

MANAGEMENT REPORT FOR TECHNICO HORTICULTURAL (KUNMING) CO. LIMITED

Corporate Information

Technico Horticultural (Kunming) Co. Ltd. ("Company") is domiciled in Yunnan Province, People's Republic of China. Its parent entity is Technico Asia Holdings Pty Ltd. (formerly Technico China Pty Ltd.), a company incorporated in Australia.

The registered office of the Company is located at,

A-38 Yanglin Industrial Development Zone,

Songming,

Yunnan Province,

People's Republic of China.

There were 59 employees on the rolls of the Company as at 31 December, 2007.

Principal activities

The Company is primarily engaged in production and supply of TECHNITUBER® seed potatoes to domestic and export markets.

Business Review

For the year under review, the Company achieved a turnover of CNY 14,313,363 (2006: CNY14,178,083) and a net profit of CNY 821,535

(2006: CNY 2,156,410). The Company is continuing its discussions with government authorities and advisors concerning its ownership structure and operational status.

In view of the accumulated losses, no dividends have been paid or declared during the financial year.

Auditors

The Company has engaged M/s. Yunnan Tianying Certified Public Accountants as auditors for the year under review whose report is annexed to the financial report.

Environmental regulation and performance

Your Company complies with the environmental regulations set by the Songming Environmental Bureau.

Place : Beijing, China

Date : 27 March 2008

D McDonald

Legal Representative

REPORT OF THE AUDITOR TO THE MANAGEMENT OF TECHNICO HORTICULTURAL (KUNMING) CO. LIMITED

We have audited the attached financial statements of Technico Horticultural (Kunming) Company (the "Company"), including the balance sheet as at 31 December 2007, and the income and profit distribution, cash flow statement, notes to financial statements for the year ended 31 December 2007.

1. Responsibility of the Company's management for the financial statements

The Company's responsibility is to prepare these financial statements in accordance with the requirements of "The Accounting Standards for PRC Enterprises" and "The Accounting Systems of PRC Enterprises", which includes (1) designing, implementing and maintaining the internal controls relative to the preparation of these financial statements, so that there aren't material misstatements in these financial statements led by fraud and error; (2) selecting and using proper accounting policies and making rational accounting estimates.

2. Responsibility of the certified public accounts

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with the Independent Auditing Standards of China. The standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free of material misstatements.

An audit involves performing procedures to obtain audit evidence about the amount and disclosures in the financial statements. The procedures selected depend on the auditor's 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 auditor considers internal control relevant to the entity's preparation 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 control. 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.

3. Audit opinion

In our opinion, the financial statements have been prepared in accordance with the requirements of "The Accounting Standards for PRC Enterprises" and "The Accounting Systems of PRC Enterprises". The financial statements fairly present the financial position of the Company as at 31 December 2007, operating results and cash flows for the year then ended in all material respects.

Yunnan Tianying Certified Public Accountants

Certified Public Accountants

Certified Public Accountants

Kunming, The People's Republic of China

28 February 2008

BALANCE SHEET AS AT 31 DECEMBER 2007

Printed by Technico Horticultural (Kumming) Co. Ltd.

ITEMS	LINE NO	31 Dec 2006 CNY	31 Dec 2006 INR	31 Dec 2007 CNY	31 Dec 2007 INR
CURRENT ASSETS:	1				
Cash and cash equivalents	2	3,491,356.53	617,043.68	313,174.47	57,926.62
Short-term investments	3	0.00	0.00	0.00	0.00
Notes receivable	4	0.00	0.00	0.00	0.00
Dividend receivable	5	0.00	0.00	0.00	0.00
Interest receivable	6	0.00	0.00	0.00	0.00
Accounts receivable	7	2,531,926.80	447,479.20	4,019,758.86	743,518.58
Other notes receivable	8	292,339.80	51,666.57	245,077.34	45,330.97
Advance to suppliers' debts	9	0.00	0.00	70,000.00	12,947.62
Futures deposits	10	0.00	0.00	0.00	0.00
Cover deficit by state subsidies of receivable	11	0.00	0.00	0.00	0.00
	12	0.00	0.00	0.00	0.00
Inventories	13	4,549,827.50	804,112.17	5,113,873.52	945,892.56
Including: Raw materials	14	0.00	0.00	0.00	0.00
Finished goods	15	4,321,760.26	763,804.79	3,958,198.31	732,131.98
Deferred and prepaid expenses	16	67,926.63	12,004.99	21,229.68	3,926.77
Long-term investments maturing within one year	17	0.00	0.00	0.00	0.00
Other current assets	18	0.00	0.00	0.00	0.00
	19	0.00	0.00	0.00	0.00
Total current assets	20	10,933,377.26	1,932,306.61	9,783,113.87	1,809,543.11
LONG TERM INVESTMENTS:	21	0.00	0.00	0.00	0.00
Long-term investment on stocks	22	0.00	0.00	0.00	0.00
Long-term investment on bonds	23	0.00	0.00	0.00	0.00
	24	0.00	0.00	0.00	0.00
	25	0.00	0.00	0.00	0.00
	26	0.00	0.00	0.00	0.00
Total Long-term investments	27	0.00	0.00	0.00	0.00
FIXED ASSETS:	28	0.00	0.00	0.00	0.00
Fixed assets-cost	29	26,848,239.13	4,745,014.16	26,797,303.67	4,956,589.17
Less: Accumulated depreciations	30	16,799,149.74	2,968,991.86	18,657,684.68	3,451,036.68
Fixed asset-net value	31	10,049,089.39	1,776,022.30	8,139,618.99	1,505,552.49
Less: Fixed assets depreciation reserves	32	0.00	0.00	0.00	0.00
Fixed asset-net equity	33	10,049,089.39	1,776,022.30	8,139,618.99	1,505,552.49
Project goods and material	34	0.00	0.00	0.00	0.00
Construction in progress liab.	35	0.00	0.00	0.00	0.00
Liquidation of fixed assets	36	0.00	0.00	0.00	0.00
	37	0.00	0.00	0.00	0.00
	38	0.00	0.00	0.00	0.00
Total fixed assets	39	10,049,089.39	1,776,022.30	8,139,618.99	1,505,552.49
Intangible assets and other assets:	40	0.00	0.00	0.00	0.00
Intangible assets	41	1,700,981.25	300,622.33	1,659,993.75	307,042.35
Long-term deferred and prepaid expenses	42	0.00	0.00	0.00	0.00
Other deferred expenses	43	0.00	0.00	0.00	0.00
Including: Unamortized exchange loss	44	0.00	0.00	0.00	0.00
	45	0.00	0.00	0.00	0.00
	46	0.00	0.00	0.00	0.00
Total intangible assets and other assets	47	1,700,981.25	300,622.33	1,659,993.75	307,042.35
Deferred taxes:	48	0.00	0.00	0.00	0.00
Deferred taxes debit	49	0.00	0.00	0.00	0.00
	50	0.00	0.00	0.00	0.00
	51	0.00	0.00	0.00	0.00
TOTAL ASSETS	52	22,683,447.90	4,008,951.24	19,582,726.61	3,622,137.95

BALANCE SHEET AS AT 31 DECEMBER 2007 (Contd.)

Printed by Technico Horticultural (Kumming) Co. Ltd.

ITEMS	LINE NO	31 Dec 2006 CNY	31 Dec 2006 INR	31 Dec 2007 CNY	31 Dec 2007 INR
CURRENT LIABILITIES:	53				
Short term loans	54	4,300,000.00	759,959.00	0.00	0.00
Notes payable	55	0.00	0.00	0.00	0.00
Accounts payable	56	525,741.06	92,916.66	0.00	0.00
Advances from customers	57	366,324.00	64,742.14	896,537.30	165,828.89
Accrued wages	58	64,273.95	11,359.43	436,188.78	80,680.08
Accrued welfarism	59	1,907.15	337.06	4,230.52	782.50
Including: Staff and worker' bonus and welfare fund	60	0.00	0.00	0.00	0.00
Dividends payable	61	0.00	0.00	0.00	0.00
Accrued interest payable	62	0.00	0.00	0.00	0.00
Taxes payable	63	0.00	0.00	0.00	0.00
Other fund in conformity with paying	64	0.00	0.00	0.00	0.00
Other payables	65	2,580.00	455.98	102,011.50	18,868.66
Drawing expense in advance	66	25,000.00	4,418.37	0.00	0.00
Anticipation liabilities	67	0.00	0.00	0.00	0.00
Deferred income	68	0.00	0.00	0.00	0.00
Long-term liabilities due within one year	69	0.00	0.00	0.00	0.00
Other current liabilities	70	0.00	0.00	0.00	0.00
Total current liabilities	71	5,285,826.16	934,188.64	1,438,968.10	266,160.13
LONG-TERM LIABILITIES:	72	0.00	0.00	0.00	0.00
Long-term loans	73	0.00	0.00	0.00	0.00
Bonds payable	74	0.00	0.00	0.00	0.00
Long-term account payable	75	275,241.99	48,644.80	199,842.22	36,964.01
Special payable	76	0.00	0.00	0.00	0.00
Other Long-term Liabilities	77	0.00	0.00	0.00	0.00
Including: Unamortized exchange gain	78	0.00	0.00	0.00	0.00
Total long term liabilities	79	275,241.99	48,644.80	199,842.22	36,964.01
Deferral taxes:	80	0.00	0.00	0.00	0.00
Deferred taxes credit	81	0.00	0.00	0.00	0.00
Total liabilities	82	5,561,068.15	982,833.44	1,638,810.32	303,124.13
*minority stockholder's interest	83	0.00	0.00	0.00	0.00
OWNER'S EQUITY:	84	0.00	0.00	0.00	0.00
Paid in capital	85	19,013,598.02	3,360,361.60	19,013,598.02	3,516,868.53
Chinese investment (amount of foreign currency at end of period)	86	0.00	0.00	0.00	0.00
Foreign investment (amount of foreign currency at end of period)	87	19,013,598.02	3,360,361.60	19,013,598.02	3,516,868.53
Less: Investment returned	88	0.00	0.00	0.00	0.00
Net paid in capital	89	19,013,598.02	3,360,361.60	19,013,598.02	3,516,868.53
Capital reserve	90	42,666.57	7,540.66	42,666.57	7,891.86
Surplus reserves	91	0.00	0.00	0.00	0.00
Including: Legal surplus	92	0.00	0.00	0.00	0.00
Legal public welfare fund	93	0.00	0.00	0.00	0.00
Free surplus reserves	94	0.00	0.00	0.00	0.00
Reserve fund	95	0.00	0.00	0.00	0.00
Enterprise expansion fund	96	0.00	0.00	0.00	0.00
Profits capitalized on return of investment	97	0.00	0.00	0.00	0.00
Undistributed profit	98	0.00	0.00	0.00	0.00
	99	-1,933,884.84	-339,836.09	-1,112,348.30	-204,408.91
Margin of Translation of Foreign Currency Financial Statements	100	0.00	-1,948.37	0.00	-1,337.67
Subtotal owners' equity	101	17,122,379.75	3,026,117.81	17,943,916.29	3,319,013.82
Less: assets loss	102	0.00	0.00	0.00	0.00
Total owners' equity	103	17,122,379.75	3,026,117.81	17,943,916.29	3,319,013.82
TOTAL LIABILITIES AND OWNERS' EQUITY	104	22,683,447.90	4,008,951.24	19,582,726.61	3,622,137.95

INCOME AND PROFIT DISTRIBUTION STATEMENT FOR THE YEAR ENDED 31 DECEMBER 2007

Printed by Technico Horticultural (Kumming) Co. Ltd.

ITEMS	LINE NO	2006	2006	2007	2007
		CNY	INR	CNY	INR
Prime operating revenue	1	14,178,082.76	2,491,474.20	14,313,362.99	2,630,272.26
Including: Export sales	2	0.00	0.00	0.00	0.00
Import sales	3	0.00	0.00	0.00	0.00
Less: Sales discount and allowances	4	0.00	0.00	0.00	0.00
Prime operating net revenue	5	14,178,082.76	2,491,474.20	14,313,362.99	2,630,272.26
Less: Operating cost	6	6,284,506.37	1,104,358.45	5,799,436.10	1,065,724.10
Including: Export costs	7	0.00	0.00	0.00	0.00
Tax and associate charge	8	0.00	0.00	0.00	0.00
Others	9	0.00	0.00	0.00	0.00
Prime operating profit	10	7,893,576.39	1,387,115.75	8,513,926.89	1,564,548.16
Add: Income from other operations	11	32,990.36	5,797.30	84,462.22	15,521.06
Less: Operating expenses	12	4,252,785.79	747,329.96	4,664,663.47	857,194.42
Administrative expenses	13	1,300,923.09	228,607.52	2,339,118.34	429,844.34
Including: Business entertainment	14	6,639.00	1,166.65	0.00	0.00
Research and development	15	0.00	0.00	0.00	0.00
Financial Expenses	16	272,548.22	47,894.12	805,653.59	148,049.64
Including: Interest exchange	17	58,468.65	10,274.53	109,984.40	20,211.11
Interest income	18	7,843.57	1,378.33	3,509.56	644.93
Foreign exchange profit and loss	19	166,569.07	29,270.71	629,050.40	115,596.44
Others	20	0.00	0.00	0.00	0.00
Operating profit	21	2,100,309.65	369,081.45	788,953.71	144,980.82
Add: Investment income	22	0.00	0.00	0.00	0.00
Futures income	23	0.00	0.00	0.00	0.00
Subsidize revenue	24	0.00	0.00	0.00	0.00
Non-operating income	25	56,100.44	9,858.37	53,572.67	9,844.70
Others	26	0.00	0.00	0.00	0.00
Less: Non-operating expenses	27	0.00	0.00	20,989.84	3,857.16
Including: Donation outlay	28	0.00	0.00	0.00	0.00
TOTAL PROFIT	29	2,156,410.09	378,939.82	821,536.54	150,968.35
Less: Income tax	30	0.00	0.00	0.00	0.00
*minority stockholder's profit and loss	31	0.00	0.00	0.00	0.00
	32	0.00	0.00	0.00	0.00
NET INCOME	33	2,156,410.09	378,939.82	821,536.54	150,968.35
Add: Undistributable profits at beginning of year	34	-4,090,294.93	-718,775.91	-1,933,884.84	-355,377.26
else adjust factor	35	0.00	0.00	0.00	0.00
Profit available for distribution	36	-1,933,884.84	-339,836.09	-1,112,348.30	-204,408.91
Less: Withdrawal legal surplus	37	0.00	0.00	0.00	0.00
Withdrawal legal public welfare funds	38	0.00	0.00	0.00	0.00
Withdrawal staff and worker's bonus and welfare fund	39	0.00	0.00	0.00	0.00
Withdrawal reserve fund	40	0.00	0.00	0.00	0.00
Withdrawal reserve for business expansion	41	0.00	0.00	0.00	0.00
Profits capitalized on return of investment	42	0.00	0.00	0.00	0.00
Others	43	0.00	0.00	0.00	0.00
Profit available for distribution to owners	44	-1,933,884.84	-339,836.09	-1,112,348.30	-204,408.91
Less: Preferred Stock dividends payable	45	0.00	0.00	0.00	0.00
Including: Chinese investment	46	0.00	0.00	0.00	0.00
Foreign investment	47	0.00	0.00	0.00	0.00
Withdrawal other common accumulation	48	0.00	0.00	0.00	0.00
Common Stock dividends payable	49	0.00	0.00	0.00	0.00
Including: Chinese investment	50	0.00	0.00	0.00	0.00
Foreign investment	51	0.00	0.00	0.00	0.00
Common Stock dividends change to assets	52	0.00	0.00	0.00	0.00
Including: Chinese investment	53	0.00	0.00	0.00	0.00
Foreign investment	54	0.00	0.00	0.00	0.00
Others	55	0.00	0.00	0.00	0.00
Undistributed profit	56	-1,933,884.84	-339,836.09	-1,112,348.30	-204,408.91

CASH FLOW STATEMENT FOR THE YEAR ENDED 31 DECEMBER 2007

Printed by Technico Horticultural (Kumming) Co. Ltd.

ITEMS	LINE NO	RMB	INR
1. Cash Flow from Operating Activities	1		
Cash from selling commodities or offering labor	2	15,789,015.94	2,920,430.59
Refund of tax and fee received	3	0.00	0.00
Other cash received related to operating activities	4	0.00	0.00
Cash Inflow Subtotal	5	15,789,015.94	2,920,430.59
Cash paid for commodities or labor	6	7,575,841.53	1,401,272.85
Cash paid to and for employees	7	4,515,012.44	835,123.64
Taxes and fees paid	8	65,807.82	12,172.21
Other cash paid related to operating activities	9	2,048,286.83	378,863.35
Cash Outflow Subtotal	10	14,204,948.62	2,627,432.05
Cash flow generated from operating activities Net Amount	11	1,584,067.32	292,998.54
2. Cash Flow from Investing Activities	12		
Cash from investment withdrawal	13	0.00	0.00
Cash from investment income	14	0.00	0.00
Net cash from disposing fixed assets, intangible assets and other long term assets	15	0.00	0.00
Other cash received related to investing activities	16	0.00	0.00
Cash Inflow Subtotal	17	0.00	0.00
Cash paid for buying fixed assets , intangible assets and other long term investments	18	352,264.98	65,157.03
Cash paid for investment	19	0.00	0.00
Other cash paid related to investing activities	20	0.00	0.00
Cash Outflow Subtotal	21	352,264.98	65,157.03
Cash flow generated from investing activities Net Amount	22	-352,264.98	-65,157.03
3. Cash Flow from Financing Activities	23		
Cash received from accepting investment	24	0.00	0.00
Borrowings	25	0.00	0.00
Other cash received related to financing activities	26	0.00	0.00
Cash Inflow Subtotal	27	0.00	0.00
Cash paid for debt	28	4,300,000.00	795,353.65
Cash paid for dividend, profit or interest	29	109,984.40	20,343.47
Other cash paid related to financing activities	30	0.00	0.00
Cash Outflow Subtotal	31	4,409,984.40	815,697.03
Cash flow from financing activities Net Amount	32	-4,409,984.40	-815,697.03
4. Foreign Currency Translation Gains (Losses)	33	0.00	0.00
5. Net Increase Of Cash and Cash Equivalents	34	-3,178,182.06	-587,855.52
Supplementary Schedule:	35		
1. Convert net profit to cash flow from operating activities	36		
Net profit	37	821,536.54	151,956.30
Plus: Minority interests	38	0.00	0.00
Less: Unaffirmed investment loss	39	0.00	0.00
Plus: Provision for asset losses	40	0.00	0.00
Depreciation for fixed assets	41	1,769,903.57	327,371.92
Amortization of intangible assets	42	40,987.50	7,581.29
Amortization of long-term deferred expenses	43	0.00	0.00
Decrease of deferred expenses (or less: increase)	44	46,696.95	8,637.35
Increase of accrued expenses (or less: decrease)	45	-25,000.00	-4,624.15
Loss of disposing fixed assets, intangible assets and other long term assets (or less : gains)	46	0.00	0.00
Scrap loss of fixed assets	47	0.00	0.00
Financial expenses	48	109,984.40	20,343.37
Investment losses (or less: gains)	49	0.00	0.00
Credit of deferred tax liabilities (or less: debit)	50	0.00	0.00
Decrease of inventory (or less: increase)	51	-564,046.02	-104,329.32
Decrease of operation receivables (or less: increase)	52	-1,510,569.60	-279,403.97
Increase of operation payables (or less: decrease)	53	894,573.98	165,465.74
Others	54	0.00	0.00
Net cash from operating activities	55	1,584,067.32	292,998.54
2. Investing and financing activities not involved in cash	56		
Debt converted to capital	57	0.00	0.00
Convertible bond maturity within one year	58	0.00	0.00
Leasehold improvements	59	0.00	0.00
Others	60	0.00	0.00
	61	0.00	0.00
	62	0.00	0.00
3. Net increase of cash and cash equivalents	63		
Cash ending bal.	64	313,174.47	57,926.62
Less: cash beginning bal.	65	3,491,356.53	645,782.13
Plus: cash equivalents' ending bal.	66	0.00	0.00
Less: cash equivalents' beginning bal.	67	0.00	0.00
Net increase of cash and cash equivalents	68	-3,178,182.06	-587,855.52

NOTES TO FINANCIAL STATEMENTS

1. Brief information on the Company

Technico Horticultural (Kunming) Co., Ltd. (the "company") was established as a wholly foreign-owned enterprise invested by Technico China Pty Ltd., under the "laws of the People's Republic of China (the "PRC") on Enterprises Operated Exclusively with Foreign Capital" and through the approval by the Foreign Economic and Trade Department of Yunnan province in the certification Dian zi (1997) No. 0049. The Company of the registered capital USD 2,300,000.00 was registered, with the business license number of Qi Du Zong zi No.000716, on 8 December 1997. The tenure of the Company is 50 years and may be extended upon application by the board of directors and approval of the relevant government authorities. The principal activities of the Company are the development, production and supply of microtuber potato.

2. Significant accounting policies and accounting estimates

(1) Accounting regulations

The Company implements "The Accounting Standards for Enterprises" and "The Accounting Regulations of Enterprises" and the supplementary stipulate.

(2) Fiscal year

The fiscal year for the Company is from 1 January to 31 December of each calendar year.

(3) Accounting currency

The Company's financial records are maintained and the financial statements are stated in Renminbi ("RMB").

(4) Accounting basis and principle

The accounting basis of The Company is accrual principle, and the accounting principle is historical cost principle.

(5) Foreign currency transactions

All foreign currency transactions have been translated into RMB at the market rates of exchange prevailing on the dates of transactions. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are translated into RMB at the market rates of exchange ruling at that date. The resulting exchange gains or losses are capitalized if they have relation to acquiring fixed assets before the fixed assets intended-use have been commenced; or are accounted as long-term prepaid expense in the preparative duration, or are dealt with in the profit and loss account in the operating duration, if they have not relation to acquiring fixed assets.

(6) Cash equivalents

Cash equivalents are the short-term investments, which are held by the Company at the short-term (generally within 3 months from the purchasing date to the date due), are easy in currency and conversion to known-account cashes, are of little value fluctuations.

(7) Allowances for uncollectable accounts

The Company uses the allowance method in which the allowances for uncollectable accounts for the receivable items (including the accounts receivable and other receivable) are recognized in the aging receivable account method and are dealt with in the profit and loss account at the balance sheet. The aging receivable account method is made as follows :

- a. Within 1 year, at 0.5 percent on the amount of the part;
- b. 1-2 year, at 10 percent on the amount of the part;
- c. 2-3 year, at 30 percent on the amount of the part.

If any receivable is evidently different from the others, the specific identification method is made for the receivable item.

(8) Inventories

Inventories, which are recorded at actual cost, include finished goods, work-in-progress and raw material.

For the unrecoverable inventory cost due to the damage, partly or wholly obsolescence, or market price lower than the cost, the provision for decline in value of inventories is determined according to the difference of the actual cost lower than net realizable value on an item-by-item basis, at the end of the period.

(9) Fixed assets and depreciation

Fixed assets are recorded based on the actual cost. At the inception of a lease, the fixed assets by a lessee under a finance lease are recorded at an amount equal to the lower of the carrying amount of the leased asset originally recorded in the books of the lessor and the present value of the minimum lease payments. (If the proportion of the recorded amount of the leased assets to the total

amount of assets is lower than 30 percent, the leased assets are recorded at an amount equal to the total minimum lease payments.)

The standard about fixed asset: House and building, machinery and equipment, Motor vehicle and so on of the useful life more than one year, and non-principle operating equipment of the unit value over 2000 yuan and the useful life more than two years.

Depreciation is calculated on the straight-line basis to write off the cost of each asset over its estimated useful life after deducting the estimated residual value. The categories, useful life and residual value, annual depreciation rate are as follows:

Category	Estimated useful life	Annual depreciation rate	Residual value
House and building	20 years	4.50%	10.00%
Production equipment	10 years	9.00%	10.00%
Motor vehicle	5 years	18.00%	10.00%
Office equipment and other	5 years	18.00%	10.00%

Provision for impairment: At the end of each period, The Company examines its fixed assets and if market value of the fixed asset has declined continually, become obsolete in technology, been not in use in the long term, or been damage, and the recoverable amount of the fixed asset is less than its carrying amount, the provision for impairment is determined according to the difference of the recoverable amount of the fixed asset lower than its carrying amount on an item-by-item basis.

(10) Intangible assets

An intangible asset, which is acquired separately, is recorded based on the actual purchase price paid.

The cost of an intangible asset is amortized evenly over its expected useful life starting in the month in which it is obtained.

If the expected useful life exceeds the beneficial period stipulated in the relevant contract or the effective period stipulated by law, the amortization period of an intangible asset is determined in accordance with the following rules :

- a. If the relevant contract stipulates the beneficial period but the law does not stipulate the effective period, the amortization period is not longer than the beneficial stipulated by the relevant contract;
- b. If the relevant contract does not stipulate the beneficial period but the law stipulates the effective period, the amortization period is not longer than the effective period stipulated by law;
- c. If the relevant contract stipulates the beneficial period but the law also stipulate the effective period, the amortization period is not longer than the shorter of the beneficial period and the effective period.

If the relevant contract does not stipulate the beneficial period and the law does not stipulate the effective period, the amortization period does not exceed 10 years.

If an intangible asset is no longer expected to be able to generate any economic benefits that flow to the enterprise, the carrying amount of the intangible asset is written off and is recognized as gain or loss the current period.

The Company reviews the carrying amount of the intangible asset at the end of each period. The difference of the expected receivable amount lower than the carrying amount of the intangible asset is recognized as provision for impairment on an item-by-item basis.

(11) Long-term prepaid expense

Long-term prepaid expenses are recorded based on the actual payments and amortized on the straight-line basis in the beneficial period.

The expenses (except for acquiring fixed assets), which occur in the preparative duration, are recorded as long-term expense, and are amortized in the month starting the operating.

(12) Principle for recognition of revenue

a. Revenue from the sale of goods

The revenue is recognized when all the following conditions have been satisfied : the Company has transferred to the buyer the significant risks and rewards of ownership of the goods; the enterprise retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold; it is probable that the economic benefits will flow to the Company : the relevant amount of revenue and costs can be measured reliably.

NOTES TO FINANCIAL STATEMENTS (Contd.)

b. Revenue from rendering of services

When the provision of services is started and completed within the same accounting year, revenue is recognized at the time of completion of the services, and receipt of money or holding the qualification of acquiring money.

When the provision of services is started and completed in different accounting year, the total income and the completion degree involving the service contract can be estimated reliably, it is probable that the economic benefits will flow to the Company, the outcome of a transaction involving the rendering

of services can be estimated reliably, the service revenue is recognized at the balance sheet date by the use of the percentage of completion method.

The revenue referred to above is recognized when all the following conditions have been satisfied :

- a. It is probable that the economic benefits will flow to the Company
- b. The amount of the revenue can be measured reliably.

(13) Corporation income tax

Corporation income tax is accounted on the tax payable basis.

3. Tax

VAT: According to the relevant tax laws in the PRC, the Company is exempted from VAT for the sales of the agricultural produce harvested by the Company.

Corporate income tax: at a rate of 24% on its taxable income. However, according to the relevant tax laws in the PRC, the Company is exempted from corporate income tax for its first two profit making years (after deducting losses incurred in previous years) commencing from the first profitable year, and is entitled to a 50% tax exemption for the succeeding three years.

4. Notes to significant items in the financial statements

(1) Cash

Items	2006-12-31 RMB	2007-12-31 RMB
Cash in hand	25,355.10	24,420.97
Cash at bank	3,466,001.43	288,753.50
Total	3,491,356.53	313,174.47

(2) Account receivable

The age of accounts receivable	2006-12-31			2007-12-31		
	RMB	Percentage	Provision for bad debts	RMB	Percentage	Provision for bad debts
Within 1 year	3,224,521.82	99.34%	711,963.02	4,036,943.98	89.06%	513,159.04
1-2 year	21,520.00	0.66%	2,152.00	495,973.92	10.94%	
Total	3,246,041.82	100.00%	714,115.02	4,532,917.90	100.00%	513,159.04

(3) Other receivables

Length after occurrence	2006-12-31			2007-12-31		
	RMB	Percentage	Provision for bad debts	RMB	Percentage	Provision for bad debts
Within 1 year	258,436.35	88.17%	758.48	245,077.34	100.00%	
1-2 year	14,650.45	5.00%				
2-3 year	18,011.49	6.15%				
More than 3 years	2,000.00	0.68%				
Total	293,098.28	100.00%	758.48	245,077.34	100.00%	

(4) Advances to suppliers

Length after occurrence	2006-12-31		2007-12-31	
	RMB	Percentage	RMB	Percentage
Within 1 year			70,000.00	100.00%
Total			70,000.00	100.00%

(5) Inventories and provision for loss on realization of inventory

Items	2006-12-31		2007-12-31	
	RMB	Provision for loss on realization inventory	RMB	Provision for loss on realization inventory
Finished goods	228,067.24		1,155,675.21	
Work-in-progress	4,321,760.26		3,958,198.31	
Total	4,549,827.50		5,113,873.52	

(6) Fixed assets

Items Cost	2006-12-31	Add	Less	2007-12-31
Total Capex	26,848,239.13	291,303.03	342,238.49	26,797,303.67
Accumulated depreciation				
Total Depreciation	16,799,149.74	2,156,728.91	298,193.97	18,657,684.68
Fixed assets depreciation reserves				
Net book value	10,049,089.39			8,139,618.99

NOTES TO FINANCIAL STATEMENTS (Contd.)

(7) Intangible assets

Items	2006-12-31 RMB	Add RMB	Less RMB	2007-12-31 RMB
Land-use-right	2,049,375.00			2,049,375.00
Amortization	348,393.75	40,987.50		389,381.25
Total	1,700,981.25			1,659,993.75

The amortization term is 50 years, and there have been 40 years and 6 months left by 31 December 2007.

Ended 31 December 2007, the above asset was pledged to Guangdong Development Bank for the short-term bank loan under the amount of RMB 6,000,000.00 yuan.

(8) Short-term loan

Items	2006-12-31 RMB	2007-12-31 RMB
Bank loan secured	4,300,000.00	
Total	4,300,000.00	

The short-term bank loans were secured by the land-use-right and fixed assets.

(9) Long-term account payable

2006-12-31 RMB	2007-12-31 RMB
275,241.99	199,842.22

The amount due to investor is unsecured, interest free and has no fixed term of repayment.

(10) Paid-in capital

Investors	2006-12-31		Add	Less	2007-12-31	
	RMB	Proportion	RMB	RMB	RMB	Proportion
Technico China Pty Ltd.	19,013,598.02	100.00%			19,013,598.02	100.00%
Total	19,013,598.02	100.00%			19,013,598.02	100.00%

(11) Primary operating profit (RMB)

Operating revenue	Operating cost
14,313,362.99	5,799,436.10

(12) Finance expense (RMB)

Items	From 2007-1-1 to 2007-12-31
Interest expense	109,984.40
Less: Interest income	3,509.56
Foreign exchange loss	629,050.40
Other	70,128.35
Total	805,653.59

5. Contingencies

Up to 31 December 2007, there are no material contingencies for the company.

6. Promised events

Up to 31 December 2007, there are no material promised events for the company.

7. Non-adjusting events subsequent to the balance sheet date

Non material non-adjusting events subsequent to the balance sheet date for the Company.

8. Other material events stated

Up to 31 December 2007, there are no other material matters specially stated for the Company.