

## NOTES TO THE FINANCIAL STATEMENTS *(Continued)*

### 25. SHARE CAPITAL

<b>Authorised</b>				
<b>Ordinary shares of HK\$0.1 each</b>				
	<i>Note</i>	No. of shares	HK\$'000	RMB'000
As at 1st July 2000		—	—	—
Upon incorporation of the Company	(a)	3,500,000	350	371
Increase of authorised share capital	(b)	4,996,500,000	499,650	527,144
<b>As at 30th June 2001</b>		<b>5,000,000,000</b>	<b>500,000</b>	<b>527,515</b>
<b>Issued and fully paid</b>				
<b>Ordinary shares of HK\$0.1 each</b>				
	<i>Note</i>	No. of shares	HK\$'000	RMB'000
As at 1st July 2000		—	—	—
Issued upon incorporation of the Company	(c)	2	—	—
Acquisition of subsidiaries	(d)	998	—	—
Capitalisation issue	(e)	1,199,999,000	120,000	127,368
Issue of shares upon listing	(f)	400,000,000	40,000	42,456
<b>As at 30th June 2001</b>		<b>1,600,000,000</b>	<b>160,000</b>	<b>169,824</b>

- (a) The Company was incorporated on 24th August 2000 with an authorised share capital of HK\$350,000 divided into 3,500,000 shares of HK\$0.10 each.
- (b) On 23rd November 2000, the authorised share capital of the Company was increased from HK\$350,000 to HK\$500,000,000 by the creation of an additional 4,996,500,000 new shares.
- (c) Upon its incorporation, the Company allotted and issued 2 shares at par which were credited as fully paid.
- (d) Pursuant to the Reconstruction, the Company issued 998 shares to acquire 100% shareholdings of Timor, the Group's former holding company from its then existing shareholders.
- (e) Pursuant to the Company's written resolution on 29th November 2000, a total of HK\$119,999,900 (equivalent to RMB127,368,000) of share premium arising from the public issue as set out in note (f) below was capitalised as share capital of the Company and 1,199,999,000 new shares were allotted to the then existing shareholders of the Company.
- (f) The Company issued 400,000,000 ordinary shares of HK\$0.10 each at a subscription price of HK\$1.52 per share upon the listing of the Company's shares on the Stock Exchange. The Group raised approximately HK\$547 million net of related expenses (equivalent to RMB581.5 million) by way of this placing and public offering.
- (g) The share capital in the consolidated balance sheet as at 30th June 2000 represents the share capital of Timor, the former holding company of the Group.

# NOTES TO THE FINANCIAL STATEMENTS *(Continued)*

## 26. RESERVES

### (a) Group

			(Note (i))	(Note (i))			
		Share	Capital	Statutory	Statutory	Retained	
		Premium	Reserve	Common	Welfare	Profits	
	Note	RMB'000	RMB'000	Reserve	Reserve	RMB'000	
				RMB'000	RMB'000	RMB'000	
						Total	
						RMB'000	
As at 26th November 1999		—	—	—	—	—	—
Acquisition of a subsidiary by Timor	28(b)	—	63,283	—	—	—	63,283
Profit for the year		—	—	—	—	34,332	34,332
Dividends		—	—	—	—	(20,000)	(20,000)
Transfer		—	—	—	566	(566)	—
<b>As at 30th June 2000</b>		<b>—</b>	<b>63,283</b>	<b>—</b>	<b>566</b>	<b>13,766</b>	<b>77,615</b>
As at 1st July 2000		—	63,283	—	566	13,766	77,615
Acquisition of subsidiaries	28(b)	—	15,044	—	—	—	15,044
Contributed surplus arising from the Reconstruction		—	16,567	—	—	—	16,567
Issue of shares upon listing	25(f)	602,875	—	—	—	—	602,875
Issuing expenses	25(f)	(63,843)	—	—	—	—	(63,843)
Capitalisation issue	25(e)	(127,368)	—	—	—	—	(127,368)
Profit for the year		—	—	—	—	440,821	440,821
Dividends	9	—	—	—	—	(123,808)	(123,808)
Transfer		—	—	26,881	165	(27,046)	—
<b>As at 30th June 2001</b>		<b>411,664</b>	<b>94,894</b>	<b>26,881</b>	<b>731</b>	<b>303,733</b>	<b>837,903</b>

## NOTES TO THE FINANCIAL STATEMENTS *(Continued)*

### 26. RESERVES *(Continued)*

Note (i):

According to PRC rules and regulations and the Articles of Association of the Group's respective PRC subsidiaries:

- Domestic enterprises are required to transfer 10% and 5% of its profits after tax to statutory common reserve and statutory welfare reserve respectively. The transfer to the statutory common reserve is required until it aggregates to 50% of the company's registered share capital.
- Foreign investment enterprises are only required to transfer 10% of its profits after tax to statutory common reserve.

The statutory common reserve can be used to make good previous years' losses while the statutory welfare reserve can be utilised for employees' welfare facilities.

The above appropriation of reserves includes the appropriations made by the Group's PRC domestic enterprises and Group's foreign investment enterprises.

#### (b) Company

	Note	Share Premium RMB'000	Retained Profits RMB'000	Total RMB'000
As at 24th August 2000		—	—	—
Issue of shares upon listing	25(f)	602,875	—	602,875
Issuing expenses	25(f)	(63,843)	—	(63,843)
Capitalisation issue	25(e)	(127,368)	—	(127,368)
Acquisition of subsidiaries	(a)	200,665	—	200,665
Profit for the year		—	125,952	125,952
Dividends	9	—	(123,808)	(123,808)
<b>As at 30th June 2001</b>		<b>612,329</b>	<b>2,144</b>	<b>614,473</b>

Note (a): The share premium arising from acquisition of subsidiaries represents the excess of the total net asset values of the subsidiaries at the dates of acquisition over the par value of the Company's shares issued.

## NOTES TO THE FINANCIAL STATEMENTS *(Continued)*

### 27. LONG-TERM ADVANCE FROM SHAREHOLDERS

Last year balance represents long-term advance from shareholders, which were unsecured, interest free and were not required to be repaid within one year. During the current year, the balance increased to RMB21,825,000, of which RMB16,156,000 was capitalised as share capital of Timor and the remaining balance was repaid by cash.

### 28. NOTES TO THE CONSOLIDATED CASH FLOW STATEMENT

(a) Reconciliation of profit before taxation to net cash inflow from operating activities

	2001	Period from 26th November 1999 to 30th June 2000
	RMB'000	RMB'000
Profit before taxation	442,444	34,332
Interest income	(10,997)	(86)
Interest expense	1,588	—
Depreciation charges	4,325	1,426
Loss on disposal of fixed assets	1,620	—
Amortisation of deferred development costs	1,007	584
Amortisation of long-term prepaid rentals	3,507	574
Increase in inventories, at cost	(18,991)	(1,352)
Increase in accounts receivable	(21,194)	(981)
(Increase)/decrease in other receivables, deposits and prepayments	(41,568)	1,146
Increase in amounts due to related companies	1,821	13,245
Increase/(decrease) in other payables and accrued charges	5,860	(2,340)
Net cash inflow from operating activities	369,422	46,548

## NOTES TO THE FINANCIAL STATEMENTS *(Continued)*

### 28. NOTES TO THE CONSOLIDATED CASH FLOW STATEMENT

*(Continued)*

#### (b) Acquisition of subsidiaries

	2001	Period from 26th November 1999 to 30th June 2000
	RMB'000	RMB'000
Net assets acquired		
Fixed assets	366	4,635
Deferred development costs	3,100	6,484
Long-term prepaid rentals	9,789	29,910
Long-term receivable	—	20,000
Inventories	2,663	3,513
Accounts receivable	488	3,226
Other receivables, deposits and prepayments	2,251	23,783
Amount due from fellow subsidiary	12,715	—
Cash and bank balances	1,242	20,153
Accounts payable and other payables	(6,861)	(6,024)
Long-term advance from shareholders	(5,632)	—
Taxation	(4,971)	(32,019)
	15,150	73,661
Capital reserve arising from acquisition	(15,044)	(63,283)
	106	10,378
Satisfied by		
Cash	106	10,378
Analysis of the net cash inflow in respect of the acquisition of subsidiaries:		
Cash consideration	(106)	(10,378)
Cash and bank balances acquired	1,242	20,153
Net cash inflow in respect of the acquisition of subsidiaries	1,136	9,775

The subsidiaries acquired during the year contributed RMB43,000 (2000: RMB47,310,000) to the Group's net operating cash flows, received RMB3,053,000 (2000: RMB86,000) in respect of the net returns on investments and servicing of finance, and utilised RMB1,448,000 (2000: RMB45,143,000) for investing activities.

# NOTES TO THE FINANCIAL STATEMENTS *(Continued)*

## 28. NOTES TO THE CONSOLIDATED CASH FLOW STATEMENT

*(Continued)*

### (c) Analysis of changes in financing during the year/period

	Share Capital RMB'000	Share Premium RMB'000	Capital Reserve RMB'000	Long-term Advance from Shareholders RMB'000	Short-term Bank Loans RMB'000
As at 26th November 1999	—	—	—	—	—
Issue upon incorporation of Timor	411	—	—	—	—
Long-term advance from shareholders	—	—	—	10,036	—
Capital reserve arising from acquisition of a subsidiary by Timor	—	—	63,283	—	—
<b>As at 30th June 2000</b>	<b>411</b>	<b>—</b>	<b>63,283</b>	<b>10,036</b>	<b>—</b>
As at 1st July 2000	411	—	63,283	10,036	—
Acquisition of subsidiaries	—	—	15,044	5,632	—
Long-term advance from shareholders	—	—	—	6,157	—
Repayment of long-term advance from shareholders	—	—	—	(5,669)	—
Capitalisation of shareholders' loans	16,156	—	—	(16,156)	—
Contribution surplus arising from the Reconstruction	(16,567)	—	16,567	—	—
Issue of shares upon listing	42,456	602,875	—	—	—
Capitalisation issue	127,368	(127,368)	—	—	—
Issuing expenses	—	(63,843)	—	—	—
New bank loans	—	—	—	—	65,000
Repayment of bank loans	—	—	—	—	(15,000)
<b>As at 30th June 2001</b>	<b>169,824</b>	<b>411,664</b>	<b>94,894</b>	<b>—</b>	<b>50,000</b>

## NOTES TO THE FINANCIAL STATEMENTS *(Continued)*

### 28. NOTES TO THE CONSOLIDATED CASH FLOW STATEMENT

*(Continued)*

#### (d) Major non-cash transactions

Save as disclosed in note 15, 18, 25(e) and 27, the Group had not entered into any other material non-cash transactions.

#### (e) Analysis of the balances of cash and cash equivalents

		2001	2000
	Note	RMB'000	RMB'000
Cash and bank balances		577,169	12,700
Bank deposits pledged for bank loans	22	(53,070)	—
Cash and cash equivalents at end of the year/period		524,099	12,700

### 29. COMMITMENTS

#### (a) Capital commitments

As at 30th June 2001, the Group had the following capital commitments:

	2001	2000
	RMB'000	RMB'000
Contracted but not provided for		
- Research and development expenditures	74,000	12,000
- Purchase of fixed assets	351,859	191,450
Total	425,859	203,450

## NOTES TO THE FINANCIAL STATEMENTS *(Continued)*

### 29. COMMITMENTS *(Continued)*

#### (b) Operating lease commitments

At 30th June 2001, the Group had future aggregate minimum lease payments under non-cancellable operating leases as follows:

	Within one year RMB'000	In the second to fifth year inclusive RMB'000	After the fifth year RMB'000	Total RMB'000
As at 30th June 2001				
Land and buildings	25,770	96,880	580,161	702,811
Others	376	472	—	848
	26,146	97,352	580,161	703,659
As at 30th June 2000				
Land and buildings	5,653	20,825	114,129	140,607
Others	376	848	—	1,224
	6,029	21,673	114,129	141,831



## NOTES TO THE FINANCIAL STATEMENTS *(Continued)*

### 30. RELATED PARTY TRANSACTIONS

The Group entered into the following material transactions with related parties during the year/period:

	2001	2000
	RMB'000	RMB'000
Fujian Chaoda Agricultural Produce Trading Company Limited		
- Purchase of organic fertilisers	52,097	10,109
- Purchase of plant growth regulators	1,343	574
Beijing Chaoda Yingjun Bio-tech Company Limited		
- Purchase of seeds	270	437

- (i) The above related parties are companies majority owned by Mr. Kwok Ho.
- (ii) The directors are of the opinion that these transactions were conducted on normal commercial terms in the normal course of business.

### 31. SUBSEQUENT EVENTS

On 26th July 2001, the Group acquired 49 per cent. shareholding in Newasia Global Limited ("Newasia") at a total consideration of RMB108,826,000 (comprising of HK\$20,000,000 and RMB87,650,000). Newasia owns and operates a citrus farm in Guangxi Province, PRC.

On 26th July 2001, the Group entered into three lease agreements totalling approximately 20,000 mu of farmland in Nanjing, PRC for a term of 30 years.

### 32. ULTIMATE HOLDING COMPANY

The directors regard Kailey Investment Limited, a company incorporated in the British Virgin Islands, as being the ultimate holding company.

### 33. APPROVAL OF FINANCIAL STATEMENTS

The financial statements were approved by the board of directors on 15th October 2001.