRS

The Board comprises six directors, three of whom are executive directors and three of whom are independent directors. To maintain effective supervision and accountability at each of the Board and management levels, the positions of Chairman and Chief Executive Officer ("CEO") are held by two persons.

The Board's primary role is to protect Shareholders' interests and enhance long-term Shareholders' value. To fulfil this role, the Board is responsible for setting strategic direction of the Group, establishing goals for management and monitoring the achievement of these goals.

Apart from its statutory responsibilities, the principal functions of the Board are:

(a) approving the Group's key business strategies and financial objectives;

(b) reviewing and approving corporate policies and strategies;

(c) reviewing and approving annual budgets, major funding proposals, investment and divestment proposals;

(d) monitoring management's performance;

(e) reviewing the adequacy and integrity of the Group's internal controls, risk management systems and financial reporting systems;

(f) ensuring the Group's compliance to laws, regulations, policies, directives, guidelines and internal code of conduct;

(g) ensuring accurate, adequate and timely reporting to, and communication with shareholders; and

(h) assuming the responsibility for the satisfactory fulfilment of social responsibilities of the Group.

Matters which are specifically reserved to the full Board for approval are those involving corporate plans and budgets, material acquisitions and disposals of assets, corporate or financial restructuring, share issuances, dividends and other returns to shareholders, and matters involving interested person transactions and major undertakings outside the ordinary course of business.

The composition of the Board has a strong independent element, which enables the Board to exercise objective judgment in corporate affairs independently and, in particular, exercise judgment independent of the executive management. The Board is also of an appropriate size. The directors who comprise the Board possess, collectively, core competencies in finance, management, industry, strategic planning and customer management. These factors amount to a Board that is able to effectively lead and control the Company.

Certain functions have been delegated to various Board committees, namely, the Audit Committee, the Nominating Committee and the Remuneration Committee.

The Board has conducted regular scheduled meetings to approve the Group's financial results announcement and ad-hoc meetings are also arranged whenever the need arises. The Company's Articles of Association allow meetings to be conducted both physically and by way of telephone conferencing or by means of similar communication equipment whereby all persons participating in the meeting are able to hear each other, provided that the requisite quorum is present.

In the year under review, the number of Board meetings and Board committee meetings held and attendance of the directors at meetings, as well as the frequency of such meetings, are as follows:-

Directors	Board		Audit Committee		Remuneration Committee		Nominating Committee	
	No. of meetings held	No. of meetings attended	No. of meetings held	No. of meetings attended	No. of meetings held	No. of meetings attended	No. of meetings held	No. of meetings attended
Su Min	5	4	4	4*	1	1*	1	1*
Song Xuemeng	5	5	4	4*	1	1*	1	1*
Lew Syn Pau	5	5	4	4	1	1	1	1
Dr Jean Yong Wan Hong	5	4	4	4	1	1	1	1
Ong Han Sim	5	5	4	4*	1	1*	1	1*

* By invitation

All directors are provided with regular updates on changes in the relevant laws and regulations to enable them to make well-informed decisions and to ensure that the directors are competent in carrying out their expected role and responsibilities. Where possible and when an opportunity arises, the directors will be invited to locations within the Group's operations to enable them to obtain a better perspective of the business and enhance their understanding of the Group's operations.

On directors' training, the Group has instituted an orientation programme to familarise new directors with the Group's core business and governance practice. The programmes are briefed by the Chief Executive Officer on the Group's history, business operations, policies, strategic plans and objectives. Directors and senior executives are encouraged to undergo relevant training to enhance their skills and knowledge, particularly on new laws and regulations affecting the Group's operations.

PRINCIPLE 2: BOARD COMPOSITION AND BALANCE

The Board comprised three executive directors and two independent directors in 2007. In February 2008, a third independent director was appointed. Key information regarding the directors can be found under the "Corporate Information" section on page 13 of this annual report. The Nominating Committee reviews the independence of each independent director annually and adopts the Code's definition of what constitutes an independent director in its review.

The Nominating Committee is of the view that the current Board, with independent directors making up at least one-third of the Board, has an independent element that sufficiently enables the Board to exercise objective judgment on corporate affairs independently from the management. The Nominating Committee is also of the view that no individual or small groups of individuals dominate the Board's decision-making processes.

The Board is of the view that the size of the current board, comprising six directors, is appropriate with reference to the scope and extent of the Group's operations. The Board will constantly examine its size with a view to determine its impact upon its effectiveness. The Board also considers that its composition of non-executive and independent directors provide an effective Board with a combination of core competencies of knowledge, business contacts and extensive business and commercial experience. This balance is vital in ensuring that the strategies proposed by the executive management are fully discussed and examined, taking into account the long term interests of the Group.

PRINCIPLE 3: ROLE OF CHAIRMAN AND CHIEF EXECUTIVE OFFICER

The roles and responsibilities between the Chairman and the Chief Executive Officer ("CEO") are held by separate individuals. The Chairman, Ms Su Min, and the CEO, Mr Song Xuemeng, are both executive directors of the Group. The Board believes that notwithstanding that the Chairman and the CEO are both part of the executive management team, the current composition of the Board is able to make objective and prudent judgement on the Group's corporate affairs.

The Board is of the view that there are sufficient safeguards and checks to ensure that the process of decision making by the Board is independent and based on collective decisions without any individual exercising any considerable concentration of power or influence. Further, the Audit Committee, Remuneration Committee and Nominating Committee are chaired by independent directors.

Ms Su Min, our Executive Chairman of the Board has several years of experience in agriculture-related biotechnology business. Mr Song Xuemeng, our CEO is responsible for day-to-day overall management of our Group. There is a clear separation of their roles and responsibilities. The Chairman leads the Board and is responsible for its workings and proceedings, while the CEO is responsible for implementing the Group's strategies and policies and the conduct of its business.

BOARD COMMITTEES

Nominating Committee

PRINCIPLE 4: BOARD MEMBERSHIP
The members of the Nominating Committee ("NC") comprise the following directors, the majority of whom, including the Chairman, are independent from the management. In addition, the Chairman is not, or not directly associated with, the substantial shareholder of the Company.

Lew Syn Pau (Chairman)
Dr Jean Yong Wan Hong (Member)
Ong Kian Min (Member) (Appointed on 12 February 2008)

The NC has adopted specific written terms of reference and is scheduled to meet at least once a year. Its role is to establish a formal and transparent process for:

(a) reviewing and making recommendations to the Board on all candidates nominated for appointment to the Board;

(b) reviewing and recommending to the Board on an annual basis, the Board structure, size and composition, taking into account the balance between executive and non-executive, independent and non-independent directors and having regard at all times to the principles of corporate governance and the Code;

(c) procuring that at least one-third of the Board shall comprise independent directors;

(d) making recommendations to the Board on the continuation of the services of any director who has reached the age of 70;

(e) identifying and making recommendations to the Board as to which directors are to retire by rotation and to be put forward for re-election at each Annual General Meeting ("AGM") of the Company, having regard to the directors' contribution and performance, including independent directors;

(f) determining whether a director is independent (taking into account the circumstances set out in the Code and other salient factors); and

(g) proposing a set of objective performance criteria to the Board for approval and implementation, to evaluate the effectiveness of the Board as a whole and the contribution of each director to the effectiveness of the Board.

We believe that Board renewal must be an on-going process, to ensure good corporate governance and to maintain relevance to the business as well as the changing needs of the Company. Our Articles of Association require at least one-third of our directors (excluding the executive Chairman) to retire by rotation and subject themselves to re-election by Shareholders at every AGM such that no director stays in office for more than three years without being re-elected by Shareholders.

The NC had recommended to the Board that Mr Song Xuemeng and Mr Ong Kian Min be nominated for re-appointment at the forthcoming AGM. Mr Song Xuemeng retires under Article 107 of the Company's Article of Association and Mr Ong Kian Min, a newly appointed independent director appointed on 12 February 2008, retires under Article 117 of the Company's Article of Association. In making their recommendations, the NC evaluates such director's contribution and performance, such as his attendance at meetings of the Board or Board committees, where applicable, participation, candor and any special contributions.

Although the non-executive directors hold directorships in other companies which are not in the Group, the Board is of the view that such multiple board representations do not hinder them from carrying out their duties as directors. These directors would widen the experience of the Board and give it a broader perspective.

PRINCIPLE 5: BOARD PERFORMANCE
The NC strives to ensure that directors on the Board possess the experience and knowledge that are critical to the Group's business, and that each director brings to the Board an independent and objective perspective to enable balanced and well-considered decisions to be made.

The NC will decide on how the Board's performance is to be evaluated and propose objective performance criteria subject to the Board's approval. The Board will implement a process to be carried out by the NC for assessing the effectiveness of the Board as a whole and for assessing the contribution by each individual director, taking into consideration attendance at meetings of the Board and Board committees and the contribution of each individual director. Each director shall abstain from voting on any resolutions and making any recommendations and/or participate in any deliberations of the NC in respect of the assessment of his performance or re-nomination as a director.

PRINCIPLE 6: ACCESS TO INFORMATION
To assist the Board in fulfilling its responsibilities, the Board is provided with management reports containing complete, adequate and timely information, and papers containing relevant background or explanatory information required to support the decision-making process. The Board is also provided with updates on the relevant new laws, regulations and changing commercial risks in the Group's operating environment through regular presentations and meetings. Orientation to the Group's business strategies and operations is conducted as and when required.

The Board has separate and independent access to the senior management of the Company and the Company Secretary at all times. The Company Secretary administer, attend and prepare minutes of Board meetings, and assist the Chairman in ensuring that Board procedures are followed and reviewed so that the Board functions effectively, and the Company's Articles of Association and relevant rules and regulations, including requirements of the Companies Act, Cap. 50 of Singapore and Singapore Exchange Securities Trading Limited (SGX-ST), are complied with.

The Board, either individually or as a group, in the furtherance of their duties, has access to independent professional advice, if necessary, at the Company's expense.

Remuneration Committee

PRINCIPLE 7: PROCEDURES FOR DEVELOPING REMUNERATION POLICIES
PRINCIPLE 8: LEVEL AND MIX OF REMUNERATION
PRINCIPLE 9: DISCLOSURE ON REMUNERATION
The function of the Remuneration Committee ("RC") is to review and recommend the remuneration of the executive directors of the Company and directors' fees to the Board so as to provide a greater degree of objectivity and transparency in the setting of remuneration.

The RC comprises entirely non-executive directors, all of whom, including the Chairman, are independent:-

Dr Jean Yong Wan Hong (Chairman)
Lew Syn Pau (Member)
Ong Kian Min (Member) (Appointed on 12 February 2008)

The RC is scheduled to meet at least once a year and has adopted specific terms of reference. The RC has access to independent professional advice, if necessary.

The RC has written terms of reference and is responsible for:

(a) recommending to the Board a framework of remuneration for the Board and the key executives of the Group covering all aspects of remuneration such as director's fees, salaries, allowances, bonuses and benefits-in-kind;

(b) proposing to the Board, appropriate and meaningful measures for assessing the performance of the executive directors;

(c) determining the specific remuneration package for each executive director;

(d) considering the eligibility of directors for benefits under long-term incentive schemes; and

(e) considering and recommending to the Board the disclosure of details of the Group's remuneration policy, level and mix of remuneration and procedure for setting remuneration and details of the specific remuneration packages of the directors of the Company and key executives of the Group to those required by law or by the Code.

The RC has access to expert professional advice on human resource matters whenever there is a need to consult externally. In its deliberations, the RC takes into consideration industry practices and norms in compensation, in addition to the Company's relative performance to the industry and the performance of the individual directors. No director will be involved in deciding his own remuneration.

Our executive directors have entered into service agreements with the Company. The service agreement spells out the terms of employment such as salary and other benefits. The non-executive and independent directors do not have any service contracts. They are paid a basic fee and additional fees for serving on any of the Board committees. The directors' fees for the non-executive and independent directors are determined by their respective contributions to the Company, taking into account factors such as effort and time spent as well as their responsibilities on the Board and Board committees.

Directors' Remuneration

The RC ensures the level of remuneration is appropriate to attract, retain and motivate the directors to run the Company successfully. Our executive director's remuneration consists of a salary, allowances and bonuses. A proportion of the remuneration for the executive directors is linked to performance in the form of performance bonus. Directors' fees for our directors are subject to approval of shareholders at the AGM of the Company.

The components of the directors' remuneration for financial year ended 31 December 2007 are given below:-

Name of Director	Salary and Allowances	Performance Bonus	Directors' Fees	Total
Su Min	77.3%	22.7%	–	100%
Song Xuemeng	77.2%	22.8%	–	100%
Lew Syn Pau	–	–	100%	100%
Dr Jean Yong Wan Hong	–	–	100%	100%
Ong Han Sim	77.2%	22.8%	–	100%

The number of directors falling within the various remuneration bands are as set out below:-

Remuneration bands	FY2007	FY2006
S$500,000 and above	0	0
S$250,000 to below S$500,000	1	0
Below S$250,000	4	5
Total	5	5

Remuneration of Key Employees

The overall wage policies for the employees are linked to performance of the Group as well as the individual and determined by the Board and the RC. The Board will respond to any queries raised at the AGM pertaining to such policies. Accordingly, it is the opinion of the Board that there is no necessity for such policies to be approved by the Shareholders.

Details of remuneration paid to the top 5 key executives, in terms of remuneration (who are not directors of the Company) for the financial year ended 31 December 2007, all of which are within the $250,000 and below band, is given below:-

Name of Executive	Salary and Allowances	Bonus	Total
Yap Yew Chong, Roland	100.0%	–	100%
Li Zhan Qiang	100.0%	–	100%
Che Xu Tao	100.0%	–	100%
Ge Li Ya	74.4%	25.6%	100%
Liang Choong Wai	80.2%	19.8%	100%

The number of top executives falling within the various remuneration bands are as set out below:-

Remuneration bands	FY2007	FY2006
S$500,000 and above	0	0
S$250,000 to below S$500,000	0	0
Below S$250,000	5	5
Total	5	5

The Company does not have any employees who are immediate family members of a director, Executive Chairman or the CEO.

The Group has also entered into various letters of employment with all of the executive officers. Their compensation consists of salary, bonus, performance awards that are dependent on the performance of the Group.

The Company does not have any employee share option schemes.

Audit Committee

PRINCIPLE 10: AUDIT COMMITTEE
The Audit Committee ("AC") comprises the following non-executive directors, all of whom including the Chairman, are independent and majority of whom possess the appropriate accounting experience and/or related financial management expertise:

Lew Syn Pau (Chairman)
Dr Jean Yong Wan Hong (Member)
Ong Kian Min (Member) (Appointed on 12 February 2008)

The AC meets periodically to perform the following functions:

(a) review with the independent auditors the audit plan, their evaluation of the system of internal accounting controls, their letter to management and the management's response;

(b) review the quarterly and annual financial statements and balance sheet and income statement before submission to our Board for approval, focusing in particular on changes in accounting policies and practices, major risk areas, significant adjustments resulting from the audit, compliance with accounting standards and compliance with the SGX-ST Listing Manual and any other relevant statutory or regulatory requirements;

(c) review the internal control procedures and ensure co-ordination between the independent auditors and our management, and review the assistance given by our management to the auditors, and discuss problems and concerns, if any, arising from the interim and final audits, and any matters which the auditors may wish to discuss (in the absence of the management, where necessary);

(d) review and discuss with the independent auditors any suspected fraud or irregularity, or suspected infringement of any relevant laws, rules or regulations, which has or is likely to have a material impact on our Group's operating results or financial position, and our management's response;

(e) consider the appointment or re-appointment of the independent auditors and matters relating to the resignation or dismissal of the auditors;

(f) review interested person transactions (if any) falling within the scope of Chapter 9 of the SGX-ST Listing Manual;

(g) review potential conflicts of interest, if any;

(h) undertake such other reviews and projects as may be requested by the Board and will report to the Board its findings from time to time on matters arising and requiring the attention of our AC; and

(i) generally undertake such other functions and duties as may be required by the legislation, regulations or the SGX-ST Listing Manual, or by such amendments as may be made thereto from time to time.

The Board considers that the members of the AC are appropriately qualified to discharge their responsibilities.

The AC has full access to and full co-operation of the management and independent auditors. It also has the discretion to invite any director and executive director to attend its meetings. The AC also has the power to conduct or authorise investigations into any matters within its terms of reference.

The AC has reviewed the independent auditors' non-audit services and is satisfied that the nature and extent of such services has not prejudiced the independence and objectivity of the independent auditors. The AC recognizes the need to maintain a balance between the independence and objectivity of the independent auditors and the work carried out by the independent auditors based on value for money consideration.

The AC has recommended to the Board the re-appointment of Moore Stephens as the Company's independent auditors at the forthcoming AGM.

PRINCIPLE 11: INTERNAL CONTROLS

The Board is responsible for the overall internal control framework and is fully aware of the need to put in place a system of internal controls within the Group to safeguard Shareholders' interests and the Group's assets, and to manage risks. The Board also acknowledges that no cost effective internal control system will preclude all errors and irregularities. A system is designed to manage rather than eliminate the risk of failure to achieve business objectives, and can provide only reasonable and not absolute assurance against material misstatement or loss. The Board is satisfied that currently there are adequate internal controls in the Company. The Board regularly reviews the effectiveness of all internal controls, including operational controls.

PRINCIPLE 12: INTERNAL AUDITS

The Board recognizes and is responsible for maintaining a system of internal control processes to safeguard Shareholders' investments and the Group's business and assets. The Internal Audit Department is independent of the activities it audits. It reports to the AC functionally and to the management administratively. The Internal Audit Manager manages the internal audit functions and coordinates with the external accounting firm that perform specific audit assignments as directed by AC. He oversees and carries out the functions of internal audits, including the running of a stable and timely process of identifying and evaluating business risks, controls over cash flows and preparing timely reports and communications to the various committees, such as audit matters to the AC and administrative and operational matters to the Board.

As part of the procedures to ensure adequacy of the internal audit functions, the AC reviews the internal audit's activities and processes on a regular basis.

COMMUNICATION WITH SHAREHOLDERS

PRINCIPLE 13: ACCOUNTABILITY AND AUDIT

The Board is mindful that it is accountable to the Shareholders and strives to ensure that full material information is timely disclosed to Shareholders in compliance with the statutory requirements and SGX-ST Listing Manual. Price sensitive information is first publicly released, either before the Company meets with any group of investors or analysts or simultaneously with such meetings. Financial results and annual reports will be announced or issued within legally prescribed periods.

The Board provides the Shareholders with a detailed and balanced explanation and analysis of the Group's performance position and prospects on a quarterly basis. The management provides the Board with appropriately detailed management accounts of the Group's performance, position and prospects on a quarterly basis.

In preparing the financial statements, the directors have:

(a) selected suitable accounting policies and applied them consistently;

(b) made judgements and estimates that are reasonable and prudent;

(c) ensured that all applicable accounting standards have been followed; and

(d) prepared financial statements on a going concern basis as the directors have a reasonable expectation, having made enquiries, that the Group and Company have adequate resources to continue in operational existence for the foreseeable future.

PRINCIPLE 14: COMMUNICATION WITH SHAREHOLDERS
PRINCIPLE 15: GREATER SHAREHOLDER PARTICIPATION

We believe in regular and timely communication with Shareholders as part of our organisation's development to build systems and procedures that will enable us to compete internationally. The Company places great emphasis on investor relations and strives to maintain a high standard of transparency and to promote better investor communications. It aims to provide investors with clear, balanced and useful information, on a timely basis, about the Group's performance, financial position and prospects.

The Company does not practise selective disclosure. In line with continuous obligations of the Company pursuant to the SGX-ST Listing Manual and the Companies Act, Cap. 50 of Singapore, the Board's policy is that all Shareholders should be equally and timely informed of all major developments that will impact the Company or the Group. Information is communicated to Shareholders on a timely basis through the SGXNET and the press.

We support the Code's principle to encourage shareholder participation. Shareholders are encouraged to attend the AGM to ensure a high level of accountability and to stay informed of the Company's strategy and goals. Notice of the AGM is despatched to Shareholders, together with explanatory notes or a circular on items of special business (if necessary), at least 14 working days before the meeting. The Board welcomes questions from Shareholders who have an opportunity to raise issues either informally or formally before or at the AGM.

The Chairman of the AC, RC and NC will be available at the meeting to respond to those questions relating to the work of these committees. The external auditors are also present to address Shareholders' queries on the conduct of audit and the preparation and content of the auditors' report. The Articles of Association of the Company allow a member of the Company to appoint one or two proxies to attend and vote instead of the member.

DEALINGS IN SECURITIES

The Company has adopted internal codes in relation to dealings in the Company's securities pursuant to the SGX-ST Best Practices Guide that are applicable to all its officers. The Company and its officers are not allowed to deal in the Company's shares during the period commencing one month before the announcement of the Company's half year or full financial year financial results and ending on the date of the announcements of the results and during the period commencing two weeks before the announcement of the Company's quarterly results and ending on the date of the announcements of the results.

Directors and executives are also expected to observe insider-trading laws at all times even when dealing with securities within the permitted trading period.

MATERIAL CONTRACTS

Save for the interested person transactions and the service agreement between the Executive Chairman and CEO and the Company, there were no material contracts of the Company or its subsidiary involving the interests of any director or controlling shareholder subsisted at the end of the financial year or have been entered into since the end of the previous financial year.

RISK MANAGEMENT

The Company does not have a Risk Management Committee. However, the management regularly reviews the Company's business and operational activities to identify areas of significant business risks as well as appropriate measures to control and mitigate these risks. The management reviews all significant control policies and procedures and highlights all significant matters to the directors and AC.

INTERESTED PERSON TRANSACTIONS

The Company has established procedures to ensure that all transactions with interested persons are reported in a timely manner to the AC and that the transactions are on an arm's length basis.

The aggregate value of the interested person transactions entered during the financial year under review is as follows:

Name of Interested Person	Aggregate value of all interested person transactions during the financial year under review (excluding transactions less than $100,000 and transactions conducted under shareholders' mandate pursuant to Rule 920)	Aggregate value of all interested person transactions conducted under shareholders' mandate pursuant to Rule 920 (excluding transactions less than $100,000)
	RMB	RMB
Suzhou Shihua Tianlibao Biofertilizer Co Ltd	2,007,500	–
Jalur Lipur Sdn Bhd	1,000,000	–
TLB International Pte Ltd	10,000	–

The above transactions comprised the purchase of fertilizers for the forestry maintenance, rental income and sales of agricultural products to jointly-controlled entity.

BEST PRACTICES GUIDE

The Company has complied materially with the Best Practices Guide issued by SGX-ST.

REPORT OF THE DIRECTORS

As at December 31, 2007

The directors present their report to the members together with the audited consolidated financial statements of the Group and the balance sheet and statement of changes in equity of the Company for the financial year ended 31 December 2007.

1 DIRECTORS

The directors of the Company in office at the date of this report are:

Su Min
Song Xuemeng
Ong Han Sim
Lew Syn Pau
Dr Yong Wan Hong, Jean
Ong Kian Min (Appointed on 12 February 2008)

2 ARRANGEMENTS TO ENABLE DIRECTORS TO ACQUIRE SHARES AND DEBENTURES

Neither at the end of nor at any time during the financial year was the Company a party to any arrangement whose object is to enable the directors of the Company to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate.

3 DIRECTORS' INTERESTS IN SHARES AND DEBENTURES

The directors of the Company holding office at the end of the financial year had no interests in the shares, warrants and debentures of the Company and related corporations as recorded in the register of directors' shareholdings kept by the Company under Section 164 of the Singapore Companies Act , Cap. 50 except as follows:

	Direct interest			Deemed interest		
Name of director and corporation in which interest are held	**At the beginning of financial year**	**At the end of financial year**	**At 21 January 2008**	**At the beginning of financial year**	**At the end of financial year**	**At 21 January 2008**
The Company						
Ordinary shares						
Su Min	22,500,000	68,750,000	78,750,000	183,489,460	40,000,000	30,000,000
Song Xuemeng	22,500,000	119,739,460	119,739,460	183,489,460	40,000,000	30,000,000
Ong Han Sim	70,000	70,000	70,000	–	–	–

3 DIRECTORS' INTERESTS IN SHARES AND DEBENTURES (CONT'D)

Rights issue of warrants to subscribe for ordinary shares

Name of director	Exercise price	Exercise period	Holdings at the beginning of financial year	Holdings at the end of financial year	At 21 January 2008
Deemed interest					
Su Min	S$0.07	29 June 2006 - 28 June 2011	99,195,784	89,195,784	89,195,784
Song Xuemeng	S$0.07	29 June 2006 - 28 June 2011	99,195,784	89,195,784	89,195,784
Direct interest					
Ong Han Sim	S$0.07	29 June 2006 - 28 June 2011	28,000	28,000	28,000

4 DIRECTORS' CONTRACTUAL BENEFITS

Since the end of the previous financial year, no director has received or become entitled to receive a benefit by reason of a contract made by the Company or a related corporation with the director or with a firm of which he is a member, or with a company in which he has a substantial financial interest, except as disclosed in the financial statements. Certain directors received remuneration from related corporations in their capacity as directors and/or executives of those related corporations.

5 OPTIONS GRANTED

During the financial year, no option to take up unissued shares of the Company or any corporation in the Group was granted, except as disclosed in paragraph 8.

6 OPTIONS EXERCISED

During the financial year, there were no shares of the Company or any corporation in the Group issued by virtue of the exercise of an option to take up unissued shares.

7 OPTIONS OUTSTANDING

At the end of the financial year, there were no unissued shares of the Company or any corporation in the Group under option, except as disclosed in paragraph 8.

8 RIGHTS ISSUE OF WARRANTS

In the previous financial year, the Company issued 199,400,944 warrants on the basis of two warrants for every five existing ordinary shares in the capital of the Company, at an issue price of S$0.03 each to the shareholders of the Company to subscribe for new ordinary shares in the capital of the Company. The warrants may be exercised at any time from the date of issue of the warrants up to the fifth anniversary on the date of issue of the warrants. Each warrant carries the right to subscribe for one new ordinary share at an exercise price of S$0.07 each.

During the financial year, the Company issued 10,378,000 ordinary shares pursuant to the exercise of 10,378,000 (2006: Nil) warrants. At the end of the financial year, the number of outstanding warrants was 189,022,944 (2006: 199,400,944).

9 AUDIT COMMITTEE

The Audit Committee ("AC") of the Company is chaired by Lew Syn Pau and includes Dr Yong Wan Hong, Jean and Ong Kian Min (appointed on 12 February 2008), all of whom are independent directors.

The AC meets periodically and carried out its functions in accordance with Section 201B(5) of the Singapore Companies Act, Cap. 50. In performing those functions, the AC reviewed:

(a) the audit plan of the Company's independent auditors and its report on the weaknesses of internal accounting controls arising from the statutory audit;

(b) the quarterly and annual financial statements and the independent auditors' report on the annual financial statements before their submission to the Board of Directors;

(c) the adequacy of the Group's internal controls, including financial, operational and compliance controls and risk management policies and systems;

(d) the assistance given by the Company's management to the independent auditors;

(e) the compliance of relevant laws and regulatory matters that may have a material impact on the Group's financial statements;

(f) the nature and extent of non-audit services provided by the independent auditors;

(g) the interested person transactions in accordance with the requirements of the SGX-ST Listing Manual;

The AC has full access to and full co-operation of the management and independent auditors and also has the power to conduct or authorise investigations into any matters within its terms of reference. The AC has recommended to the Board of Directors the re-appointment of Moore Stephens as the Company's independent auditors at the forthcoming Annual General Meeting.

Further details regarding the AC are disclosed in the Corporate Governance Report included in the Annual Report.

10 AUDITORS

The independent auditors, Moore Stephens, have expressed their willingness to accept re-appointment.

On behalf of the Board of Directors

……………………………………..…

SU MIN

……………………………….............

SONG XUEMENG

Singapore
31 March 2008

STATEMENT BY DIRECTORS

31 December 2007

In the opinion of the directors, the consolidated financial statements of the Group and the balance sheet and statement of changes in equity of the Company as set out on pages 30 to 77 are drawn up so as to give a true and fair view of the state of affairs of the Group and the Company as at 31 December 2007 and of the results, changes in equity and cash flows of the Group and the changes in equity of the Company for the year then ended.

At the date of this statement, there are reasonable grounds to believe that the Company will be able to pay its debts as and when they fall due.

On behalf of the Board of Directors

……………………………......
SU MIN

……………………………......
SONG XUEMENG

Singapore
31 March 2008

INDEPENDENT AUDITORS' REPORT

To the Members of Guangzhao Industrial Forest Biotechnology Group Limited

We have audited the accompanying balance sheet of Guangzhao Industrial Forest Biotechnology Group Limited (the "Company") as at 31 December 2007 and the statement of changes in equity of the Company for the year then ended and the consolidated financial statements of the Company and its subsidiaries (the "Group"), which comprise the consolidated balance sheet as at 31 December 2007 and the consolidated income statement, consolidated statement of changes in equity and consolidated cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory notes, as set out on pages 30 to 77.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with the provisions of the Singapore Companies Act, Cap. 50 (the "Act") and Singapore Financial Reporting Standards. This responsibility includes: devising and maintaining a system of internal accounting controls sufficient to provide a reasonable assurance that assets are safeguarded against loss from unauthorised use or disposition; and transactions are properly authorised and that they are recorded as necessary to permit the preparation of true and fair financial statements and to maintain accountability of assets; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Singapore Standards on Auditing. 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.

An audit involves performing procedures to obtain evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider internal controls relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal controls. An audit also includes evaluating the appropriateness of accounting policies used and reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

In our opinion,

(a) the balance sheet and the statement of changes in equity of the Company and the consolidated financial statements of the Group are properly drawn up in accordance with the provisions of the Act and Singapore Financial Reporting Standards so as to give a true and fair view of the state of affairs of the Company and of the Group as at 31 December 2007, and the results, changes in equity and cash flows of the Group and the changes in equity of the Company for the year ended on that date; and

(b) the accounting and other records required by the Act to be kept by the Company have been properly kept in accordance with the provisions of the Act.

Moore Stephens
Public Accountants and
Certified Public Accountants

Singapore
31 March 2008

CONSOLIDATED INCOME STATEMENT

For the Financial Year Ended 31 December 2007

	Note	Group 2007 RMB'000	Group 2006 RMB'000
Sales of agricultural products	4	**11,304**	247
Gain arising from changes in fair value less estimated point-of-sale costs	5	**157,963**	158,647
Interest and other income	6	**2,469**	1,279
Harvesting costs		**(3,215)**	–
Foreign exchange loss		**(543)**	(242)
Allowance for impairment of receivables		**(3)**	(966)
Material costs		**–**	(95)
Employee benefits	7	**(10,265)**	(8,806)
Depreciation and amortisation expense	8	**(4,301)**	(4,559)
Research and development costs		**(3,199)**	(2,320)
Rental expenses	35	**(31,283)**	(30,876)
Other operating expenses		**(17,280)**	(15,046)
Finance costs	9	**(7,014)**	(1,653)
Total expenses		**(77,103)**	(64,563)
Share of loss of jointly-controlled entity		**(424)**	–
Profit before income tax	10	**82,905**	95,363
Income tax	11	**(17,032)**	(24,986)
Profit for the year		**65,873**	70,377
Earnings per share (RMB cents)	12		
Basic		**11.91**	14.12
Diluted		**8.66**	11.72

The accompanying notes form an integral part of the financial statements

BALANCE SHEETS

As at 31 December 2007

	Note	Group 2007 RMB'000	Group 2006 RMB'000	Company 2007 RMB'000	Company 2006 RMB'000
ASSETS					
Non-current assets					
Investments in subsidiaries	13	**–**	–	**194,158**	150,109
Due from subsidiaries	13	**–**	–	**121,589**	88,862
Investment in a jointly controlled entity	14	**1,124**	–	**1,548**	–
Property, plant and equipment	15	**19,004**	18,656	**1,301**	434
Land use rights	16	**12,037**	12,407	**–**	–
Prepaid lease payments	17	**14,668**	16,001	**–**	–
Land development costs	18	**36,761**	37,621	**–**	–
Biological assets	19	**534,145**	535,846	**–**	–
Deferred income tax assets	20	**395**	427	**–**	–
		618,134	620,958	**318,596**	239,405
Current assets					
Cash and cash equivalents	21	**67,835**	31,083	**45,233**	25,590
Financial assets at fair value through profit or loss	22	**1,117**	–	**1,117**	–
Trade receivables	23	**6,066**	–	**–**	–
Other receivables	24	**10,901**	4,094	**1,500**	271
Prepaid lease payments	17	**1,333**	1,333	**–**	–
Biological assets	19	**161,638**	5,154	**–**	–
Inventories	25	**33**	411	**–**	–
		248,923	42,075	**47,850**	25,861
Total assets		**867,057**	663,033	**366,446**	265,266
EQUITY AND LIABILITIES					
Share capital and reserves					
Share capital	26	**288,007**	218,835	**288,007**	218,835
Share premium	26	**–**	–	**–**	–
Capital reserve	27	**27,731**	29,292	**27,731**	29,292
General reserve	28	**9,927**	9,927	**–**	–
Other reserve	29	**6,697**	–	**6,697**	–
Currency translation reserve	30	**(44)**	–	**–**	–
Accumulated profits/(losses)		**302,047**	236,174	**(7,709)**	(4,090)
		634,365	494,228	**314,726**	244,037
Non-current liabilities					
Other payables	31	**32,441**	–	**–**	–
Finance lease liabilities	32	**290**	–	**290**	–
Borrowings	33	**50,037**	2,900	**48,037**	–
Deferred income tax liabilities	20	**86,217**	67,941	**1,485**	–
		168,985	70,841	**49,812**	–
Current liabilities					
Trade payables		**4**	220	**–**	–
Other payables	31	**34,163**	54,939	**1,728**	881
Staff incentive and welfare fund	34	**5,297**	5,344	**–**	–
Finance lease liabilities	32	**80**	–	**80**	–
Borrowings	33	**14,150**	27,548	**–**	20,348
Income tax payable		**10,013**	9,913	**100**	–
		63,707	97,964	**1,908**	21,229
Total liabilities		**232,692**	168,805	**51,720**	21,229
Total equity and liabilities		**867,057**	663,033	**366,446**	265,266

The accompanying notes form an integral part of the financial statements

STATEMENTS OF CHANGES IN EQUITY

For the Financial Year Ended 31 December 2007

	Share Capital RMB'000	Share Premium RMB'000	Capital Reserve RMB'000	General Reserve RMB'000	Other Reserve RMB'000	Currency Translation Reserve RMB'000	Accumulated Profits RMB'000	Total RMB'000
Group								
Balance at 1 January 2006	118,077	100,758	–	9,927	–	–	165,797	394,559
Profit for the year	–	–	–	–	–	–	70,377	70,377
Total recognised gain	–	–	–	–	–	–	70,377	70,377
Transfer of share premium	100,758	(100,758)	–	–	–	–	–	–
Rights issue of warrants	–	–	29,928	–	–	–	–	29,928
Rights issue of warrants expenses	–	–	(636)	–	–	–	–	(636)
Balance at 31 December 2006	218,835	–	29,292	9,927	–	–	236,174	494,228
Balance at 1 January 2007	218,835	–	29,292	9,927	–	–	236,174	494,228
Loss recognised directly in equity - currency translation difference	–	–	–	–	–	(44)	–	(44)
Profit for the year	–	–	–	–	–	–	65,873	65,873
Total recognised (loss)/gain	–	–	–	–	–	(44)	65,873	65,829
Issue of shares								
- Convertible notes exercise	30,385	–	–	–	–	–	–	30,385
- Placement exercise	35,052	–	–	–	–	–	–	35,052
- Exercise of rights issue of warrants	5,204	–	(1,561)	–	–	–	–	3,643
Share issue expenses	(1,469)	–	–	–	–	–	–	(1,469)
Equity portion of convertible notes	–	–	–	–	6,697	–	–	6,697
Balance at 31 December 2007	288,007	–	27,731	9,927	6,697	(44)	302,047	634,365

The accompanying notes form an integral part of the financial statements

	Share Capital RMB'000	Share Premium RMB'000	Capital Reserve RMB'000	Other Reserve RMB'000	Accumulated Losses RMB'000	Total RMB'000
Company						
Balance at 1 January 2006	118,077	100,758	–	–	(1,257)	217,578
Loss for the year	–	–	–	–	(2,833)	(2,833)
Total recognised loss	–	–	–	–	(2,833)	(2,833)
Transfer of share premium	100,758	(100,758)	–	–	–	–
Rights issue of warrants	–	–	29,928	–	–	29,928
Rights issue of warrants expenses	–	–	(636)	–	–	(636)
Balance at 31 December 2006	218,835	–	29,292	–	(4,090)	244,037
Balance at 1 January 2007	218,835	–	29,292	–	(4,090)	244,037
Loss for the year	–	–	–	–	(3,619)	(3,619)
Total recognised loss	–	–	–	–	(3,619)	(3,619)
Issue of shares						
- Convertible notes exercised	30,385	–	–	–	–	30,385
- Placement exercised	35,052	–	–	–	–	35,052
- Exercise of rights issue of warrants	5,204	–	(1,561)	–	–	3,643
Share issue expenses	(1,469)	–	–	–	–	(1,469)
Equity portion of convertible notes	–	–	–	6,697	–	6,697
Balance at 31 December 2007	288,007	–	27,731	6,697	(7,709)	314,726

The accompanying notes form an integral part of the financial statements

CONSOLIDATED CASH FLOW STATEMENT

For the Financial Year Ended 31 December 2007

	Group	
	2007	**2006**
	RMB'000	**RMB'000**
Cash Flows from Operating Activities		
Profit before income tax	**82,905**	95,363
Adjustments for:		
Gain arising from changes in fair value less estimated point-of-sale costs	**(157,963)**	(158,647)
Fair value gain on financial assets at fair value through profit or loss	**(49)**	–
Unrealised foreign exchange gain	**(1,339)**	–
Amortisation of land use rights	**370**	671
Amortisation of prepaid lease payments	**1,333**	1,333
Amortisation of land development costs	**860**	880
Amortisation of transaction costs of convertible notes	**150**	–
Depreciation of property, plant and equipment	**1,738**	1,675
Loss on disposal of property, plant and equipment	**7**	–
Share of loss of jointly-controlled entity	**424**	–
Allowance for impairment of receivables	**3**	966
Interest income	**(1,813)**	(1,179)
Interest expense	**7,014**	1,653
Operating cash flow before working capital changes	**(66,360)**	(57,285)
Inventories	**378**	(318)
Trade and other receivables	**(12,873)**	2,617
Trade and other payables	**7,775**	25,008
Proceeds from sales of biological assets	**11,304**	247
Purchases of biological assets	**(8,124)**	(844)
Income tax paid	**(194)**	(5)
Net cash used in operating activities	**(68,094)**	(30,580)
Cash Flows from Investing Activities		
Investment in a jointly controlled entity	**(1,548)**	–
Purchases of financial assets at fair value through profit or loss	**(1,068)**	–
Purchases of property, plant and equipment	**(1,695)**	(387)
Proceeds from disposal of property, plant and equipment	**6**	–
Interest received	**1,813**	1,179
Net cash (used in)/generated from investing activities	**(2,492)**	792
Cash Flows from Financing Activities		
Net proceeds from issuance of shares	**67,611**	–
Proceeds from rights issue of warrants	**–**	29,292
Net proceeds from issuance of convertible notes	**57,020**	–
Proceeds from borrowings	**13,250**	22,264
Repayment of borrowings	**(27,548)**	(17,438)
Fixed deposit pledged	**(12,182)**	(883)
Repayment of finance lease liabilities	**(34)**	–
Interest paid	**(2,917)**	(1,653)
Net cash from financing activities	**95,200**	31,582
Net effect of exchange rate in consolidating subsidiaries	**(44)**	–
Net increase in cash and cash equivalents	**24,570**	1,794
Cash and cash equivalents at beginning of financial year	**5,965**	4,171
Cash and cash equivalents at end of financial year (Note 21)	**30,535**	5,965

The accompanying notes form an integral part of the financial statements

NOTES TO THE FINANCIAL STATEMENTS

For the Financial Year Ended 31 December 2007

These notes form an integral part of and should be read in conjunction with the accompanying financial statements.

1 GENERAL

The Company is incorporated in Singapore with its principal place of business in Singapore and registered office at 6 Temasek Boulevard, #23-06 Suntec Tower Four, Singapore 038986. The Company is listed on the mainboard of the Singapore Exchange Securities Trading Limited ("SGX-ST").

The principal activity of the Company is investment holding. The principal activities of the subsidiaries are disclosed in Note 13 to the financial statements.

The consolidated financial statements of the Group and the balance sheet and statement of changes in equity of the Company for the financial year ended 31 December 2007 were authorised for issue in accordance with a resolution of the Board of Directors of the Company on 31 March 2008.

2 SIGNIFICANT ACCOUNTING POLICIES

(a) Basis of Preparation

The financial statements, which are expressed in Renminbi ("RMB"), have been prepared in accordance with the provisions of the Singapore Companies Act, Cap. 50 (the "Act") and Singapore Financial Reporting Standards ("FRS"). These financial statements have been prepared under the historical cost convention, except for the biological assets which are stated at their fair value and other accounting policies as disclosed below.

The preparation of financial statements in conformity with FRS requires management to exercise judgements in the process of applying the Group's accounting policies. It also requires the use of certain critical accounting estimates and assumptions that affect the application of accounting policies and reported amounts of assets, liabilities, revenues and expenses, and disclosures made. Estimates and judgements are continually evaluated and are based on historical experience and relevant factors, including expectations of future events that are believed to be reasonable under the circumstances, however actual results may ultimately differ from these estimates. Critical accounting estimates and assumptions used that are significant to the financial statements and areas involving a higher degree of judgement or complexity are disclosed in Note 3.

(b) Adoption of New/Revised FRS and INT FRS

During the current financial year, the Group has adopted all the new/revised FRS and new Interpretations to FRS ("INT FRS") issued that are relevant to its operations and effective for the said year. The adoption of these new/revised FRS and INT FRS has had no financial material impact on the financial statements of the Group except for FRS 107 and the complementary amended FRS 1 which introduce new disclosures relating to financial instruments and capital respectively.

FRS and INT FRS issued but not yet effective

At the date of authorisation of these financial statements, the Group has not applied the following relevant new FRS and INT FRS that have been issued but are only effective for the Group's annual financial period beginning on 1 January 2009.

FRS 23 (revised)	Borrowing Costs
FRS 108	Operating Segments

FRS 23

This Standard, removes the option to expense borrowing costs and requires an entity to capitalise borrowing costs directly attributable to the acquisition, construction or production of a qualifying asset as part of the cost of that asset.

As the Group capitalise borrowing costs for the construction of any qualifying asset, the revised standard is not expected to have any impact on the financial statements of the Group upon application.

2 SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(b) Adoption of New/Revised FRS and INT FRS (cont'd)

FRS and INT FRS issued but not yet effective (cont'd)

FRS 108

This Standard, which replaces FRS 14 Segment Reporting, requires the identification and reporting of operating segments based on the information used internally by the Group's chief operating decision maker in order to evaluate segment performance and deciding on allocation of resources.

The Group is in the process of making an assessment of the impact of FRS 108 upon initial application. As this is a disclosure standard, it will have no impact on the financial results and financial position of the Group when implemented in 2009.

(c) Currency Translation

Functional and Foreign Currency

Items included in the financial statements of each entity in the Group are measured using the currency of the primary economic environment in which the entity operates ("functional currency"). The consolidated financial statements are presented in RMB, which is the Group's functional and presentation currency.

Transactions and Balances

Transactions in a currency other than the functional currency ("foreign currency") are translated into the functional currency using the exchange rates prevailing at the transactions. Currency translation 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, except for currency translation differences on net investment in foreign entities and borrowings and other currency instruments qualifying as net investment hedges for foreign operations in the financial statements.

Non-monetary items that are measured at fair values in foreign currencies are translated using the exchange rates at the date when the fair values are determined.

Currency translation differences on non-monetary items, whereby the gains or losses are recognised in the income statement, such as equity instruments held at fair value through profit or loss, are reported as part of the fair value gain or loss.

Translation of Group Entities' Financial Statements

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 the balance sheet;

- Income and expenses 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 using the exchange rates at the dates of the transactions); and

- All resulting translation differences are recognised in the currency translation reserve.

(d) Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and entities (including special purpose entities) controlled by the Company (its subsidiaries). Control is achieved where the Company has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. The Company generally has such power when it, directly or indirectly, holds more than 50% of the issued share capital, or controls more than half of the voting power, or controls the composition of the board of directors.

The results of subsidiaries acquired or disposed of during the financial year are included from the effective date of acquisition or up to the effective date of disposal. All significant intra-group transactions, balances, income and expenses are eliminated on consolidation. Accounting policies of subsidiaries have been changed when necessary to ensure consistency with the policies adopted by the Group.

Investments in subsidiaries are stated in the Company's balance sheet at cost less any accumulated impairment losses. An assessment of investments in subsidiaries is performed when there is indication that the asset has been impaired or the impairment losses recognised in the prior years no longer exist.

Acquisitions of subsidiaries are accounted for using the purchase method. 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.

Goodwill arising on acquisitions of subsidiaries is initially measured at cost being the excess of the cost of the business combination over the Group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities.

(e) Investment in a Jointly Controlled Entity

The Group has an interest in a jointly controlled entity that involves the establishment of a separate entity in which each venturer has an interest. The Group's investment in a jointly controlled entity is accounted for using the equity method of accounting. Investment in a jointly controlled entity in the consolidated balance sheet includes goodwill (net of any accumulated impairment losses) identified on acquisition.

Investment in a jointly controlled entity is initially recognised at cost. The cost of an acquisition is measured at the fair value of the assets given, equity instruments issued or liabilities incurred or assumed at the date of exchange, plus costs directly attributable to the acquisition.

In applying the equity method of accounting, the Group's share of its jointly controlled entity's post-acquisition profits or losses is recognised in the income statement and its share of post-acquisition movements in reserves is recognised in equity directly. These post-acquisition movements are adjusted against the carrying amount of the investment. When the Group's share of losses in a jointly controlled entity equals or exceeds its interest in the jointly controlled entity, including any other unsecured non-current receivables, the Group does not recognise further losses, unless it has obligations or has made payments on behalf of the jointly controlled entity.

Unrealised gains on transactions between the Group and its jointly controlled entity are eliminated to the extent of the Group's interest in the jointly controlled entity. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred.

NOTES TO THE FINANCIAL STATEMENTS

For the Financial Year Ended 31 December 2007

2 SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(f) Property, Plant and Equipment and Depreciation

Property, plant and equipment are initially recognised at cost and subsequently carried at cost less accumulated depreciation and accumulated impairment losses.

Properties under construction-in-progress for production, rental or administrative purposes, or for purposes not yet determined, are carried at cost less accumulated impairment losses. Cost capitalised include professional fees and other directly related development expenditure including borrowing costs incurred in developing the properties. Depreciation of these assets, on the same basis as other property assets, commences when the assets are ready for their intended use.

Depreciation on property, plant and equipment, other than construction-in-progress is calculated using the straight-line method to allocate their depreciable amounts over their estimated useful lives as follows:

Buildings	-	20 years
Plant and machinery	-	5 to 8 years
Office equipment	-	5 years
Motor vehicles	-	5 years
Computers	-	5 years
Furniture and fittings	-	5 years
Renovation	-	5 years

The residual values, estimated useful lives and depreciation method of property, plant and equipment are reviewed, and adjusted as appropriate, at each balance sheet date. The effects of any revision are recognised in the income statement when the changes arise.

Fully depreciated assets still in use are retained in the financial statements. On disposal or retirement of an item of property, plant and equipment, the difference between the net disposal proceeds and its carrying amount is recognised in the income statement.

(g) Land Use Rights

Land use rights are stated at cost less accumulated amortisation and accumulated impairment losses. Amortisation is charged to income statement to write off the cost of land use rights over the term of the relevant land use rights using the straight-line method over 20 or 50 years.

(h) Prepaid Lease Payments

Prepaid lease payments is stated at cost less accumulated amortisation and accumulated impairment losses. Amortisation is charged to income statement to write off the prepaid rental expenses over the prepaid rental period using the straight-line method over 15 years.

(i) Land Development Costs

Land development costs are stated at cost less accumulated amortisation and accumulated impairment losses. Amortisation is charged to income statement to write off the cost of land development costs over the term of the relevant land lease terms using the straight-line method over 46 to 47 years.

(j) Intangible Assets

Goodwill on Acquisitions

Goodwill represents the excess of the cost of an acquisition over the fair value of the Group's share of the net identifiable net assets and contingent liabilities of the acquired subsidiaries and jointly controlled entity at the date of acquisition.

Goodwill on subsidiaries are recognised separately as intangible assets and carried at cost less accumulated impairment losses. Goodwill on jointly controlled entity is included in the carrying amount of the investment.

Gains and losses on the disposal of subsidiaries and jointly controlled entity include the carrying amount of goodwill relating to the entity sold.

Research and Development Costs

Internally-generated intangible assets are amortised on a straight-line basis over their estimated useful lives. Where no internally-generated intangible asset can be recognised, development costs are charged to the income statement in the period in which it is incurred. Research costs are recognised as an expense when incurred.

An internally-generated intangible asset is recognised only if all of the following conditions are met:

- an asset is created that can be identified (such as software and new processes);
- it is probable that the asset created will generate future economic benefit;
- the entity has the capacity to control the future economic benefits from the asset; and
- the developments cost of the asset can be measured reliably.

(k) Impairment of Non-financial Assets

Intangible assets, investments in subsidiaries, investment in a jointly controlled entity, property, plant and equipment, land use rights, prepaid lease payments and land development costs are tested for impairment whenever there is any objective evidence or indication that these assets may be impaired. Goodwill is tested for impairment annually and whenever there is indication that the goodwill may be impaired. Goodwill included in the carrying amount of an investment in a jointly controlled entity is tested for impairment as part of the investment, rather than separately. If any such indication exists, the recoverable amount (i.e. the higher of the fair value less cost to sell and value in use) of the asset is estimated to determine the amount of impairment loss.

For the purpose of impairment testing, the recoverable amount is determined on an individual asset basis unless the asset does not generate cash flows that are largely independent of those from other assets. If this is the case, the recoverable amount is determined for the cash generating unit (CGU) to which the asset belongs.

If the recoverable amount of the asset (or CGU) is estimated to be less than its carrying value, the carrying value of the asset or CGU is reduced to its recoverable amount. The difference between the carrying amount and recoverable amount is recognised as an impairment loss in the income statement, unless the asset is carried at revalued amount, in which case, such impairment loss is treated as a revaluation decrease.

An impairment loss for an asset other than goodwill is reversed if, and only if, there has been a change in the estimates used to determine the assets' recoverable amount since the last impairment loss was recognised. The carrying amount of an asset other than goodwill is increased to its revised recoverable amount, provided that this amount does not exceed the carrying amount that would have been determined (net of accumulated amortisation or depreciation) had no impairment loss been recognised for the asset in prior years.

A reversal of impairment loss for an asset other than goodwill is recognised in the income statement, unless the asset is carried at revalued amount, in which case, such reversal is treated as a revaluation increase. However, to the extent that an impairment loss on the same revalued asset was previously recognised in the income statement, a reversal of that impairment is also recognised in the income statement.

2 SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(l) Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is calculated using the weighted average method. In arriving at the net realisable value, due allowance is made for obsolete or slow moving inventories.

(m) Biological Assets

Biological assets comprise seedlings, grown saplings and timber. Grown saplings and timber are measured on initial recognition and at each balance sheet date at their fair value less estimated point-of-sale costs.

Biological assets are recognised when and only when the Group controls the asset as a result of past events, it is probable that future economic benefits associated with the asset will flow to the Group and the fair value of the asset can be measured reliably.

If an active market exists for the biological asset, the quoted price in that market is the appropriate basis for determining the fair value of that asset. Gain arising from changes in fair value less estimated point-of-sale costs is determined with reference to the most recent market transaction price as well as with reference to the valuation performed by a professional valuer in reference to the most recent transaction price used by the Group to measure the fair value of the biological assets at the end of the financial year. Point-of-sale costs include commission to brokers and dealers, levies by regulatory agencies and commodity exchanges, and transfer taxes and duties.

Seedlings are stated at the lower of cost and net realisable value, as there is no active market existing for seedlings.

(n) Investments in Financial Assets

Management determines the classification of its financial assets at initial recognition and re-evaluates this designation at every reporting date, with the exception that the designation of financial assets at fair value through profit or loss is not revocable.

Financial assets are classified as financial assets at fair value through profit or loss if acquired principally for the purpose of selling in the short term or if so designated by management. Assets in this category are classified as current assets if they are either held for trading or are expected to be realised within 12 months after the balance sheet date.

Purchases and sales of financial assets are recognised on trade-date - the date on which the Group commits to purchase or sell the asset. Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the Group has transferred substantially all risks and rewards of ownership.

Financial assets at fair value through profit or loss are recognised at fair value. Realised and unrealised gains and losses arising from the changes in fair value are included in the income statement in the period in which they arise. The fair values of quoted financial assets are based on quoted market prices, which are the current bid prices.

(o) Financial Instruments

Financial assets and financial liabilities are recognised on the Group's balance sheet when the Group becomes a party to the contractual provisions of the instrument.

Trade and Other Receivables

Trade and other receivables, which are normally settled on 30 to 90 days terms, including amounts due from subsidiaries, are initially recognised at fair value, and subsequently measured at amortised cost using the effective interest method. Appropriate allowances for estimated irrecoverable amounts are recognised in the income statement when there is objective evidence that the assets are impaired. The allowance recognised is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate computed at initial recognition.

Cash and Cash Equivalents

Cash and cash equivalents include cash on hand and at banks or financial institutions, including fixed deposits which are not pledged. Cash and cash equivalents are short-term and highly liquid investments that are readily convertible to known amounts of cash and that are subject to insignificant risk of changes in value.

Trade and Other Payables

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

Equity Instruments

Equity instruments issued by the Company are recorded at the proceeds received, net of direct issue costs.

(p) Borrowings

Borrowings

Borrowings are initially recognised at fair value, net of transaction costs and subsequently carried 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.

Convertible Notes

When convertible notes are issued, the total proceeds are allocated to the liability component and the equity component, which are separately presented on the balance sheet.

The liability component is recognised initially at its fair value, determined using a market interest rate for equivalent non-convertible notes. It is subsequently carried at amortised cost using the effective interest method until the liability is extinguished on conversion or redemption of the notes.

The difference between the total proceeds and the liability component is allocated to the conversion option (equity component), which is presented in equity net of deferred tax effect. The carrying amount of the conversion option is not adjusted in subsequent periods. When the conversion option is exercised, its carrying amount will be transferred to share capital. When the conversion option lapses, its carrying amount will be transferred to retained earnings.

(q) Leases

Finance Lease Liabilities

Leases where the Group assumes substantially all risks and rewards incidental to ownership of the leased assets are classified as finance leases.

The leased assets and the corresponding lease liabilities (net of finance charges) under finance leases are recognised on the balance sheet as property, plant and equipment and borrowings respectively, at the inception of the leases based on the lower of the fair value of the leased assets and the present value of the minimum lease payments.

Each lease payment is apportioned between the finance expense and the reduction of the outstanding lease liability. The finance expense is recognised in the income statement on a basis that reflects a constant periodic rate of interest on the finance lease liability.

2 SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(q) Leases (cont'd)

Operating Leases

Leases of office premises and plantations where a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases are charged to income statement on a straight-line basis over the period of the leases.

(r) Provisions

Provisions are recognised when the Group has a present obligation as a result of a past event, and it is probable that the Group will be required to settle that obligation. Provisions are measured at the directors' best estimate of the expenditure required to settle the obligation at the balance sheet date, and are discounted to present value where the effect is material.

(s) Revenue Recognition

Sales of agricultural products are recognised when goods are delivered and title has passed.

Gain or loss arising on initial recognition of biological assets at fair value less estimated point-of-sale costs and from subsequent changes in fair value less estimated point-of-sale costs is included in the income statement in which it arises.

Interest income is recognised as interest accrues using the effective interest method unless collectibility is in doubt.

Rental income from operating leases is recognised on a straight-line basis over the period of the leases.

(t) Borrowing Costs

Borrowing costs directly attributable to the construction of a qualifying asset are capitalised during the period of time that is required to complete and prepare the asset for its intended use. Other borrowing costs are recognised on a time-proportion basis in the income statement using the effective interest method.

(u) Employee Benefits

Defined Contribution Plans

Defined contribution plans are post-employment benefit plans under which the Group pays contributions to and are recognised as employee compensation expense when they are due.

Employee Leave Entitlement

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.

(v) Income Tax

Income tax expense represents the sum of the income tax currently payable and deferred income tax.

Current income tax liabilities for current and prior periods are recognised at the amounts expected to be paid to the tax authorities, using the tax rates and tax laws that have been enacted or substantially enacted by the balance sheet date.

Deferred income tax is recognised for all temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements except when the deferred income tax arises from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and affects neither accounting nor taxable profit or loss at the time of the transaction.

Deferred income tax is determined using tax rates (and laws) that have been enacted or substantially 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 liability is recognised for all temporary differences associated with investments in subsidiaries, except where the timing of the reversal of the temporary difference can be controlled and it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred income tax asset is recorded only to the extent that it is probable that a future taxable profit will be available against which the deductible temporary differences and tax losses can be utilised.

(w) Reserves

Capital Reserve

Rights issue of warrants has been issued on 29 June 2006 at an issue price of S$0.03 each to the shareholders of the Company to subscribe for new ordinary shares in the capital of the Company. The warrants may be exercised at any time from the date of issue of the warrants up to the fifth anniversary on the date of issue of the warrants. Each warrant carries the right to subscribe for one new ordinary share at an exercise price of S$0.07 each. Net proceeds from the rights issue of warrants are recorded in the Capital Reserve.

General Reserve

Pursuant to relevant laws and regulations in the People's Republic of China ("PRC") and the articles of association of the subsidiaries, the subsidiaries are required to make appropriation from profit after income tax as reported in the PRC statutory financial statements, at 10% of such profit after income tax, to a reserve fund until the balance reaches at least 50% of the registered capital of the subsidiaries. The reserve fund may be used to make up losses incurred or to increase share capital.

The PRC subsidiaries make appropriation from profit after income tax to an enterprise expansion fund. Subject to approval by the relevant government authorities, the enterprise expansion fund may also be used to increase share capital. The appropriation rate has to be approved by the board of directors of the subsidiaries.

3 CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

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.

Critical Judgements in Applying the Group's Accounting Policies

Management makes the following judgements in the process of applying the Group's accounting policies. The judgements that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities are discussed below.

Recognition of biological assets for which certificates of forestry ownership not fully obtained

The biological assets are recognised based on settlement of purchase consideration or lease contracts entered into with third parties.

As at 31 December 2007, out of the total area of the Group's biological assets amounting to 279,897 mu (one mu is approximately equivalent to 666.67 square metres), the Group has only obtained the certificate of forestry ownership amounting to 78,904 mu. The Group has applied for but not obtained certificates of forestry ownership of the remaining biological assets of 200,993 mu.

Management considered whether it was appropriate to recognise the biological assets, or whether it was more appropriate to defer recognition until the certificates for the remaining biological assets were obtained.

3 CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY (CONT'D)

Critical Judgements in Applying the Group's Accounting Policies (cont'd)

Recognition of biological assets for which certificates of forestry ownership not fully obtained (cont'd)

In making this judgement, management considered the detail criteria for the recognition of biological assets set out in FRS 41 Agriculture, and in particular, whether the Group controls the biological assets and whether the fair value of the biological assets can be measured reliably. Based on the settlement of the purchase consideration, the various land lease contracts entered into with third parties, and a professional valuer's valuation of the fair value of the biological assets, the directors are satisfied that the Group has control of the biological assets and recognition of the biological assets is appropriate, in conjunction with the recognition of an appropriate fair value for the assets at the end of the financial year.

Key Sources of Estimation Uncertainty

Management makes the key accounting estimates and assumptions concerning the future. 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.

Fair value of biological assets

The Group has recognised an amount of RMB 157,963,000 (2006: RMB 158,647,000) for the gain arising from changes in fair value less estimated point-of-sale costs of biological assets during the financial year.

Grown saplings and timber are measured on initial recognition and at each balance sheet date at their fair values less estimated point-of-sale costs. For grown saplings, the fair value calculation requires the Group to estimate appropriate market prices used as reference in the relevant locations. For timber, the fair value calculation requires the Group to estimate the volume of timber that can be harvested from the biological assets and the appropriate market prices to be used as reference in the relevant locations.

Seedlings are stated at the lower of cost and net realisable value, as there is no active market existing for seedlings. The Group estimated that the net realisable value of seedlings exceeds the cost as at end of the financial year.

Where the above expectation is different from the original estimate, such difference will impact the carrying value of the biological assets and the gain arising from changes in fair value in the period in which the estimate has been changed.

Recoverability of prepaid lease payments, land use rights and land development costs

Determining whether prepaid lease payments, land use rights and land development costs are impaired requires an estimation of the value in use of the cash-generating units to which such prepayments have been allocated. The value in use calculation requires the Group to estimate the future cash flows expected from the cash-generating units and an appropriate discount rate in order to calculate the present value of the future cash flows. Management has evaluated the recoverability of these assets based on such estimates and is confident that the carrying amounts of the prepaid lease payments, land use rights and land development costs will be recovered in full.

4 SALES OF AGRICULTURAL PRODUCTS

Sales of agricultural products represent the invoiced value of goods sold. All intra-group transactions are excluded from the revenue of the Group.

	Group	
	2007	**2006**
	RMB'000	**RMB'000**
Sales of seedlings and grown saplings	**1,999**	247
Sales of timber	**9,305**	–
Sales of agricultural products (Note 19)	**11,304**	247

5 GAIN ARISING FROM CHANGES IN FAIR VALUE LESS ESTIMATED POINT-OF-SALE COSTS

	Group	
	2007	**2006**
	RMB'000	**RMB'000**
Gain arising from changes in fair value less estimated point-of-sale costs (Note 19)	**157,963**	158,647

6 INTEREST AND OTHER INCOME

	Group	
	2007	**2006**
	RMB'000	**RMB'000**
Fair value gain of financial assets at fair value through profit or loss	**49**	–
Interest income earned on bank and fixed deposits	**1,813**	1,179
Rental income	**591**	–
Other income	**16**	100
	2,469	1,279

7 EMPLOYEE BENEFITS

	Group	
	2007	**2006**
	RMB'000	**RMB'000**
Salaries and bonuses	**9,133**	8,500
Defined contribution plans	**507**	175
Staff benefits	**625**	131
	10,265	8,806

Direct labour costs amounting to RMB 2,202,000 (2006: RMB 957,000) were capitalised to biological assets (Note 19) during the financial year.

Labour costs for harvesting of certain biological assets during the financial year amounting to RMB 1,179,000 are included as part of harvesting costs disclosed in the consolidated income statement.

8 DEPRECIATION AND AMORTISATION EXPENSE

	Group	
	2007 RMB'000	2006 RMB'000
Depreciation of property, plant and equipment	**1,738**	1,675
Amortisation of land use rights	**370**	671
Amortisation of prepaid lease payments	**1,333**	1,333
Amortisation of land development costs	**860**	880
	4,301	4,559

9 FINANCE COSTS

	Group	
	2007 RMB'000	2006 RMB'000
Interest on		
- bank borrowings	**2,178**	1,653
- term loans	**320**	–
- convertible notes	**869**	–
- finance lease liabilities	**4**	–
- accrued rental and maintenance fees payable	**3,627**	–
Others	**16**	–
	7,014	1,653

10 PROFIT BEFORE INCOME TAX

	Group	
	2007 RMB'000	2006 RMB'000
This is stated after deducting the following expenses:		
Loss on disposal of property, plant and equipment	**7**	–
Directors' fees	**650**	533

11 INCOME TAX

	Group	
	2007	2006
	RMB'000	RMB'000
Income tax – Singapore		
- under provision in prior years	**194**	–
- current year	**100**	–
	294	–
Deferred income tax (Note 20)	**16,738**	24,986
	17,032	24,986

(a) The Company's corporate tax rate in Singapore for the current financial year is 18% (2006: 20%).

(b) Shanghai Guangzhao Plant Fast Growing Technology Co., Ltd ("SHFG"), a wholly owned foreign enterprise since 17 August 2001, was subjected to a corporate tax rate of 27%. With effect from 1 January 2008, under the Enterprise Income Tax ("EIT") of the PRC, the corporate tax rate for SHFG is 25%.

In accordance with the PRC tax laws, enterprises engaged in the business of agricultural produce including forestry, seedlings and saplings are fully exempted from PRC income tax with effect from 1 January 2001. SHFG has filed for the application, but has not obtained the approval from the tax authority. Hence during the current financial year, the deferred tax liabilities are recognised based on the future applicable corporate tax rate of 25%.

(c) Shanghai Guangzhao Forestry Development Co., Ltd ("SGFD") was incorporated on 21 January 2005 in Pudong Zhangjiang district, PRC where the applicable corporate tax rate is 18% (2006: 15%). SGFD will be entitled to a favourable "five-year tax holiday", where the first two years starting from the first profitable year are at a zero tax rate followed by a three year 50% reduction of the applicable tax rate. Under the EIT law, the "five-year tax holiday" will commence from 1 January 2008 for a five year transition period during which time the tax rate will gradually increase to 25%. During the current financial year, the deferred tax liabilities are recognised based on the applicable corporate tax rate of 18%.

(d) Shanghai Shizhao Trading Co., Ltd was incorporated on 30 May 2007 in Huang Pu Jiang district, PRC where the applicable corporate tax rate is 25%.

(e) Guangzhao Biofuel Pte Ltd was incorporated on 7 December 2007 in Cambodia where the applicable income tax rate is 20%.

The income tax expense for the financial year can be reconciled to the Group's profit before income tax as follows:

	Group	
	2007	2006
	RMB'000	RMB'000
Profit before income tax	**82,905**	95,363
Tax calculated at Singapore tax rate of 18% (2006: 20%)	**14,923**	19,072
Effect of different tax rates in other countries	**5,154**	3,571
Effect of change in tax rate	**(86)**	–
Non-allowable items	**957**	4,653
Tax exemption	**(4,110)**	(2,310)
Under provision in prior years	**194**	–
	17,032	24,986

12 EARNINGS PER SHARE

(a) Basic earnings per share

Basic earnings per share is calculated by dividing the profit for the year attributable to equity holders of the Company by the weighted average number of ordinary shares outstanding during the financial year.

	Group 2007	Group 2006
Profit for the year attributable to equity holders of the Company (RMB'000)	**65,873**	70,377
Weighted average number of ordinary shares	**552,955,075**	498,502,360
Basic earnings per share (RMB cents)	**11.91**	14.12

(b) Diluted earnings per share

Diluted earnings per share is calculated by dividing the profit for the year attributable to equity holders of the Company by the weighted average number of ordinary shares outstanding after adjusting for the effects of all dilutive potential ordinary shares during the financial year.

	Group 2007	Group 2006
Profit for the year attributable to equity holders of the Company (RMB'000)	**65,873**	70,377
Weighted average number of ordinary shares for basic earnings per share computation	**552,955,075**	498,502,360
Adjustments for		
- unissued ordinary shares under rights issue of warrants	**196,453,388**	102,158,840
- unissued ordinary shares under convertible notes	**10,965,854**	–
	760,374,317	600,661,200
Diluted earnings per share (RMB cents)	**8.66**	11.72

13 INVESTMENT IN SUBSIDIARIES

	Company 2007 RMB'000	Company 2006 RMB'000
Unquoted equity shares, at cost	**194,158**	150,109
Due from subsidiaries - non trade	**121,589**	88,862

The amounts due from subsidiaries are unsecured and are not expected to be repaid within the next 12 months and bear interest at 7% (2006: 6%) per annum. Interest income from subsidiaries amounted to RMB 6,317,500 (2006: RMB 4,508,600) during the current financial year.

Detail of the subsidiaries are as follows:

Name and country of incorporation/operation	Principal activities	Proportion of ownership interest 2007 %	2006 %	Cost of investment 2007 RMB'000	2006 RMB'000
Shanghai Guangzhao Plant Fast-Growing Technology Co., Ltd. (1) PRC	Planting and selling of seedlings, saplings and timber	**100**	100	**109,265**	109,265
Shanghai Guangzhao Forestry Development Co., Ltd. (1) PRC	Planting and selling of seedlings, saplings and timber	**100**	100	**63,884**	40,844
Shanghai Shizhao Trading Co., Ltd (1) (3) PRC	Importers and exporters, wholesales trade of agricultural product, commission agents	**100**	–	**15,047**	–
Guangzhao Biofuel Pte Ltd (2) (3) Cambodia	Plantation of crops for biofuel industries, trading of Jatropha	**100**	–	**5,962**	–
				194,158	150,109

(1) Audited by Moore Stephens, Singapore
(2) Not required to be audited under the laws of the country of incorporation
(3) Dormant during the financial year

During the current financial year, the Company increased its cost of investment in Shanghai Guangzhao Forestry Development Co., Ltd from US$ 5,000,000 (equivalent to RMB 40,844,000) to US$ 8,000,000 (equivalent to RMB 63,884,000). The Company has also incorporated two new subsidiaries with a cost of investment of US$ 2,000,000 (equivalent to RMB 15,047,000) in Shanghai Shizhao Trading Co., Ltd and US$ 808,750 (equivalent to RMB 5,962,000) in Guangzhao Biofuel Pte Ltd. The costs of the addition new investments were fully paid in cash.

NOTES TO THE FINANCIAL STATEMENTS

For the Financial Year Ended 31 December 2007

14 INVESTMENT IN A JOINTLY CONTROLLED ENTITY

	Group		Company	
	2007 RMB'000	2006 RMB'000	2007 RMB'000	2006 RMB'000
Equity investment, at cost	**1,548**	–	**1,548**	–
Share of losses	**(424)**	–		
Balance at end of year	**1,124**	–		

Name and country of incorporation/operation	Principal activities	Proportion of ownership interest		Cost of investment	
		2007 %	2006 %	2007 RMB'000	2006 RMB'000
Jalur Lipur Sdn Bhd [(1)] Malaysia	Agriculture and Biotech	**50**	–	**1,548**	–

(1) Audited by Moore Stephens, Malaysia

On 15 April 2007, the Company acquired 50% of the issued share capital of Jalur Lipur Sdn Bhd for a cash consideration of Malaysia Ringgit ("RM") 700,000 (equivalent to RMB 1,548,000). Fair value of identifiable net assets at the date of acquisition amounted to RMB 1,109,314, resulting in goodwill on acquisition of RMB 438,588, which is included in the carrying amount of the investment in the jointly controlled entity. The acquired jointly controlled entity has incurred losses of RMB 424,000 for the period from 15 April 2007 to 31 December 2007. The jointly controlled entity has a tax rate of 20% at year end.

The recoverable amount of the investment was determined based on a value-in-use calculation. Cash flow projections used in this calculation were based on financial budgets approved by management covering a three-year period. The average budgeted gross margin was based on past performance and expectations of the market development. The weighted average growth rate used was consistent with the forecasts included in industry reports. The discount rate of 10% used was pre-tax and reflected specific risks relating to the relevant business.

The following summarised financial information represents the Group's 50% share of the jointly controlled entity:

	Group	
	2007 RMB'000	2006 RMB'000
Assets:		
Non-current	**1,360**	–
Current	**894**	–
	2,254	–
Liabilities:		
Current	**1,568**	–
Net assets	**686**	–
Income	**413**	–
Expenses	**(837)**	–
Loss after tax	**(424)**	–

15 PROPERTY, PLANT AND EQUIPMENT

	Construction in-progress RMB'000	Buildings RMB'000	Plant and machinery RMB'000	Office equipment RMB'000	Motor vehicles RMB'000	Computers RMB'000	Furniture and fittings RMB'000	Renovation RMB'000	Total RMB'000
Group									
2007									
Cost									
Balance at beginning of year	281	18,561	2,546	421	1,643	97	303	199	24,051
Additions	35	277	719	96	927	41	4	–	2,099
Disposals	–	–	(96)	–	–	(18)	–	–	(114)
Transfers	(281)	281	13	–	–	(13)	–	–	–
Balance at end of year	35	19,119	3,182	517	2,570	107	307	199	26,036
Accumulated depreciation									
Balance at beginning of year	–	3,049	1,367	232	525	31	115	76	5,395
Charge for the year	–	900	355	80	280	23	60	40	1,738
Disposals	–	–	(87)	–	–	(14)	–	–	(101)
Transfers	–	–	1	–	–	(1)	–	–	–
Balance at end of year	–	3,949	1,636	312	805	39	175	116	7,032
Net carrying amount									
Balance at end of year	35	15,170	1,546	205	1,765	68	132	83	19,004
2006									
Cost									
Balance at beginning of year	61	18,561	2,416	417	1,643	64	303	199	23,664
Additions	220	–	130	4	–	33	–	–	387
Balance at end of year	281	18,561	2,546	421	1,643	97	303	199	24,051
Accumulated depreciation									
Balance at beginning of year	–	2,166	964	155	330	14	55	36	3,720
Charge for the year	–	883	403	77	195	17	60	40	1,675
Balance at end of year	–	3,049	1,367	232	525	31	115	76	5,395
Net carrying amount									
Balance at end of year	281	15,512	1,179	189	1,118	66	188	123	18,656

15 PROPERTY, PLANT AND EQUIPMENT (CONT'D)

	Plant and machinery RMB'000	Office equipment RMB'000	Motor vehicles RMB'000	Computers RMB'000	Furniture and fittings RMB'000	Renovation RMB'000	Total RMB'000
Company							
2007							
Cost							
Balance at beginning of year	–	93	–	97	303	199	692
Additions	261	86	730	41	–	–	1,118
Disposals	–	–	–	(18)	–	–	(18)
Transfers	13	–	–	(13)	–	–	–
Balance at end of year	274	179	730	107	303	199	1,792
Accumulated depreciation							
Balance at beginning of year	–	36	–	31	115	76	258
Charge for the year	17	21	85	24	60	40	247
Disposals	–	–	–	(14)	–	–	(14)
Transfers	1	–	–	(1)	–	–	–
Balance at end of year	18	57	85	40	175	116	491
Net carrying amount							
Balance at end of year	256	122	645	67	128	83	1,301
2006							
Cost							
Balance at beginning of year	–	91	–	64	303	199	657
Additions	–	2	–	33	–	–	35
Balance at end of year	–	93	–	97	303	199	692
Accumulated depreciation							
Balance at beginning of year	–	17	–	14	55	36	122
Charge for the year	–	19	–	17	60	40	136
Balance at end of year	–	36	–	31	115	76	258
Net carrying amount							
Balance at end of year	–	57	–	66	188	123	434

During the current financial year, the Group and Company acquired property, plant and equipment with an aggregate cost of RMB 2,099,000 (2006: RMB 387,000) and RMB 1,118,000 (2006: RMB 35,000) respectively of which RMB 404,000 (2006: Nil) was acquired by means of finance lease. Cash payments of RMB 1,695,000 (2006: 387,000) and RMB 714,000 (2006: RMB 35,000) were made by the Group and Company respectively to purchase property, plant and equipment.

The carrying amount of motor vehicles held under finance lease is RMB 645,000 (2006: Nil) at the balance sheet date.

16 LAND USE RIGHTS

	Group 2007 RMB'000	Group 2006 RMB'000
Cost		
Balance at beginning of year	**14,024**	11,024
Transfer from deposit for purchase of land	**–**	3,000
Balance at end of year	**14,024**	14,024
Accumulated amortisation		
Balance at beginning of year	**1,617**	946
Charge for the year	**370**	671
Balance at end of year	**1,987**	1,617
Net carrying amount		
Balance at end of year	**12,037**	12,407

Details of the land use rights are as follows:

Location in the PRC	**Lease term**
Two plots of land in Shanxi (1)	50 years expiry in year 2051
One plot of land in Shanghai (1)	50 years expiry in year 2053
One plot of land in Shanghai (2)	20 years expiry in year 2024

(1) The Company has obtained the certificate of land use rights
(2) The Company has not obtained the certificate of land use rights

17 PREPAID LEASE PAYMENTS

	Group 2007 RMB'000	Group 2006 RMB'000
Cost		
Balance at beginning and end of year	**20,000**	20,000
Accumulated amortisation		
Balance at beginning of year	**2,666**	1,333
Charge for the year	**1,333**	1,333
Balance at end of year	**3,999**	2,666
Net carrying amount		
Balance at end of year	**16,001**	17,334
Represented by:		
Non-current	**14,668**	16,001
Current	**1,333**	1,333
	16,001	17,334

This represents a lump-sum prepayment for 15-year rental expense starting from January 2005 to December 2019 for the land in Jiangxi, PRC.

18 LAND DEVELOPMENT COSTS

	Group 2007 RMB'000	Group 2006 RMB'000
Cost		
Balance at beginning and end of year	**40,000**	40,000
Accumulated amortisation		
Balance at beginning of year	**2,379**	1,499
Charge for the year	**860**	880
Balance at end of year	**3,239**	2,379
Net carrying amount		
Balance at end of year	**36,761**	37,621

This represents development costs of two plots of land in Shanxi, PRC which have lease terms of 46 and 47 years up to 18 January 2050 and 19 March 2051, respectively.

19 BIOLOGICAL ASSETS

A reconciliation of the carrying amounts of biological assets is as follows:

	Group 2007 RMB'000	Group 2006 RMB'000
Carrying amount at beginning of year	**541,000**	381,756
Increase due to direct costs incurred	**10,757**	6,962
Gain arising from changes in fair value less estimated point-of-sale costs (Note 5)	**157,963**	158,647
Decrease due to sales (Note 4)	**(11,304)**	(247)
Biological assets used in research and development activities	**(2,633)**	(6,118)
Carrying amount at end of year	**695,783**	541,000
Biological assets comprise:		
Seedlings	**657**	630
Grown saplings	**456**	4,524
Timber	**694,670**	535,846
	695,783	541,000
Represented by:		
Non-current	**534,145**	535,846
Current	**161,638**	5,154
	695,783	541,000
Area of biological assets (mu)	**279,897**	281,434

(a) Included in the total area of biological assets of 279,897 mu, the Group has commenced harvesting of 19,280 cubic metres (approximately 6,552 mu) of timber during the current financial year. The Group has also harvested a certain portion of the seedlings and saplings during the current financial year. Sales from the harvesting of the biological assets are disclosed in Note 4.

(b) Specific risk management strategies:

The Group is exposed to financial risks arising from changes in seedlings, grown saplings and timber prices. Currently, there are no financial derivatives in the PRC to protect the future selling prices of these biological assets. The Group reviews its outlook for seedlings, grown saplings and timber prices regularly in considering the need for active financial risk management.

There are scarce insurance policies in the PRC against losses due to flood and fire to biological assets such as trees. As at 31 December 2007, the Group has secured insurance coverage for 16,413 mu (2006: 21,300 mu) of plantation land in Anhui provinces, PRC.

(c) The fair value of the biological assets is determined with reference to the most recent market transaction price as well as with reference to the valuation report performed by a professional valuer in the PRC, Shanghai YinXin HuiYe Assets Appraisal Co., Ltd, in reference to the most recent transaction price used by the Group to measure the fair value of the biological assets at the end of the financial year.

(d) Certain biological assets in Anhui province, PRC amounting to 5,717 mu valued at RMB 32,903,192 (2006: RMB 23,636,908) are pledged as security for term loans of RMB 4.9 million entered into between a PRC financial institution and one of the subsidiaries as disclosed in Note 33.

(e) Classification of current biological assets:

The directors have approved a management plan to harvest 328,688 cubic metres (approximately 49,558 mu) of the biological assets within the next twelve months. These biological assets are located in various locations and the fair value of these biological assets, which approximates RMB 161,638,000, has been classified and presented as current assets as at 31 December 2007.

As at 31 December 2007, the Group has obtained a license for the aforementioned harvesting amounting to 54,576 cubic metres.

20 DEFERRED INCOME TAX ASSETS/LIABILITIES

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset deferred income tax assets against deferred income tax liabilities and when the deferred income taxes relate to the same fiscal authority. The amounts, determined after appropriate offsetting, are shown as follows:

	Group		Company	
	2007 RMB'000	**2006 RMB'000**	**2007 RMB'000**	**2006 RMB'000**
Deferred income tax assets				
- to be recovered within one year	**–**	–	**–**	–
- to be recovered after one year	**(395)**	(427)	**–**	–
	(395)	(427)	**–**	–
Deferred income tax liabilities				
- to be settled within one year	**28,921**	–	**389**	–
- to be settled after one year	**57,296**	67,941	**1,096**	–
	86,217	67,941	**1,485**	–
Net position	**85,822**	67,514	**1,485**	–

20 DEFERRED INCOME TAX ASSETS/LIABILITIES (CONT'D)

The movement in deferred income tax assets / liabilities is as follows:

	Group		Company	
	2007 RMB'000	2006 RMB'000	2007 RMB'000	2006 RMB'000
Balance at beginning of year	**67,514**	42,528	**–**	–
Charged/(Credited) to:				
- income statement (Note 11)	**16,738**	24,986	**(85)**	–
- equity (Note 29)	**1,570**	–	**1,570**	–
Balance at end of year	**85,822**	67,514	**1,485**	–

	Deferred income tax liabilities			Deferred income tax assets	Net position
	Fair value gains RMB'000	Convertible notes RMB'000	Total RMB'000	Provision RMB'000	RMB'000
Group					
2007					
Balance at beginning of year	67,941	–	67,941	(427)	67,514
Charged/(Credited) to:					
- income statement	16,791	(85)	16,706	32	16,738
- equity	–	1,570	1,570	–	1,570
Balance at end of year	84,732	1,485	86,217	(395)	85,822
2006					
Balance at beginning of year	42,699	–	42,699	(171)	42,528
Charged/(Credited) to:					
- income statement	25,242	–	25,242	(256)	24,986
Balance at end of year	67,941	–	67,941	(427)	67,514

	Deferred income tax liabilities Convertible notes RMB'000
Company	
2007	
Balance at beginning of year	–
Charged/(Credited) to:	
- income statement	(85)
- equity	1,570
Balance at end of year	1,485

21 CASH AND CASH EQUIVALENTS

	Group		Company	
	2007	**2006**	**2007**	**2006**
	RMB'000	**RMB'000**	**RMB'000**	**RMB'000**
Cash at bank and on hand	**23,728**	5,965	**1,126**	472
Fixed deposits	**44,107**	25,118	**44,107**	25,118
Cash and cash equivalents	**67,835**	31,083	**45,233**	25,590
Less: Pledged fixed deposit (Note 33 (c))	**(37,300)**	(25,118)	**(37,300)**	(25,118)
Per consolidated cash flow statement	**30,535**	5,965	**7,933**	472

As at 31 December 2007, fixed deposits denominated in Singapore dollars, which have an average maturity of 30 to 90 days and bear interest at an average rate of 2.19% per annum, were pledged to financial institutions for banking facilities granted to one of the subsidiaries of the Group.

As at 31 December 2006, fixed deposits denominated in United States dollars, which have an average maturity of 30 days and bear interest at an average rate of 4.9% per annum, were pledged to financial institutions for banking facilities granted to one of the subsidiaries of the Group.

22 FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	Group and Company	
	2007	**2006**
	RMB'000	**RMB'000**
Quoted investments	**1,117**	–

23 TRADE RECEIVABLES

	Group	
	2007	**2006**
	RMB'000	**RMB'000**
Third parties	**6,648**	1,582
Due from jointly controlled entity	**1,000**	–
Less: Impairment of receivables	**(1,582)**	(1,582)
	6,066	–

The Group's trade receivables that are impaired at the balance sheet date and the movements of the impairment of receivables are as follows:

	Group	
	2007	**2006**
	RMB'000	**RMB'000**
Trade receivables	**1,582**	1,582
Less: Impairment of receivables	**(1,582)**	(1,582)
	–	–

	Group	
	2007	**2006**
	RMB'000	**RMB'000**
Movement in impairment of receivables:		
Balance at beginning of year	**1,582**	633
Charge for the year	**–**	949
Balance at end of year	**1,582**	1,582

The Group's trade receivables that are individually determined to be impaired at the balance sheet date relate mainly to debtors that have defaulted on payments. These receivables are not secured by any collateral or credit enhancements.

24 OTHER RECEIVABLES

	Group		Company	
	2007 RMB'000	2006 RMB'000	2007 RMB'000	2006 RMB'000
Advances to suppliers	**2,537**	2,394	**–**	–
Other receivables	**5,945**	505	**79**	52
Prepayments	**175**	40	**145**	40
Other deposits	**1,300**	1,123	**345**	179
Due from jointly controlled entity	**931**	–	**931**	–
Related party	**13**	32	**–**	–
	10,901	4,094	**1,500**	271

Included in other receivables is an amount of RMB 5,348,000 deposit placed for purchase of land. The agreement was cancelled and the deposit was refunded subsequent to the current financial year end.

The amount due from a jointly controlled entity of RMB 931,000 is unsecured, interest free and repayable on demand on cash terms. Subsequent to the financial year end, an amount of RMB 881,000 was capitalised as additional investment in the jointly controlled entity set out in Note 14.

The amount due from a related party is unsecured, interest free and repayable on demand on cash terms.

25 INVENTORIES

Inventories represent pesticides, chemicals and consumables, which are used in the Group's agricultural activities, and are stated at cost.

26 SHARE CAPITAL AND SHARE PREMIUM

	Group and Company			
	2007 No. of shares	2006 No. of shares	2007 RMB'000	2006 RMB'000
Issued and fully paid				
Balance at beginning of year	**498,502,360**	498,502,360	**218,835**	118,077
Effect of Companies (Amendment) Act 2005	**–**	–	**–**	100,758
Issue of shares				
- Convertible notes exercise	**40,436,000**	–	**30,385**	–
- Placement exercise	**36,841,000**	–	**35,052**	–
- Exercise of rights issue of warrants (Note 27)	**10,378,000**	–	**5,204**	–
	87,655,000	–	**70,641**	–
Share issue expenses	**–**	–	**(1,469)**	–
Balance at end of year	**586,157,360**	498,502,360	**288,007**	218,835

26 SHARE CAPITAL AND SHARE PREMIUM (CONT'D)

	Group and Company 2007 RMB'000	Group and Company 2006 RMB'000
Share premium		
Balance at beginning of year	**–**	100,758
Effect of Companies (Amendment) Act 2005	**–**	(100,758)
Balance at end of year	–	–

In accordance with the Companies (Amendment) Act 2005 which came into effect on 30 January 2006, the concept of par value and authorised share capital was abolished and on that date, the shares of the Company ceased to have a par value. In addition, the amount standing in the share premium account had become part of the Group's and Company's share capital.

(a) Convertible notes exercise

On 13 December 2006, the Company entered into a Subscription Agreement with Pacific Capital Investment Management Limited ("Pacific Capital") to issue S$ 6 million (equivalent to RMB 30,385,000) unsecured non-interest bearing notes (the "Notes") due 2011. During the current financial year, Pacific Capital has fully exercised the conversion of the Notes at the conversion price of between S$0.136 to S$0.161 per share. The Company received S$ 6 million and issued 40,436,000 ordinary shares upon the conversion of the Notes. The proceeds were used to finance the working capital of the Group.

The use of the convertible notes proceeds are summarised as follows:

	Group and Company 2007 RMB'000	Group and Company 2006 RMB'000
Notes issue expenses	**1,355**	–
Payment of rental expenses	**15,390**	–
Working capital	**13,640**	–
	30,385	–

(b) Placement exercise

During the current financial year, the Company entered into four Placement Agreements with third parties to issue 36,841,000 ordinary shares, for a total consideration of S$ 7 million (equivalent to RMB 35,052,000) at the issue price of S$0.19 per share. The proceeds were used to finance the working capital of the Group.

The use of the placement exercise proceeds are summarised as follows:

	Group and Company 2007 RMB'000	Group and Company 2006 RMB'000
Placement issue expenses	**1,133**	–
Payment of rental expenses	**9,244**	–
Working capital	**24,675**	–
	35,052	–

(c) Exercise of rights issue of warrants

During the current financial year, 10,378,000 rights issue of warrants were exercised, for a total consideration of S$726,460 (equivalent to RMB 3,643,000) at the exercise price of S$0.07 per share. Each warrant carries the right to subscribe for one new ordinary share. The proceeds were used to finance the working capital of the Group.

27 CAPITAL RESERVE

	Group and Company			
	2007 No. of warrants	2006 No. of warrants	2007 RMB'000	2006 RMB'000
Issued warrants				
Balance at beginning of year/date of issuance	**199,400,944**	199,400,944	**29,292**	29,928
Exercise of rights issue of warrants (Note 26 (c))	**(10,378,000)**	–	**(1,561)**	–
Less: Related expenses	**–**	–	**–**	(636)
Balance at end of year	**189,022,944**	199,400,944	**27,731**	29,292

28 GENERAL RESERVE

	Group	
	2007 RMB'000	2006 RMB'000
Reserve fund	**6,506**	6,506
Enterprise expansion fund	**3,421**	3,421
	9,927	9,927

29 OTHER RESERVE

	Group and Company	
	2007 RMB'000	2006 RMB'000
Convertible notes – Equity portion (Note 33)	**8,719**	–
Less: Tax on liability portion (Note 20)	**(1,570)**	–
Less: Transactions costs offset against equity portion	**(452)**	–
	6,697	–

30 CURRENCY TRANSLATION RESERVE

	Group	
	2007 RMB'000	2006 RMB'000
Balance at beginning of year	**–**	–
Net currency translation differences of foreign subsidiaries	**(44)**	–
Balance at end of year	**(44)**	–

31 OTHER PAYABLES

	Group		Company	
	2007 RMB'000	**2006 RMB'000**	**2007 RMB'000**	**2006 RMB'000**
Non-current				
Accrued operating expenses	**4,976**	–	**–**	–
Accrued rental expenses	**27,465**	–	**–**	–
	32,441	–	**–**	–

	Group		Company	
	2007 RMB'000	**2006 RMB'000**	**2007 RMB'000**	**2006 RMB'000**
Current				
Accrued operating expenses	**10,728**	15,040	**1,728**	881
Accrued rental expenses	**17,974**	37,286	**–**	–
Accrued interest payable	**3,627**	–	**–**	–
Agricultural tax payable	**601**	601	**–**	–
Other payables	**1,233**	2,012	**–**	–
	34,163	54,939	**1,728**	881

The Group has entered into deferred payment arrangements with some of the landlords to defer rental and maintenance fees payment until 31 December 2009. 7% per annum interests are charged on the outstanding balances.

32 FINANCE LEASE LIABILITIES

The Group and Company leases motor vehicles from non-related parties under finance lease. The finance lease liabilities have an effective interest rate of 5.5905% per annum.

	Group and Company	
	2007 RMB'000	**2006 RMB'000**
Minimum lease payments due:		
- Within one year	**92**	–
- Between two to five years	**329**	–
	421	–
Less: Future finance charges	**(51)**	–
Present value of finance lease liabilities	**370**	–
Represented by:		
Non- current	**290**	–
Current	**80**	–
Total	**370**	–

33 BORROWINGS

	Group		Company	
	2007 RMB'000	2006 RMB'000	2007 RMB'000	2006 RMB'000
Non-current				
Convertible notes	**48,037**	–	**48,037**	–
Term loan	**2,000**	2,900	**–**	–
	50,037	2,900	**48,037**	–
Current				
Bank borrowings	**11,250**	27,548	**–**	20,348
Term loan	**2,900**	–	**–**	–
	14,150	27,548	**–**	20,348
Total borrowings	**64,187**	30,448	**48,037**	20,348

(a) Convertible Notes

On 22 May 2007, the Company entered into a Subscription Agreement with Liberty Harbour LLC and on 11 October 2007 issued 3% interest bearing unsecured convertible notes with a nominal value of USD 8,000,000 (equivalent to RMB 60,141,000). The notes will mature in four years from the issue date at their nominal value of USD 8,000,000 or can be converted into new ordinary shares of the Company at the initial conversion price of S$0.24, subject to adjustment stated in the Subscription Agreement.

The fair value of the liability portion, included in non-current borrowings, is calculated using a market interest rate of 6.92%, for an equivalent non-convertible note at the date of issue. The residual amount, representing the value of the equity conversion portion, is included in equity in other reserves (Note 29), net of deferred income tax.

The carrying amount of the liability portion of the convertible notes at the balance sheet date is as follows:

	Group and Company	
	2007 RMB'000	2006 RMB'000
Face value of convertible notes issued on 11 October 2007	**60,141**	–
Convertible notes – equity portion (Note 29)	**(8,719)**	–
Liability portion on initial recognition at 11 October 2007	**51,422**	–
Less: Transaction costs offset against liability portion	**(2,669)**	–
Accumulated amortisation of discount on convertible notes	**470**	–
Accumulated amortisation of transaction costs	**150**	–
Foreign exchange revaluation gain	**(1,336)**	–
Liability portion at end of year	**48,037**	–

At 31 December 2007, the fair value of convertible notes approximates RMB 48,190,000 (net of transactions costs). The fair value is determined using a market interest rate of 6.48% estimated to be the interest rate for equivalent non-convertible notes at the balance sheet date.

33 BORROWINGS (CONT'D)

(a) Convertible Notes (cont'd)

The use of the convertible notes proceeds are summarised as follows:

	Group and Company	
	2007	**2006**
	RMB'000	**RMB'000**
Convertible notes issue expenses	**3,121**	–
Payment of rental expenses	**4,814**	–
Purchases of financial assets at fair value through profit and loss	**1,068**	–
Working capital	**6,742**	–
Balance not utilised	**44,396**	–
	60,141	–

(b) Term loans

The non-current term loan bears interest at a rate of 12.98% per annum and the current term loan bears interest at a rate of 9.18% per annum. The non-current term loan approximates its fair value at the balance sheet date and is repayable on maturity in November 2009. The current term loan is repayable within the next 12 months.

The term loans entered into between a PRC financial institution and one of the subsidiaries are secured by certain biological assets in Anhui province, PRC as disclosed in Note 19.

(c) Bank borrowings

The bank borrowings bear interest at effective interest rates ranging from 5.91% to 7.57% (2006: 6.32% to 7.29%) per annum. Subsequent to the current financial year as disclosed in Note 40, the bank borrowings at the balance sheet date were repaid with the proceeds from a revised banking facility entered into between a PRC financial institution and one of the subsidiaries.

The bank borrowings entered into between a PRC financial institution and one of the subsidiaries are secured by the pledged fixed deposit placed by the Company as disclosed in Note 21.

(d) Undrawn borrowing facilities

At the balance sheet date, the Group had available RMB 29,256,400 (2006: RMB 3,130,000) of undrawn committed borrowing facilities in respect of which all conditions precedent had been met.

34 STAFF INCENTIVE AND WELFARE FUND

	Group	
	2007 RMB'000	2006 RMB'000
Balance at beginning of year	**5,344**	5,428
Less: Charged for the year	**(47)**	(84)
Balance at end of year	**5,297**	5,344

Pursuant to relevant laws and regulations in the PRC and the articles of association of one of the subsidiaries, the subsidiary has the discretion to set aside an amount from profit after income tax as reported in the PRC statutory financial statements to staff incentive and welfare fund at the rate determined by the board of directors for the purpose of paying special bonus and financing general welfare facilities for staffs.

35 OPERATING LEASE COMMITMENTS

	Group	
	2007 RMB'000	2006 RMB'000
Lease payments under operating leases recognised as an expense in the year	**31,283**	30,876

At the balance sheet date, the Group had entered into non-cancellable operating leases for the rental of office premises and plantations. The leases have varying terms and the periods of these leases range between 2 to 25 years (2006: 2 to 25 years). The renewal of the lease of the office premises and plantations are subject to the approval of the relevant contracting parties.

Future minimum lease payable under non-cancellable operating leases is as follows:

	Group		Company	
	2007 RMB'000	2006 RMB'000	2007 RMB'000	2006 RMB'000
Within one year	**36,478**	34,418	**1,679**	575
Between two to five years	**134,480**	135,445	**1,660**	94
After five years	**269,887**	312,022	**3,338**	–
	440,845	481,885	**6,677**	669

36 CAPITAL COMMITMENTS

	Group and Company	
	2007 RMB'000	2006 RMB'000
Contracted but not provided for in respect of:		
Property, plant and equipment	**168**	–

These commitments are expected to be settled in the following financial year.

37 RELATED PARTIES TRANSACTIONS

Related parties are entities with common direct or indirect shareholders. Parties are considered to be related if one party has the ability to control the other party or exercise significant influence over the other party in making financial and operating decisions.

(a) Significant related parties transactions

	Group		Company	
	2007	**2006**	**2007**	**2006**
	RMB'000	**RMB'000**	**RMB'000**	**RMB'000**
Income				
Related parties				
Rental income	**10**	–	**10**	–
Jointly controlled entity				
Sales of agricultural products	**1,000**	–	**–**	–
Fellow subsidiaries				
Interest income	**–**	–	**6,318**	4,509
Administrative charge	**–**	–	**1,680**	1,680
	1,010	–	**8,008**	6,189
Expenses				
Related parties				
Purchase of fertilisers	**2,007**	883	**–**	–

Balances with related parties outstanding at the balance sheet date are disclosed in Notes 23 and 24.

(b) Compensation of key management personnel

	Group	
	2007	**2006**
	RMB'000	**RMB'000**
Salaries and bonuses	**3,688**	3,191
Defined contribution plans	**102**	92
	3,790	3,283
Comprise amounts paid to		
Directors of the Company	**3,429**	2,572
Other key management personnel	**361**	711
	3,790	3,283

38 FINANCIAL RISK MANAGEMENT

The Group's activities expose it to a variety of financial risks such as market risk (including interest rate risk, currency risk and price risk), credit risk and liquidity risk. The Group's overall risk management strategy seeks to minimise adverse effects from the unpredictability of financial markets on the Group's financial performance. The Group continually monitors the risk management process to ensure that an appropriate balance between risk and control is achieved. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Group's activities.

The Board is responsible for setting the objectives and underlying principles of financial risk management for the Group. The Board will review and agree on policies for managing each of these risks as summarised below.

(a) Interest rate risk

Interest rate risk refers to the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Group's exposure to interest rate risk relates primarily to the Group's interest-bearing assets and liabilities. The Group does not enter into interest rate swaps to manage its interest rate risk. These exposures are managed partly by using natural hedges that arise from offsetting interest rate sensitive assets and liabilities.

The tables below set out the Group's and Company's exposure to interest rate risks. Included in the tables are the assets and liabilities at carrying amounts, categorised by the earlier of contractual repricing or maturity dates.

	Variable rates	**Fixed rates**			
			Between	**Non-Interest**	
	Within 1 Year	**Within 1 Year**	**2 to 5 Years**	**Bearing**	**Total**
	RMB'000	**RMB'000**	**RMB'000**	**RMB'000**	**RMB'000**
Group					
2007					
Assets					
Cash and cash equivalents	23,728	44,107	–	–	67,835
Financial assets at fair value through profit or loss	–	–	–	1,117	1,117
Trade and other receivables	–	–	–	16,967	16,967
Non-financial assets	–	–	–	781,138	781,138
	23,728	44,107	–	799,222	867,057
Liabilities					
Trade and other payables	–	–	32,441	34,167	66,608
Finance lease liabilities	–	80	290	–	370
Borrowings	11,250	2,900	50,037	–	64,187
Non-financial liabilities	–	–	–	101,527	101,527
	11,250	2,980	82,768	135,694	232,692
2006					
Assets					
Cash and cash equivalents	31,083	–	–	–	31,083
Other receivables	–	–	–	4,094	4,094
Non-financial assets	–	–	–	627,856	627,856
	31,083	–	–	631,950	663,033
Liabilities					
Trade and other payables	–	–	–	55,159	55,159
Borrowings	27,548	2,900	–	–	30,448
Non-financial liabilities	–	–	–	83,198	83,198
	27,548	2,900	–	138,357	168,805

38 FINANCIAL RISK MANAGEMENT (CONT'D)

(a) Interest rate risk (cont'd)

	Variable rates	Fixed rates			
	Within 1 Year RMB'000	Within 1 Year RMB'000	Between 2 to 5 Years RMB'000	Non-Interest Bearing RMB'000	Total RMB'000
Company					
2007					
Assets					
Cash and cash equivalents	1,126	44,107	–	–	45,233
Financial assets at fair value through profit or loss	–	–	–	1,117	1,117
Other receivables	–	–	–	1,500	1,500
Due from subsidiaries	–	–	121,589	–	121,589
Non-financial assets	–	–	–	197,007	197,007
	1,126	44,107	121,589	199,624	366,446
Liabilities					
Trade and other payables	–	–	–	1,728	1,728
Finance lease liabilities	–	80	290	–	370
Borrowings	–	–	48,037	–	48,037
Non-financial liabilities	–	–	–	1,585	1,585
	–	80	48,327	3,313	51,720
2006					
Assets					
Cash and cash equivalents	25,590	–	–	–	25,590
Other receivables	–	–	–	271	271
Due from subsidiaries	–	–	88,862	–	88,862
Non-financial assets	–	–	–	150,543	150,543
	25,590	–	88,862	150,814	265,266
Liabilities					
Trade and other payables	–	–	–	881	881
Borrowings	20,348	–	–	–	20,348
	20,348	–	–	881	21,229

Sensitivity analysis

The Group's and Company's borrowings at variable rates on which effective hedges have not been entered into, are denominated mainly in S$ and RMB. If the S$ and RMB interest rates increase/decrease by 1% (2006: 1%) with all other variables including tax rate being held constant, the profit after income tax will be lower/higher by approximately RMB 287,000 (2006: RMB 222,000) and RMB 133,000 (2006: RMB 150,000) as a result of higher/lower interest expense on these borrowings.

(b) Foreign currency risk

Foreign currency risk refers to the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The Group's mainly operates in the PRC and its functional currency is in Renminbi. The Group's is exposed to foreign currency risk when transactions such as expenses and borrowings are denominated in currencies other than Renminbi. In addition, the Group is exposed to currency translation risk on the net assets in foreign operations. The currencies giving rise to this risk are primarily Singapore dollar ("S$"), United States dollar ("USD") and Malaysia Ringgit ("RM").

The Group has not entered into any forward currency contracts or any hedging instruments to manage the foreign currency risk. This exposure is managed as far as possible by natural hedges of matching assets and liabilities.

The Group and Company's financial assets and financial liabilities are denominated in the following currencies:

		2007			2006	
	Renminbi RMB'000	Singapore dollars RMB'000	United States dollars RMB'000	Renminbi RMB'000	Singapore dollars RMB'000	United States dollars RMB'000
Group						
Financial assets						
Cash and cash equivalents	**22,476**	**45,071**	**288**	5,482	416	25,185
Financial assets at fair value through profit or loss	**–**	**1,117**	**–**	–	–	–
Trade receivables	**6,066**	**–**	**–**	–	–	–
Other receivables	**3,942**	**569**	**6,390**	3,823	271	–
	32,484	**46,757**	**6,678**	9,305	687	25,185
Financial liabilities						
Trade and other payables	**64,880**	**1,343**	**385**	54,278	881	–
Finance lease liabilities	**–**	**370**	**–**	–	–	–
Borrowings	**16,150**	**–**	**48,037**	10,100	–	20,348
	81,030	**1,713**	**48,422**	64,378	881	20,348
Net financial assets / (liabilities)	**(48,546)**	**45,044**	**(41,744)**	(55,073)	(194)	4,837
Less: Net financial liabilities (assets) denominated in the respective entities functional currencies	**48,546**	**–**	**(5,564)**	55,073	–	–
Currency exposure	**–**	**45,044**	**(47,308)**	–	(194)	4,837

NOTES TO THE FINANCIAL STATEMENTS

For the Financial Year Ended 31 December 2007

38 FINANCIAL RISK MANAGEMENT (CONT'D)

(b) Foreign currency risk (cont'd)

	2007		2006	
	Singapore dollars RMB'000	**United States dollars RMB'000**	**Singapore dollars RMB'000**	**United States dollars RMB'000**
Company				
Financial assets				
Cash and cash equivalents	**45,069**	**164**	412	25,178
Financial assets at fair value through profit or loss	**1,117**	**–**	–	–
Other receivables	**569**	**931**	271	–
	46,755	**1,095**	683	25,178
Financial liabilities				
Trade and other payables	**1,343**	**385**	881	–
Finance lease liabilities	**370**	**–**	–	–
Borrowings	**–**	**48,037**	–	20,348
	1,713	**48,422**	881	20,348
Currency exposure	**45,042**	**(47,327)**	(198)	4,830

Sensitivity analysis

If the S$ and USD change against the RMB by 2% (2006: 2%) with all other variables including tax rate being held constant, the effects arising from the net financial asset/liability position will be as follows:

	2007		2006	
	Profit after income tax RMB'000	**Equity RMB'000**	**Profit after income tax RMB'000**	**Equity RMB'000**
Group				
S$ against RMB				
- strengthened	901	–	(4)	–
- weakened	(901)	–	4	–
USD against RMB				
- strengthened	(946)	111	97	–
- weakened	946	(111)	(97)	–
Company				
S$ against RMB				
- strengthened	901	–	(4)	–
- weakened	(901)	–	4	–
USD against RMB				
- strengthened	(947)	–	97	–
- weakened	947	–	(97)	–

(c) Price risk

Price risk refers to the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market prices. The Group is exposed to equity securities price risk because of the investments held by the Group which are classified as fair value through profit or loss. These securities are listed in Singapore. The Group is not exposed to commodity price risk. To manage its price risk arising from investments in equity securities, the Group has set up an Investment Committee to control and monitor the investments made by the Group. An Investment Control Policies have been drawn up.

Sensitivity Analysis

If prices for equity securities listed in Singapore increase/decrease by 10% with all other variables including tax rate being held constant, the profit after income tax will be increased/decreased by RMB 111,700.

(d) Credit risk

Credit risk refers to the risk that the customer or counterparty failed to discharge an obligation and resulted in a financial loss to the Group. The Group's credit risk is primarily attributable to its bank deposits, trade and other receivables.

As the Group and Company do not hold any collateral, the maximum exposure to credit risk is the carrying amount of the related financial assets presented on the balance sheet.

The amounts presented in the balance sheet are neither past due nor impaired other than those disclosed in Note 23. The Group establishes an allowance for impairment that represents its estimate of incurred losses in respect of trade and other receivables. The allowance account in respect of trade and other receivables is used to record impairment losses unless the Group is satisfied that no recovery of the amount owing is possible. At that point, the financial asset is considered irrecoverable and the amount charged to the allowance account is written off against the carrying amount of the impaired financial asset.

Trade and other receivables balances are monitored on an ongoing basis and whether the trade and other receivables are recoverable are estimated by the Group's management based on prior experience and the current economic environment. The Group adopts the policy of dealing with customers of appropriate credit history, and obtaining sufficient security where appropriate to mitigate credit risk.

Cash and fixed deposits are placed with banks and financial institutions which are regulated. The Group limits its credit risk exposure in respect of investments by only investing in liquid securities and only with counterparties that have a sound credit rating. Given these high credit ratings, management does not expect any counterparty to fail to meet its obligations.

Significant concentrations of credit risk

Concentrations of credit risk exist when changes in economic, industry or geographic factors similarly affect groups of counterparties whose aggregate credit exposure is significant in relation to the Group's total credit exposure. The Group's credit exposure is concentrated mainly in the PRC.

(e) Liquidity risk

Liquidity risk refers to the risk that the Group will not be able to meet its financial obligations as they fall due. The Group manages the liquidity risk by maintaining a level of cash and cash equivalents deemed adequate by management to finance the Group's operations, having an adequate amount of committed credit facilities (Note 33 (d)) and the ability to close market positions at a short notice. The Group's policy for the raising of capital and the placing of surplus funds is managed centrally.

38 FINANCIAL RISK MANAGEMENT (CONT'D)

(e) Liquidity risk (cont'd)

The following are the expected contractual undiscounted cash inflows (outflows) of financial liabilities, including interest payments.

	Carrying amount	Cash Flows		
		Contractual cash flows	Within 1 year	2 to 5 years
	RMB'000	RMB'000	RMB'000	RMB'000
Group				
2007				
Trade and other payables	66,608	(71,150)	(36,438)	(34,712)
Finance lease liabilities	370	(421)	(92)	(329)
Borrowings [(1)]	64,187	(70,469)	(14,472)	(55,997)
	131,165	(142,040)	(51,002)	(91,038)
2006				
Trade and other payables	55,159	(55,159)	(55,159)	–
Borrowings	30,448	(32,293)	(28,861)	(3,432)
	85,607	(87,452)	(84,020)	(3,432)
Company				
2007				
Trade and other payables	1,728	(1,728)	(1,728)	–
Finance lease liabilities	370	(421)	(92)	(329)
Borrowings [(1)]	48,037	(53,478)	–	(53,478)
	50,135	(55,627)	(1,820)	(53,807)
2006				
Trade and other payables	881	(881)	(881)	–
Borrowings	20,348	(21,328)	(21,328)	–
	21,229	(22,209)	(22,209)	–

(1) Assumes the convertible notes will mature in four years from the issue date

(f) Capital risk

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

The Group monitors capital based on a debt to equity ratio. The debt to equity ratio is calculated as total liabilities divided by total equity. The Group's policy is to keep the debt to equity ratio to not more than 50%.

	Group		**Company**	
	2007 RMB'000	**2006 RMB'000**	**2007 RMB'000**	**2006 RMB'000**
Total liabilities	232,692	168,805	51,720	21,229
Total equity	634,365	494,228	314,726	244,037
Debt to equity ratio	36.68%	34.15%	16.43%	8.70%

The Group and Company are in compliance with all externally imposed capital requirements for the financial years ended 31 December 2007 and 2006.

(g) Fair values of financial assets and financial liabilities

The following summarises the significant methods and assumptions used in estimating fair values of the various instruments of the Group and Company.

Financial assets

The fair value of the Group's and the Company's quoted investments are determined by reference to their quoted bid price at the balance sheet date.

Interest bearing loans

The carrying amounts of the interest bearing loans approximate fair value as it is subject to floating interest rates. Fair value, which is determined for disclosure purposes, is calculated based on the present value of future principal and interest cash flows, discounted at the market rate of interest at the balance sheet date. For finance leases the market rate of interest is determined by references to similar lease agreements.

The Group does not anticipate the carrying amount recorded in the balance sheet would be significantly different from the amount that would be eventually be settled.

Other financial assets and liabilities

Other financial assets and liabilities include cash and cash equivalents and trade and other receivables, trade and other payables. The carrying values of the financial instruments approximate their fair value due to their short term maturity.

39 SEGMENT INFORMATION

(a) Primary reporting format - business segments

The Group operates in the following major business segments:

Seedlings ("tissue cultured/propagated seedlings") - Production and sale of self-cultivated tissue and propagated seedlings with options to repurchase grown saplings from customers.

Grown saplings - Sale of grown saplings purchased through the exercise of options referred above or from self-cultivated saplings.

Timber - Sale of cultivated timber, after about five years of growth, from the cultivation of grown saplings.

Segment revenue and expense: Segment sales of agricultural products, gain arising from changes in fair value less estimated point-of-sale costs and expenses are those reported in the Group's income statement that are directly attributable to a segment and the relevant portion of such sales, gains and expenses that can be allocated on a reasonable basis to a segment.

Segment assets and liabilities: Segment assets include all operating assets used by a segment and consist principally of operating receivables, inventories and property, plant and equipment, net of impairment and provisions. Capital expenditure includes the total cost incurred to acquire property, plant and equipment, and intangible assets directly attributable to the segment. Segment liabilities include all operating liabilities and consist principally of trade payable and accrued expenses.

Details of the Group's business segments for the financial year ended 31 December are presented below:

	Seedlings RMB'000	Grown saplings RMB'000	Timber RMB'000	Total RMB'000
2007				
Sales of agricultural products	1,999	–	9,305	11,304
Gain arising from changes in fair value less estimated point-of-sale costs	28	(4,068)	162,003	157,963
Segment result	(385)	(4,478)	97,369	92,506
Interest income				1,813
Finance costs				(7,014)
Share of loss of jointly controlled entity				(424)
Unallocated income				656
Unallocated expenses				(4,632)
Profit before income tax				82,905
Income tax				(17,032)
Profit for the year				65,873

Details of the Group's business segments for the financial year ended 31 December are presented below:

	Seedlings RMB'000	Grown saplings RMB'000	Timber RMB'000	Total RMB'000
2007				
Other segment items				
Capital expenditure of property, plant and equipment	–	–	2,099	2,099
Depreciation of property, plant and equipment	2	2	1,734	1,738
Amortisation of land use rights	–	–	370	370
Amortisation of prepaid lease payments	–	–	1,333	1,333
Amortisation of land development costs	–	–	860	860
Statement of net assets				
Assets				
Segment assets	4,022	2,818	782,174	789,014
Unallocated corporate assets				78,043
Total assets				867,057
Liabilities				
Segment liabilities	1,196	1,196	69,513	71,905
Income tax payable				10,013
Unallocated liabilities				150,774
Total liabilities				232,692
2006				
Sales of agricultural products	247	–	–	247
Gain arising from changes in fair value less estimated point-of-sale costs	(600)	(11,000)	170,247	158,647
Segment result	(1,246)	(11,470)	109,661	96,945
Interest income				1,179
Finance costs				(1,653)
Unallocated expenses				(1,108)
Profit before income tax				95,363
Income tax				(24,986)
Profit for the year				70,377

39 SEGMENT INFORMATION (CONT'D)

(a) Primary reporting format - business segments (cont'd)

	Seedlings RMB'000	Grown saplings RMB'000	Timber RMB'000	Total RMB'000
2006				
Other segment items				
Capital expenditure of property, plant and equipment	–	–	387	387
Depreciation of property, plant and equipment	3	14	1,658	1,675
Amortisation of land use rights	491	–	180	671
Amortisation of prepaid lease payments	–	–	1,333	1,333
Amortisation of land development costs	–	–	880	880
Statement of net assets				
Assets				
Segment assets	5,337	4,912	621,274	631,523
Unallocated corporate assets				31,510
Total assets				663,033
Liabilities				
Segment liabilities	645	976	58,882	60,503
Income tax payable				9,913
Unallocated liabilities				98,389
Total liabilities				168,805

(b) Secondary reporting format - geographical segments

The Group's business segments operate in three main geographical areas:

People's Republic of China - The operations in the area is principally the planting and selling of seedlings, saplings and timber and the biological assets of the Group are located in this area.

Singapore - The operations in this area is principally an investment holding company as well as to carry out research and development activities.

Cambodia - The operations in this area is principally the plantation of crops for biofuel industries.

The Group's fair value gain arising from changes in fair value less estimated point-of-sales costs are derived from the biological assets which are all located in PRC. No other individual country contributed more than 10% of consolidated sales except for the PRC.

Total assets and capital expenditure shown by the geographical area where the assets are located is as follows:

	Group	
	2007	**2006**
	RMB'000	**RMB'000**
Total assets		
People's Republic of China	**811,005**	636,738
Singapore	**50,275**	26,295
Cambodia	**5,777**	–
	867,057	663,033
Total capital expenditure		
People's Republic of China	**770**	352
Singapore	**1,118**	35
Cambodia	**211**	–
	2,099	387

40 SUBSEQUENT EVENTS

(a) Subsequent to the current financial year, one of the subsidiaries obtained a revised banking facility from a PRC financial institution of up to USD 3,500,000 (RMB 22,050,000). The revised banking facility replaced the existing banking facility as disclosed in Note 33.

(b) In January and February 2008 severe winter storm hit the PRC. Based on initial field surveys conducted by the Group, the winter storms affected plantations in Guizhou, Anhui and Hubei Provinces as well as Shanghai. The Group's biological assets in its plantations located in other provinces recorded no unusual or widespread damage.

While the Group's plantations in Jiangxi Province were deemed the hardest hit by the winter storm, the damage was minimal. This is because the Group had earlier commenced harvesting of its pine trees there since early 2007, and the remaining poplar trees are less vulnerable to the impact of heavy snowfall since they have shed their leaves during winter.

Based on preliminary assessments, the damage of poplar plantations for Anhui and Hubei provinces are not likely to have a significant effect on the Group's overall value of biological assets.

To mitigate the damage, the Group dispatched teams to the affected plantations for restoration works, beginning the first quarter of 2008. In addition, the Group has engaged a valuer to determine the extent of the damage and also applied for grants and compensation from the relevant forestry authorities in the PRC.

(c) On 7 March 2008, one of the subsidiaries entered into a leasing agreement with a third party to lease 41 hectares of land located in Cambodia for a period of 20 years. The rental amounted to USD 9,000 (equivalent to RMB 64,055) per annum and the Group has prepaid the full rental amount of USD 180,000 (equivalent to RMB 1,281,096) pursuant to the terms of the leasing agreement.

STATISTICS OF SHAREHOLDINGS

As At 17 March 2008

Issued and fully paid-up capital	:	S$60,019,061
Number of shares issued	:	588,082,360
Class of shares	:	Ordinary shares
Voting rights	:	One vote per share

DISTRIBUTION OF SHAREHOLDINGS

Size of shareholdings	No. of shareholders	%	No. of shares	%
1 - 999	130	4.46	5,140	0.00
1,000 - 10,000	773	26.51	5,560,480	0.95
10,001 - 1,000,000	1,978	67.83	151,135,040	25.70
1,000,001 And above	35	1.20	431,381,700	73.35
Total	**2,916**	**100.00**	**588,082,360**	**100.00**

TWENTY LARGEST SHAREHOLDERS

No.	Name	No. of shares	%
1	See Hoy Chan Investment Limited	96,500,000	16.41
2	DBS Nominees Pte Ltd	38,106,994	6.48
3	United Overseas Bank Nominees Pte Ltd	37,946,000	6.45
4	CIMB-Gk Securities Pte. Ltd.	27,580,033	4.69
5	OCBC Securities Private Ltd	23,777,705	4.04
6	DMG & Partners Securities Pte Ltd	23,335,000	3.97
7	Raffles Nominees Pte Ltd	21,548,000	3.66
8	Hong Leong Finance Nominees Pte Ltd	17,825,000	3.03
9	Mayban Nominees (S) Pte Ltd	15,730,010	2.67
10	SBS Nominees Pte Ltd	14,850,000	2.53
11	UOB Kay Hian Pte Ltd	13,046,730	2.22
12	Phillip Securities Pte Ltd	10,853,233	1.85
13	Oversea-Chinese Bank Nominees Pte Ltd	10,000,000	1.70
14	RHB Bank Nominees Pte Ltd	10,000,000	1.70
15	Kim Eng Securities Pte. Ltd.	9,883,045	1.68
16	HL Bank Nominees (S) Pte Ltd	8,122,540	1.38
17	Perennial Advisory Pte Ltd	6,993,000	1.19
18	DBS Vickers Securities (S) Pte Ltd	5,331,000	0.91
19	Citibank Consumer Nominees Pte Ltd	4,125,005	0.70
20	Tan Boon Liat	4,000,000	0.68
	Total	**399,553,295**	**67.94**

SUBSTANTIAL SHAREHOLDERS

Substantial Shareholders of the Company (as recorded in the Register of Substantial Shareholders) as at 17 March 2008.

	No. of Ordinary shares			
Name	**Direct Interest**	**%**	**Indirect Interest**	**%**
Su Min (1)	80,540,000	13.70%	27,500,000	4.68%
Song Xuemeng (1)	122,239,460	20.79%	27,500,000	4.68%
See Hoy Chan Investment Limited	96,500,000	16.41%	–	–
See Hoy Chan Equities Pte Ltd (2)	–	–	96,500,000	16.41%

Notes:

(1) Su Min and Song Xuemeng are deemed to be interested in the 27,500,000 shares held by Hireach Assets Limited.

(2) See Hoy Chan Equities Pte Ltd is deemed to be interested in the 96,500,000 shares held by See Hoy Chan Investment Limited.

FREE FLOAT

As at 17 March 2008, approximately 44.42% of the issued ordinary shares of the Company was held in the hands of the public (on the basis of information available to the Company).

Accordingly, the Company has complied with Rule 723 of the Listing Manual of the Singapore Exchange Securities Trading Limited.

STATISTICS OF WARRANT HOLDINGS

As At 17 March 2008

DISTRIBUTION OF WARRANT HOLDINGS

Size of warrant holdings	No. of warrant holders	%	No. of warrants	%
1 - 999	6	1.58	2,016	0.00
1,000 - 10,000	138	36.41	670,544	0.36
10,001 - 1,000,000	221	58.31	22,129,600	11.83
1,000,001 And above	14	3.70	164,295,784	87.81
Total	**379**	**100.00**	**187,097,944**	**100.00**

TWENTY LARGEST WARRANT HOLDERS

No.	Name	No. of warrants	%
1	Hireach Assets Limited	89,195,784	47.67
2	See Hoy Chan Investment Limited	35,400,000	18.92
3	ASIACAP Management Pte Ltd	8,830,000	4.72
4	Leow Kwee Siew	4,173,000	2.23
5	Lum Chiew Foong	4,100,000	2.19
6	Oversea-Chinese Bank Nominees Pte Ltd	4,000,000	2.14
7	Lim & Tan Securities Pte Ltd	3,954,000	2.11
8	Perennial Advisory Pte Ltd	3,941,000	2.11
9	OCBC Securities Private Ltd	2,490,000	1.33
10	Sun Wei	1,875,000	1.00
11	Teo Ah Tiak	1,818,000	0.97
12	DBS Vickers Securities (S) Pte Ltd	1,699,000	0.91
13	Lim Ngern Khee	1,604,000	0.86
14	Citibank Consumer Nominees Pte Ltd	1,216,000	0.65
15	Kim Eng Securities Pte. Ltd.	862,000	0.46
16	Chua Keng Loy	840,000	0.45
17	Tan Jit Seng	834,000	0.45
18	Low Cheng Lum	800,000	0.43
19	CIMB-Gk Securities Pte. Ltd.	778,000	0.42
20	HL Bank Nominees (S) Pte Ltd	604,000	0.32
	Total	**169,013,784**	**90.34**

NOTICE OF ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN THAT the Annual General Meeting of Guangzhao Industrial Forest Biotechnology Group Limited will be held at Pan Pacific Hotel, 7 Raffles Boulevard, Marina Square, Singapore 039595 (Ocean 6, Level 2) on the 26th day of April 2008 at 10 a.m. for the following purposes:-

AS ORDINARY BUSINESS

1. To receive and, if approved, to adopt the Audited Accounts for the financial year ended 31 December 2007 together with the Directors' Report and Auditors' Report thereon. **Resolution 1**

2. To approve Directors' fees of S$122,000 for the financial year ended 31 December 2007. **Resolution 2**

3. To re-elect Mr Song Xuemeng who is retiring under Article 107 of the Articles of Association.
   [See Explanatory Note 1] **Resolution 3**

4. To re-elect Mr Ong Kian Min who is retiring under Article 117 of the Articles of Association.
   [See Explanatory Note 2] **Resolution 4**

5. To re-appoint Messrs Moore Stephens, Certified Public Accountants, as the Company's Auditors and to authorise the Directors to fix their remuneration. **Resolution 5**

6. To transact any other ordinary business which may be properly transacted at an Annual General Meeting.

AS SPECIAL BUSINESS

To consider and, if thought fit, to pass the following resolution (with or without amendments) as Ordinary Resolution:-

7. Authority to allot and issue shares up to 50 per cent of issued shares in the capital of the Company

   That pursuant to Section 161 of the Companies Act, Cap. 50 and Rule 806 of the Listing Manual of the Singapore Exchange Securities Trading Limited ("SGX-ST"), the Directors of the Company be authorised and empowered to:

   (a) (i) issue shares in the capital of the Company ("shares") whether by way of rights, bonus or otherwise; and/or

   (ii) make or grant offers, agreements or options (collectively, "Instruments") that might or would require shares to be issued, including but not limited to the creation and issue of (as well as adjustments to) warrants, debentures or other instruments convertible into shares, at any time and upon such terms and conditions and for such purposes and to such persons as the Directors may in their absolute discretion deem fit; and

   (b) (notwithstanding the authority conferred by this Resolution may have ceased to be in force) issue shares in pursuance of any Instrument made or granted by the Directors while this Resolution was in force,

   provided that:

   (1) the aggregate number of shares to be issued pursuant to this Resolution (including shares to be issued in pursuance of Instruments made or granted pursuant to this Resolution) does not exceed 50 per cent of the total number of issued shares (excluding treasury shares) in the capital of the Company (as calculated in accordance with paragraph (2) below), of which the aggregate number of shares to be issued other than on a pro rata basis to shareholders of the Company (including shares to be issued in pursuance of Instruments made or granted pursuant to this Resolution) does not exceed 20 per cent of the total number of issued shares (excluding treasury shares) in the capital of the Company (as calculated in accordance with paragraph (2) below);

   (2) (subject to such manner of calculation and adjustments as may be prescribed by the SGX-ST) for the purpose of determining the aggregate number of shares that may be issued under paragraph (1) above, the percentage of issued shares shall be based on the total number of issued shares (excluding treasury shares) in the capital of the Company at the time this Resolution is passed, after adjusting for:

AS SPECIAL BUSINESS (CONT'D)

(i) new shares arising from the conversion or exercise of any convertible securities or share options or vesting of share awards which are outstanding or subsisting at the time this Resolution is passed; and

(ii) any subsequent bonus issue, consolidation or subdivision of shares;

(3) in exercising the authority conferred by this Resolution, the Company shall comply with the provisions of the Listing Manual of the SGX-ST for the time being in force (unless such compliance has been waived by the SGX-ST) and the Articles of Association for the time being of the Company; and

(4) (unless revoked or varied by the Company in general meeting) the authority conferred by this Resolution shall continue in force until the conclusion of the next Annual General Meeting of the Company or the date by which the next Annual General Meeting of the Company is required by law to be held, whichever is the earlier. [See Explanatory Note 3] **Resolution 6**

By order of the board

ONG WEI JIN
Company Secretary

10 April 2008
Singapore

Explanatory Notes on Ordinary and Special Business:

Ordinary Business

1. If re-elected under Resolution 3, Mr Song Xuemeng will remain as an Executive Director and Chief Executive Officer of the Company.

2. If re-elected under Resolution 4, Mr Ong Kian Min will remain as a member of the Audit, Nominating, and Remuneration Committees and will be considered an Independent Director of the Company.

Special Business

3. Resolution 6 is to empower the Directors to issue shares in the capital of the Company and to make or grant instruments (such as warrants or debentures) convertible into shares, and to issue shares in pursuance of such instruments, up to a number not exceeding in total 50 per cent of the total number of issued shares (excluding treasury shares) in the capital of the Company, of which up to 20 per cent of the total number of issued shares (excluding treasury shares) may be issued other than on a pro rata basis to shareholders. For the purpose of determining the aggregate number of shares that may be issued, the percentage of issued shares shall be based on the total number of issued shares (excluding treasury shares) in the capital of the Company at the time that Resolution 6 is passed, after adjusting for (a) new shares arising from the conversion or exercise of any convertible securities or share options or vesting of share awards which are outstanding or subsisting at the time that Resolution 6 is passed, and (b) any subsequent bonus issue, consolidation or subdivision of shares.

Notes:

i. A member of the Company entitled to attend and vote at the Annual General Meeting is entitled to appoint one or two proxies to attend and vote in his/her stead. A proxy need not be a member of the Company.

ii. Where a member appoints more than one proxy, the appointments shall be invalid unless he/she specifies the proportion of his/her shareholding to be represented by each proxy.

iii. A corporation which is a member of the Company may authorize by resolution of its directors or other governing body, such person as it thinks fit to act as its representative at the meeting.

iv. The instrument appointing a proxy must be deposited at the registered office of the Company at 6 Temasek Boulevard, #23-06 Suntec Tower Four, Singapore 038986 not less than forth-eight (48) hours before the time for holding the Annual General Meeting.

PROXY FORM

(Please see notes overleaf before completing this Form)

GUANGZHAO INDUSTRIAL FOREST
BIOTECHNOLOGY GROUP LIMITED
(Incorporated in the Republic of Singapore)

Important:
1. For investors who have used their CPF monies to buy Guangzhao Industrial Forest Biotechnology Group Limited's shares, this Annual Report is forwarded to them at the request of the CPF Approved Nominees and is sent solely FOR INFORMATION ONLY.
2. This Proxy Form is not valid for use by CPF Investors and shall be ineffective for all intents and purposes if used or purported to be used by them.
3. CPF investors who wish to attend the Meeting as an observer must submit their requests through their CPF Approved Nominees within the time frame specified. If they also wish to vote, they must submit their voting instructions to the CPF Approved Nominees within the time frame specified to enable them to vote on their behalf.

I/We ____________________ (Name) NRIC/Passport No. ____________________

of ____________________ (Address)

being a member/members of the above-mentioned Company, hereby appoint:-

Name	NRIC/Passport No.	Proportion of Shareholdings	
		No. of Shares	%
Address			

and/or (delete as appropriate)

Name	NRIC/Passport No.	Proportion of Shareholdings	
		No. of Shares	%
Address			

or failing him/her/them, the Chairman of the Meeting as my/our proxy/proxies to attend and to vote for me/us on my/our behalf at the Annual General Meeting (the "Meeting") of the Company to be held at Pan Pacific Hotel, 7 Raffles Boulevard, Marina Square, Singapore 039595 (Ocean 6, Level 2) on the 26th day of April 2008 at 10 a.m. and at any adjournment thereof. I/We direct my/our proxy/proxies to vote for or against the Resolutions to be proposed at the Meeting as indicated hereunder. If no specific direction as to voting is given or in the event of any other matter arising at the Meeting and at any adjournment thereof, the proxy/proxies will vote or abstain from voting at his/her discretion. The authority herein includes the right to demand or to join in demanding a poll and to vote on a poll.

(Please indicate your vote "For" or "Against" with a tick [X] within the box provided)

No.	Resolutions relating to:	For	Against
	Ordinary Business		
1.	Audited Accounts, Directors' Report and Auditors' Report for the year ended 31 December 2007		
2.	Approval of Directors' Fees		
3.	Re-election of Mr Song Xuemeng as a Director under Article 107		
4.	Re-election of Mr Ong Kian Min as a Director under Article 117		
5.	Re-appointment of Moore Stephens as Auditors		
	Special Business		
6.	Authority to allot and issue shares up to 50 per cent of issued shares in the capital of the Company		

Dated this ____________ day of ____________ 2008.

Total number of Shares in:	No. of Shares
(a) CDP Register	
(b) Register of Members	

____
Signature(s) of Shareholder(s)
or, Common Seal of Corporate Shareholder

Notes:

1. Please insert the total number of shares held by you. If you have shares entered against your name in the Depository Register (as defined in Section 130A of the Companies Act, Chapter 50 of Singapore), you should insert that number of shares. If you have shares registered in your name in the Register of Members, you should insert that number of shares. If you have shares entered against your name in the Depository Register and shares registered in your name in the Register of Members, you should insert the aggregate number of shares entered against your name in the Depository Register and registered in your name in the Register of Members. If no number is inserted, the instrument appointing a proxy or proxies shall be deemed to relate to all the shares held by you.

2. A member of the Company entitled to attend and vote at a meeting of the Company is entitled to appoint one or two proxies to attend and vote in his/her stead. A proxy need not be a member of the Company.

3. Where a member appoints two proxies, the appointments shall be invalid unless he/she specifies the proportion of his/her shareholding (expressed as a percentage of the whole) to be represented by each proxy. If no such proportion is specified, the first-named proxy shall be deemed to represent 100 per cent of his/her shareholding and the second named proxy shall be deemed to be an alternate to the first-named.

4. Completion and return of this instrument appointing a proxy shall not preclude a member from attending and voting at the Meeting. Any appointment of a proxy or proxies shall be deemed to be revoked if a member attends the meeting in person, and in such event, the Company reserves the right to refuse to admit any person or persons appointed under the instrument of proxy to the Meeting.

5. The instrument appointing a proxy or proxies, together with the power of attorney (if any) under which it is signed or a notarially certified or office copy thereof, shall be deposited at the registered office of the Company at 6 Temasek Boulevard, #23-06 Suntec Tower Four, Singapore 038986, not less than forty-eight (48) hours before the time appointed for the Meeting.

6. The instrument appointing a proxy or proxies must be under the hand of the appointor or of his attorney duly authorized in writing. Where the instrument appointing a proxy or proxies is executed by a corporation, it must be executed either under its seal or under the hand of an officer or attorney duly authorised. Where the instrument appointing a proxy or proxies is executed by an attorney on behalf of the appointor, the letter or power of attorney or a duly certified copy thereof must be lodged with the instrument.

7. A corporation which is a member may authorise by resolution of its directors or other governing body such a person as it thinks fit to act as its representative at the Meeting, in accordance with Section 179 of the Companies Act, Chapter 50 of Singapore.

8. Please indicate with an "X" in the spaces provided whether you wish your vote(s) to be for or against the Resolutions as set out in the Notice of Annual General Meeting. In the absence of specific directions, the proxy/proxies will vote or abstain as he/she/they may think fit, as he/she/they will on any other matter arising at the Meeting.

General:

The Company shall be entitled to reject the instrument appointing a proxy or proxies if it is incomplete, improperly completed or illegible or where the true intentions of the appointor are not ascertainable from the instructions of the appointor specified in the instrument appointing a proxy or proxies. In addition, in the case of a member whose shares are entered against his/her name in the Depository Register, the Company may reject any instrument appointing a proxy or proxies lodged if the member, being the appointor, is not shown to have shares entered against his/her name in the Depository Register as at forty-eight (48) hours before the time appointed for holding the Meeting, as certified by The Central Depository (Pte) Limited to the Company.

CORPORATE DIRECTORY

SINGAPORE

Guangzhao Industrial Forest Biotechology Group Limited

6, Temasek Boulevard #23-06
Suntec Tower Four
Singapore 038986

Tel: 65-62350255
Fax: 65-62350705

Mr. Song Xuemeng
CEO

CHINA

Shanghai Guangzhao Plant Fast-Growing Technology Co., Ltd.

Shanghai Guangzhao Forestry Development Co., Ltd.

Shanghai Shizhao Trading Co., Ltd.

138, Yulu Road, Malu Town
Jiading District
Shanghai 201801 P.R. China

Tel: 86-21-6915 6062
Fax: 86-21-6915 6076

Mr. Song Xuemeng
CEO

MALAYSIA

Jalur Lipur Sdn. Bhd.

82-A, Lorong 5/2,
Oakland Commercial Square
70200, Seremban,
Negeri Sembilan, Malaysia

Tel: 60-6-6012979
Fax: 60-6-6012977

Mr. Lai Sead Ping
Director

CAMBODIA

Guangzhao Biofuel Pte. Ltd.

138, Paragon Building
3rd Floor, Norodom Boulevard,
Sangkat Tonle Bassac,
Khan Chamkarmon,
Phnom Penh, Cambodia

Tel: 855-23-228866 /
23-212935
Fax: 855-23-227766

Mr. Lim Ngern Khee
Director

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Company Registration No. 200305430G

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