

NOTES TO THE FINANCIAL STATEMENTS *(Continued)*

7. TAXATION

The amount of taxation charged to the consolidated profit and loss account represents:

		2001	Period from 26th November 1999 to 30th June 2000
	Note	RMB'000	RMB'000
PRC income tax	(i)	1,623	—

- (i) PRC income tax represents tax charges on the estimated assessable profits of the PRC subsidiaries of the Group. All PRC subsidiaries of the Group are incorporated in the economic development zone of Fujian Province ("Fujian") of the PRC. Domestic enterprises of the PRC are subject to a standard income tax rate of 33 per cent. and productive foreign investment enterprises established in the economic development zone of Fujian, PRC, are subject to a preferential income tax rate of 24 per cent..

Fujian Chaoda Livestock Company Limited ("Chaoda Livestock"), being a domestic enterprise, is subject to the standard income tax rate of 33 per cent..

Fuzhou Chaoda Modern Agriculture Development Company Limited ("Chaoda Modern Agriculture") and Fujian Chaoda Green Agriculture Development Company Limited ("Chaoda Green Agriculture") changed from domestic enterprises to foreign investment enterprises on 29th December 1999 and 20th May 2000 respectively. From their respective dates of change of legal status, Chaoda Modern Agriculture and Chaoda Green Agriculture are entitled to full exemption from PRC income tax for two years starting from their first profit-making year followed by a 50 per cent. reduction for the next consecutive three years in accordance with the relevant tax rules and regulations applicable to foreign investment enterprises in the PRC.

- (ii) No provision for Hong Kong profits tax has been made as there are no estimated assessable profits (2000: Nil) for the subsidiaries operating in Hong Kong during the year.
- (iii) No deferred tax has been recognised in the financial statements as there has been no material timing differences for tax purposes.

NOTES TO THE FINANCIAL STATEMENTS *(Continued)*

8. PROFIT ATTRIBUTABLE TO SHAREHOLDERS

The profit attributable to shareholders is dealt with in the financial statements of the Company to the extent of RMB125,952,000.

9. DIVIDENDS

	2001	Period from 26th November 1999 to 30th June 2000
	RMB'000	RMB'000
Final, proposed, of HK\$0.073 (equivalent to RMB0.07738) per ordinary share for 2001	123,808	20,000

The dividend of RMB20,000,000 for the period ended 30th June 2000 was paid by Timor to its then shareholders prior to the completion of the Reconstruction on 1st December 2000.

10. EARNINGS PER SHARE

Basic earnings per share is calculated based on the profit attributable to shareholders of RMB440,821,000 and on the weighted average number of 1,416,986,000 shares in issue during the year.

The comparative earnings per share is calculated based on the profit attributable to shareholders of RMB34,332,000 and an aggregate of 1,200,000,000 shares, comprising 2 shares issued at HK\$0.1 each on 24th August 2000 immediately after incorporation of the Company together with 998 shares issued upon the Reconstruction and 1,199,999,000 shares issued pursuant to the capitalisation issue for the then shareholders of the Company upon completion of Reconstruction, which were deemed to have been in issue since the incorporation date of Timor.

There were no potential dilutive ordinary shares in existence for the year ended 30th June 2001 and the period ended 30th June 2000, therefore, no diluted earnings per share was presented.

NOTES TO THE FINANCIAL STATEMENTS *(Continued)*

11. RETIREMENT BENEFIT COSTS

The Group has joined a retirement scheme organised by the Provincial Government of Fujian for its PRC employees and is required to contribute 22.2% of the employees' basic salaries to the scheme.

Following the enforcement of the Hong Kong MPF Schemes Ordinance effective 1st December 2000, the Group operates a defined contribution MPF scheme for its Hong Kong employees. The Group contributes 5% of the employees' relevant income each month as defined in the MPF Schemes Ordinance, subject to a maximum of HK\$1,000 per person.

As at 30th June 2001, there were no contributions payable to the above retirement schemes.

12. DIRECTORS' AND SENIOR MANAGEMENT'S EMOLUMENTS

(a) Directors' emoluments

The aggregate amounts of emoluments paid and payable to the directors of the Company during the year/period are:

	2001	Period from 26th November 1999 to 30th June 2000
	RMB'000	RMB'000
Fees	—	—
Other emoluments		
Salaries and other benefits-in-kind		
- Executive directors (Note)	2,477	33
- Independent non-executive directors	33	—
Retirement benefit costs		
- Executive directors	19	—
- Independent non-executive directors	—	—
	2,529	33

Note: This includes operating lease rental of RMB362,000 (2000: Nil) paid by the Group for a quarter provided to an executive director.

NOTES TO THE FINANCIAL STATEMENTS *(Continued)*

12. DIRECTORS' AND SENIOR MANAGEMENT'S EMOLUMENTS

(Continued)

(a) Directors' emoluments *(Continued)*

The emoluments of the above directors fell within the following bands:

	2001	Period from 26th November 1999 to 30th June 2000
	RMB'000	RMB'000
Emoluments		
RMB nil to RMB1,000,000	5	4
RMB1,000,001 to RMB1,500,000	1	—

No directors of the Company waived any emoluments and no emoluments were paid or payable by the Group as an inducement to join or upon joining the Group, or as compensation for loss of office during the year/period.

(b) Five highest paid individuals

Three (2000: One) of the five highest paid individuals are directors whose emoluments have been included above. Details of the emoluments paid to the remaining two (2000: four) highest paid individuals are as follows:

	2001	Period from 26th November 1999 to 30th June 2000
	RMB'000	RMB'000
Salaries and other benefits-in-kind	811	111
Retirement benefit costs	11	—
	822	111

The emoluments of these two (2000: four) highest paid individuals are less than RMB1,000,000.

NOTES TO THE FINANCIAL STATEMENTS *(Continued)*

13. FIXED ASSETS - GROUP

	Leasehold improvements	Furniture, fixtures and equipment	Motor vehicles	Farmland infrastructure	Orchard	Intermediate life plants	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Cost							
As at 1st July 2000	80	627	722	9,540	261	888	12,118
Additions	876	1,475	3,596	107,866	23,983	847	138,643
Acquisition							
of subsidiaries	47	68	41	346	—	—	502
Disposals	(127)	(14)	(58)	(8,791)	(261)	(861)	(10,112)
As at 30th June 2001	876	2,156	4,301	108,961	23,983	874	141,151
Accumulated depreciation							
As at 1st July 2000	20	142	235	5,449	—	103	5,949
Charge for the year	115	269	200	4,572	56	131	5,343
Acquisition							
of subsidiaries	3	13	2	120	—	—	138
Disposals	(23)	(10)	(50)	(5,379)	—	(9)	(5,471)
As at 30th June 2001	115	414	387	4,762	56	225	5,959
Net book value							
As at 30th June 2001	761	1,742	3,914	104,199	23,927	649	135,192
As at 30th June 2000	60	485	487	4,091	261	785	6,169

Farmland infrastructure includes films, poles, green house facilities, ditches, roads and others.

Intermediate life plants are aloe veras growing as at year end.

NOTES TO THE FINANCIAL STATEMENTS *(Continued)*

14. INVESTMENTS IN SUBSIDIARIES

	Company 2001
	RMB'000
Unlisted shares, at cost	200,665
Amounts due from subsidiaries	364,725
	565,390

Amounts due from subsidiaries are unsecured, interest free and have no fixed terms for repayment.

The following is a list of the subsidiaries at 30th June 2001:

Company	Place of incorporation	Principal activities and place of operation	Particulars of issued/registered and paid up capital	Interest held
Held directly:				
Timor Enterprise Limited	British Virgin Islands	Investment holding in Hong Kong	60,000 ordinary shares of US\$1 each	100%
Held indirectly:				
Fuzhou Chaoda Modern Agriculture Development Company Limited	PRC	Growing and sale of crops, breeding and sale of livestock in PRC	RMB59,455,900	100%
Fujian Chaoda Green Agriculture Development Company Limited	PRC	Growing and sale of crops in PRC	RMB6,000,000	100%
Fujian Chaoda Livestock Company Limited	PRC	Breeding and sale of livestock in PRC	RMB2,800,000	100%
Chaoda Vegetable & Fruits Limited	Hong Kong	Distribution and trading of crops in Hong Kong	100,000 ordinary shares of HK\$1 each	100%

NOTES TO THE FINANCIAL STATEMENTS *(Continued)*

15. CONSTRUCTION-IN-PROGRESS

	2001	2000
	RMB'000	RMB'000
Brought forward	—	—
Additions	111,160	—
Transfer from other receivables, deposits and prepayments	17,000	—
Carried forward	128,160	—

16. DEFERRED DEVELOPMENT COSTS

	2001	2000
	RMB'000	RMB'000
Cost		
Brought forward	23,450	—
Acquisition of subsidiaries	3,100	7,150
Amounts capitalised during the year/period	25,150	16,300
Carried forward	51,700	23,450
Accumulated amortisation		
Brought forward	1,250	—
Acquisition of subsidiaries	—	666
Amortisation during the year/period	1,007	584
Carried forward	2,257	1,250
Carrying value	49,443	22,200

NOTES TO THE FINANCIAL STATEMENTS (Continued)

17. LONG-TERM PREPAID RENTALS

This represents prepayment of long-term rentals of farmland and a research center with lease terms ranging from 25 to 70 years under operating leases. The movement of the long-term prepaid rentals during the year/period is as follows:

	2001	2000
	RMB'000	RMB'000
Cost		
Brought forward	42,908	—
Acquisition of subsidiaries	9,870	30,150
Amounts capitalised for the year/period	200,416	12,758
Early termination of lease (Note)	(9,000)	—
Carried forward	244,194	42,908
Accumulated amortisation		
Brought forward	814	—
Acquisition of subsidiaries	81	240
Amortisation during the year/period	4,258	574
Early termination of lease (Note)	(395)	—
Carried forward	4,758	814
Carrying value	239,436	42,094

Note: During the year ended 30th June 2001, a long-term operating lease on farmland was terminated. Pursuant to the termination agreement, the relevant unamortised long term prepaid rentals of RMB8,605,000 will be refunded to the Group. As at 30th June 2001, RMB2,400,000 had been refunded to the Group.

NOTES TO THE FINANCIAL STATEMENTS *(Continued)*

18. OTHER LONG-TERM RECEIVABLES AND DEPOSITS

	2001	2000
	RMB'000	RMB'000
Deposit for purchase of properties (Note)	—	20,000
Other	2,150	2,150
	2,150	22,150

Note: During the period ended 30th June 2000, the Group paid a deposit to a third party, being a property developer in the PRC, for the purchase of certain properties. During the current year, the entire interests of this deposit had been assigned to a company owned by Mr. Kwok Ho, a major shareholder and director of the Company and the receivable arising from this assignment was settled by setting off against the dividend declared and payable by Timor (at the direction of the shareholders) on 29th November 2000 (see note 9).

19. INVENTORIES, AT COST

	2001	2000
	RMB'000	RMB'000
Growing crops	21,974	3,752
Livestock - goats	5,275	—
Agricultural materials (Note)	1,076	1,149
	28,325	4,901

Note: Agricultural materials include seeds, fertilisers and pesticides not yet utilised as at year end.

20. ACCOUNTS RECEIVABLE

Credit terms granted to customers are as follows:-

	Credit term
Local wholesales and retails sales	Cash on delivery
Local sales to institutional customers (including hotel and schools)	15 days to 30 days after delivery
Sales to export trading companies	15 days to 30 days after delivery

At the year end, the aging of all accounts receivable is within one month.

NOTES TO THE FINANCIAL STATEMENTS *(Continued)*

21. LOAN TO A THIRD PARTY

This represented a loan to the aforementioned property developer as set out in note 18, which was secured, interest free and had been fully repaid during the year.

22. CASH AND BANK BALANCES

As at year end, RMB56,106,000 (2000: RMB12,616,000) of the Group's cash and bank balances were denominated in Renminbi and kept in the mainland China. The conversion of these Renminbi denominated balances into foreign currencies is subject to the rules and regulations of foreign exchange control promulgated by the PRC government.

Included in the cash and bank balances is a bank deposit of HK\$50,000,000 (equivalent to RMB53,070,000) which has been pledged as security for the Group's short-term bank loan amounting to RMB50,000,000 (note 24).

23. AMOUNTS DUE TO RELATED COMPANIES

The whole balance as at year end (2000: RMB535,000) arose from purchases of agricultural materials, as detailed in note 30 below, from the companies which are majority owned by Mr. Kwok Ho, a director and a controlling shareholder of the Group.

The aging of the amounts due to related companies, which are trading in nature, can be summarised as follows:-

	2001	2000
	RMB'000	RMB'000
Within 3 months	2,352	530
Over 3 months but within 9 months	—	5
	2,352	535

The remaining balance of RMB12,710,000 as at 30th June 2000 were non-trading in nature, unsecured, interest free and had no fixed repayment terms.

24. SHORT TERM BANK LOANS-SECURED

As at 30th June 2001, the short term bank loan is interest bearing at 5.5575% per annum and will be fully repayable on 22nd December 2001. It is secured by a bank deposit of HK\$50,000,000 (equivalent to RMB53,070,000) as at year end.