Notes to the Financial Statements

1 BASIS OF PREPARATION

The financial statements have been prepared under historical cost convention in accordance with accounting principles generally accepted in Hong Kong and comply with Statements of Standard Accounting Practice ("SSAPs") issued by the Hong Kong Society of Accountants ("HKSA").

The Group adopted the following new or revised SSAPs issued by the HKSA which became effective during the current financial year:

SSAP 9 (revised)	:	Events after the balance sheet date
SSAP 26	:	Segment reporting
SSAP 28	:	Provisions, contingent liabilities and contingent assets
SSAP 29	:	Intangible assets
SSAP 30	:	Business combinations
SSAP 31	:	Impairment of assets
SSAP 32	:	Consolidated financial statements and accounting for investments in subsidiaries

The effect of adopting these standards, if any, is set out in the principal accounting policies below.

2 PRINCIPAL ACCOUNTING POLICIES

The principal accounting policies adopted in the preparation of these financial statements are set out below:

(a) Consolidation

The consolidated financial statements include the financial statements of the Company and its subsidiaries made up to 30th June.

Subsidiaries are those entities in which the Group controls the composition of the board of Directors, controls more than half the voting power or holds more than half of the issued share capital.

The results of subsidiaries acquired or disposed of during the year are included in the consolidated profit and loss account from the effective date of acquisition or up to the effective date of disposal, as appropriate.

All significant intercompany transactions and balances within the Group are eliminated on consolidation.

Minority interests represent the interests of outside shareholders in the operating results and net assets of subsidiaries.

2 PRINCIPAL ACCOUNTING POLICIES *(continued)*

(a) Consolidation *(continued)*

In the Company's balance sheet, the investments in subsidiaries are stated at cost less provision for impairment losses. The results of subsidiaries are accounted for by the Company on the basis of dividends received and receivable.

(b) Associated companies

An associated company is a company, not being a subsidiary, in which an equity interest is held for long-term and over whose management significant influence is exercised.

The consolidated profit and loss account includes the Group's share of the results of associated companies for the year, and the interests in associated companies in the consolidated balance sheet includes the Group's share of the net assets of the associated companies.

Equity accounting is discontinued when the carrying amount of the investment in associated companies reaches zero, unless the Group has incurred obligations or guaranteed obligations in respect of the associated companies.

(c) Revenue recognition

Sales of crops, livestock and ancillary food products are recognised on the transfer of ownership, which coincides with the time of delivery of the products.

Interest income is recognised on a time proportion basis, taking into account the principal amounts outstanding and the interest rates applicable.

(d) Finance costs

All finance costs are charged to the profit and loss account in the year in which they are incurred.

(e) Deferred taxation

Deferred taxation is accounted for at the current taxation rate in respect of timing differences between profit as computed for taxation purposes and profit as stated in the financial statements to the extent that a liability or an asset is expected to be payable or receivable in the foreseeable future.

Notes to the Financial Statements

2 PRINCIPAL ACCOUNTING POLICIES *(continued)*

(f) Retirement benefit costs

The Group's contributions to a defined contribution retirement scheme operating in the People's Republic of China ("PRC") are expensed as incurred.

The Group's contributions to the Hong Kong Mandatory Provident Fund ("MPF") Scheme are expensed as incurred.

The assets of the schemes are held separately from those of the Group in independently administered funds.

(g) Intangible assets

(i) Negative goodwill

Negative goodwill represents the excess of the fair value of the Group's share of the net assets acquired over the cost of acquisition.

SSAP 30 requires negative goodwill be presented in the same balance sheet classification as goodwill and be recognised in the profit and loss account over its remaining useful life.

Prior to 1st July 2001, negative goodwill arising from acquisitions of the Group's certain subsidiaries was taken directly to capital reserve. The Group has taken advantage of the transitional provisions in SSAP 30 and such negative goodwill has not been restated.

Negative goodwill arising from the acquisition of associated companies during the current year represents excess of the fair values ascribed to the net assets of the associated companies at the date of acquisition over the purchase consideration. Negative goodwill is presented as a reduction from the share of the net assets of the associated companies under the interests in associated companies in the consolidated balance sheet and is amortised over 20 years, being the remaining weighted average useful life of the non-monetary assets of the associated companies. The amortisation of negative goodwill is recognised in the Group's profit and loss account.

2 PRINCIPAL ACCOUNTING POLICIES *(continued)*

(g) Intangible assets *(continued)*

(ii) *Research and development costs*

Research costs are charged to the profit and loss account in the year in which they are incurred.

Development costs are expensed as incurred, except where a specific project is undertaken, the technical feasibility of the product under development has been demonstrated, costs are identifiable and a market exists for the product such that the development costs are expected to be recoverable from related future economic benefits. Such development costs are recognised as deferred development costs in the balance sheet and amortised on a straight-line basis over a period of not more than 5 years from the date the product is available for sale. Development costs previously recognised as an expense are not recognised as an asset in a subsequent period.

(iii) *Computer software development cost*

Generally, costs associated with developing or maintaining computer software programmes are expensed as incurred. However, costs that are directly associated with identifiable and unique software products controlled by the Group and have probable economic benefit exceeding the cost beyond one year, are recognised as intangible assets. Direct costs include staff costs of the software development team and an appropriate portion of relevant overheads.

Expenditure which enhances or extends the performance of computer software programmes beyond their original specifications is recognised as a capital improvement and added to the original cost of the software. Computer software development costs recognised as assets are amortised using the straight-line method over their useful lives, not exceeding a period of 3 years.

(iv) *Impairment of intangible assets*

Where an indication of impairment exists, the carrying amount of any intangible asset, including goodwill previously written off against reserves, is assessed and written down immediately to its recoverable amount.

Notes to the Financial Statements

2 PRINCIPAL ACCOUNTING POLICIES *(continued)*

(h) Fixed assets

Fixed assets are stated at cost less accumulated depreciation and accumulated impairment losses. Depreciation of fixed assets is calculated to write off their cost less accumulated impairment losses on a straight-line basis over their expected useful lives. The principal annual rates used for this purpose are:

Leasehold improvements	20% to 50%
Furniture, fixtures and equipment	20%
Motor vehicles	20%
Farmland infrastructure	5% to 20%
Orchard	5% to 10%
Intermediate life plants	20%

Intermediate life plants are perennial plants which have growth cycles more than one year.

Cultivation costs during the development period of the orchard and intermediate life plants are capitalised until the commencement of commercial production following which the accumulated costs are depreciated over their estimated useful lives.

Major costs incurred in restoring fixed assets to their normal working condition are charged to the profit and loss account. Improvements are capitalised and depreciated over their expected useful lives.

At each balance sheet date, both internal and external sources of information are considered to assess whether there is any indication that fixed assets are impaired. If any such indication exists, the recoverable amount of the asset is estimated and where relevant, an impairment loss is recognised to reduce the asset to its recoverable amount. Such impairment losses are recognised in the profit and loss account.

The gain or loss on disposal of a fixed asset is the difference between the net sales proceeds and the carrying amount of the relevant asset and is recognised in the profit and loss account.

(i) Construction-in-progress

Construction-in-progress is stated at cost. Cost comprises all direct and indirect costs of construction. Construction-in-progress is transferred to fixed assets and depreciation commences when construction is completed and the asset is put into use.

2 PRINCIPAL ACCOUNTING POLICIES *(continued)*

(j) Operating leases

Leases of assets under which all the risks and benefits of ownership are effectively retained by the lessor are classified as operating leases. Operating lease payments are charged to operating profit on a straight-line basis over the period of the respective leases.

(k) Long-term prepaid rentals

Long-term prepaid rentals under operating leases are recognised at cost and amortised on a straight-line basis over the period of the respective leases.

(l) Inventories

The Group's inventories, comprising growing crops, livestock, agricultural materials and ancillary food products, are stated at the lower of cost and estimated net realisable value.

Costs of growing crops, including seeds, fertilisers, pesticides, plant growth regulators, labour and indirect overheads, are accumulated until the time of harvest. Indirect overheads common to various products, including rentals of farmland, depreciation of farmland infrastructure, land preparation, irrigation and indirect labour, are allocated to products based on production areas.

Costs of livestock are calculated on a weighted average basis and comprises initial purchase cost and breeding cost.

Costs of agricultural materials and ancillary food products are stated at their purchase costs calculated on a first-in, first-out basis.

Estimated net realisable value is determined on the basis of anticipated sales proceeds less estimated selling expenses.

(m) Accounts receivable

Provision is made against accounts receivable to the extent which they are considered to be doubtful. Accounts receivable in the balance sheet are stated net of such provision.

(n) Cash and cash equivalents

Cash and cash equivalents are carried in the balance sheet at cost. For the purposes of the cash flow statement, cash and cash equivalents comprise cash on hand, deposits with maturity less than three months from the date of placement with banks and bank overdrafts.

Notes to the Financial Statements

2 PRINCIPAL ACCOUNTING POLICIES *(continued)*

(o) Translation of foreign currencies

Foreign currency transactions are translated into Renminbi at the rates of exchange prevailing at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies are incorporated into the financial statements by translating foreign currencies into Renminbi at exchange rates prevailing at the balance sheet date. Exchange differences arising therefrom are included in the profit and loss account.

(p) Segment reporting

In accordance with the Group's internal financial reporting, the Group has determined that business segments be presented as the primary reporting format and geographical segments as the secondary reporting format.

Unallocated costs represent corporate expenses. Segment assets consist primarily of intangible assets, fixed assets, inventories, receivables and operating cash. Segment liabilities comprise operating liabilities and exclude items such as taxation and certain corporate borrowings. Capital expenditure comprises additions to intangible assets and fixed assets, including additions resulting from acquisitions through purchases of subsidiaries.

In respect of geographical segment reporting, sales are based on the country in which the customer is located. Total assets and capital expenditure are where the assets are located.

(q) Dividends

In accordance with the revised SSAP 9, the Group no longer recognises dividends proposed or declared after the balance sheet date as a liability at the balance sheet date. This change in accounting policy has been applied retrospectively and the comparatives presented have been restated to conform to the changed policy.

As detailed in note 26, opening retained profits of the Group as at 1st July 2000 and 2001 have respectively increased by RMB20 million and RMB123.8 million, being the reversal of the provision of the proposed final dividend for the respective year which were previously recorded as a liability on the balance sheet date.

3 TURNOVER AND REVENUES

The Group is principally engaged in the growing and sales of crops, breeding and sales of livestock and sales of ancillary food products. Revenues recognised during the year are as follows:

	2002	2001
	RMB'000	*RMB'000*
Turnover		
Sales of crops	**1,128,253**	705,721
Sales of livestock	**21,356**	15,948
Sales of ancillary food products	**2,524**	3,877
	1,152,133	725,546
Other revenue		
Interest income	**19,202**	10,997
Total revenues	**1,171,335**	736,543

Notes to the Financial Statements

4 SEGMENT INFORMATION

The Group's major business segments are summarised below:

– Growing and sales of crops
– Breeding and sales of livestock
– Sales of ancillary food products

There is no sales transaction between the business segments.

Analysis of business segment results for the year ended 30th June 2002

	Growing and sales of crops *RMB'000*	Breeding and sales of livestock *RMB'000*	Sales of ancillary food products *RMB'000*	Total *RMB'000*
Turnover	1,128,253	21,356	2,524	1,152,133
Cost of sales	(292,305)	(5,982)	(1,889)	(300,176)
Gross profit	835,948	15,374	635	851,957
Unallocated items:				
Other revenue				19,202
Selling and distribution expenses				(104,134)
General and administrative expenses				(55,238)
Research expenses				(46,000)
Net other operating expenses				(1,006)
Operating profit				664,781
Finance costs				(6,028)
Share of results of associated companies				19,080
Profit before taxation				677,833
Taxation				(55,959)
Profit after taxation				621,874
Minority interests				50
Profit attributable to shareholders				621,924

4 SEGMENT INFORMATION *(continued)*

Analysis of business segment results for the year ended 30th June 2001

	Growing and sales of crops *RMB'000*	Breeding and sales of livestock *RMB'000*	Sales of ancillary food products *RMB'000*	Total *RMB'000*
Turnover	705,721	15,948	3,877	725,546
Cost of sales	(170,538)	(6,440)	(2,897)	(179,875)
Gross profit	535,183	9,508	980	545,671
Unallocated items:				
Other revenue				10,997
Selling and distribution expenses				(61,325)
General and administrative expenses				(24,976)
Research expenses				(21,350)
Net other operating expenses				(4,985)
Operating profit				444,032
Finance cost				(1,588)
Profit before taxation				442,444
Taxation				(1,623)
Profit attributable to shareholders				440,821

Growing and sales of crops is the Group's primary business segment. The turnover, operating profit and total assets attributable to this business segment accounted for over 90% of the Group's consolidated totals for the years ended 30th June 2002 and 2001. Consequently, no further segment information by business activities is presented.

The Group's operations are primarily in the People's Republic of China ("PRC") and the Group's sales, gross profit and total assets attributable to other geographical areas are less than 5% of the Group's corresponding consolidated totals for the years ended 30th June 2002 and 2001. Consequently, no segment information by geographical area is presented.

Notes to the Financial Statements

5 OPERATING PROFIT

Operating profit is stated after crediting and charging the following:

	2002 RMB'000	2001 RMB'000
Crediting:		
Amortisation of negative goodwill	**8,136**	–
Charging:		
Auditors' remuneration	**2,446**	2,233
Depreciation of owned fixed assets (net of amount capitalised in inventories)	**17,589**	4,325
Operating lease expenses		
– land and buildings	**35,529**	21,780
– motor vehicles	**431**	388
Staff costs	**100,317**	54,916
Retirement benefit costs	**645**	297
Amortisation of deferred development costs	**2,461**	1,007
Amortisation of long-term prepaid rentals (net of amount capitalised in inventories)	**6,303**	3,507

6 FINANCE COSTS

	2002 RMB'000	2001 RMB'000
Interest on bank loans wholly repayable within five years	**3,092**	1,588
Bank charges	**2,936**	–
	6,028	1,588

7 TAXATION

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

	Note	2002 RMB'000	2001 RMB'000
PRC income tax	*(i)*	**54,483**	1,623
Hong Kong profits tax	*(ii)*	**–**	–
		54,483	1,623
Share of taxation attributable to associated companies	*(iii)*	**1,476**	–
		55,959	1,623

(i) PRC income tax represents the tax charges on the assessable profits of Fuzhou Chaoda Modern Agriculture Development Company Limited ("Chaoda Modern Agriculture") and Fujian Chaoda Green Agriculture Development Company Limited ("Chaoda Green Agriculture").

Chaoda Modern Agriculture and Chaoda Green Agriculture are productive foreign investment enterprises ("FIE") and entitled to full exemption from PRC income tax for two years starting from their first profit–making year followed by a 50 % reduction for the next consecutive three years ("FIE Tax Holidays") in accordance with the relevant tax rules and regulations applicable to FIE in the PRC. The 2 years tax exemption holidays of both Chaoda Modern Agriculture and Chaoda Green Agriculture have been lapsed during the year and since then, both companies are subject to a reduced income tax rate of 15% for a tax reduction period of 3 years.

No provision for PRC income tax has been made for other subsidiaries operating in the PRC as they either did not recognise any assessable profits or were still under the tax exemption holidays during the year.

(ii) No provision for Hong Kong profits tax has been made as there is no estimated assessable profits (2001: Nil) for the Company and its subsidiaries operating in Hong Kong during the year.

(iii) It represents the share of PRC income tax charged on the assessable profits of Lucky Team Biotech Development (Hepu) Ltd. ("Lucky Team"), a wholly owned subsidiary of the Group's 49% owned associated company.

Lucky Team is a FIE and operates in Guangxi Province, the PRC. The preferential foreign enterprise income tax rate for productive FIEs in this region is 15% up to the year 2010 in accordance with the policy in relation to promoting the economic development of Central and Western China. Lucky Team is entitled to FIE Tax Holidays in accordance with the relevant tax rules and regulations applicable to FIE in the PRC and the 2 years tax exemption period has been lapsed during the year. Accordingly, Lucky Team has been subject to a reduced income tax rate of 7.5% for a tax reduction period of 3 years.

(iv) 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

8 PROFIT ATTRIBUTABLE TO SHAREHOLDERS

The profit attributable to shareholders is dealt with in the financial statements of the Company to the extent of RMB9,197,000 (2001: RMB125,952,000).

9 EARNINGS PER SHARE

The calculation of the earnings per share is based on the profit attributable to shareholders of RMB621,924,000 (2001: RMB440,821,000) and the weighted average number of 1,793,753,000 (2001: 1,416,986,000) shares in issue during the year.

There was no potential dilutive ordinary shares in existence for the years ended 30th June 2002 and 2001, therefore, no diluted earnings per share was presented.

10 DIVIDENDS

	2002		2001	
	RMB per share	***RMB'000***	*RMB per share*	*RMB'000*
Final, proposed, of HK$0.090 (2001: HK$0.073) per ordinary share *(Note b)*	**0.095**	**182,961**	0.077	123,808

Notes:

(a) The previously recorded final dividends proposed and declared after the balance sheet date but accrued in the financial statements for the years ended 30th June 2000 and 2001 were RMB20 million and RMB123.8 million respectively. Under the Group's new accounting policy as described in note 2(q), these have been written back against opening reserves as at 1st July 2001 and 2002 as set out in note 26 and are now charged in the year in which they were declared.

The Company issued 320,000,000 new shares in November 2001 as a result of top-up placing as set out in note 25. The holders of these new shares were also entitled to the final dividend for the year ended 30th June 2001. Accordingly, additional dividend of RMB24,846,000 was declared to the shareholders on top of the proposed dividend of RMB123,808,000 resulting in a total dividend payment of RMB148,654,000 during the year ended 30th June 2002.

(b) At a meeting held on 29th October 2002 the Directors proposed a final dividend of HK$0.090 (equivalent to RMB0.095) per ordinary share. This proposed dividend is not reflected as a dividend payable in these financial statements, but will be reflected as an appropriation of retained profits in the financial statements for the year ending 30th June 2003.

11 RETIREMENT BENEFIT COSTS

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

The Group also operates a MPF Scheme for the eligible employees in Hong Kong. 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 2002, the Group had contributions payable to the above retirement schemes aggregating RMB30,000 (2001: Nil), as included in the other payables and accrued charges under current liabilities in the consolidated balance sheet.

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 are:

	2002	2001
	RMB'000	*RMB'000*
Fees	**–**	–
Other emoluments		
Salaries and other benefits-in-kind		
– Executive Directors *(Note)*	**3,015**	2,477
– Independent non-executive Directors	**56**	33
Retirement benefit costs		
– Executive Directors	**38**	19
– Independent non-executive Directors	**–**	–
	3,109	2,529

Note: The above includes operating lease rental of RMB483,000 (2001: RMB362,000) paid by the Group for a quarter provided to an executive Director.

Notes to the Financial Statements

12 DIRECTORS' AND SENIOR MANAGEMENT'S EMOLUMENTS *(continued)*

(a) Directors' emoluments *(continued)*

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

	2002	2001
Emoluments		
RMB Nil to RMB1,000,000	**5**	5
RMB1,000,001 to RMB1,500,000	**1**	1

No Directors of the Company waived any emoluments and no emoluments was 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.

(b) Five highest paid individuals

Three (2001: Three) of the five highest paid individuals are Directors whose emoluments have been included above. Details of the emoluments paid to the remaining two (2001: two) highest paid individuals are as follows:

	2002	2001
	RMB'000	*RMB'000*
Salaries and other benefits-in-kind	**1,763**	811
Retirement benefit costs	**25**	11
	1,788	822

The emoluments fell within the following bands:

	2002	2001
Emoluments		
RMB Nil to RMB1,000,000	**1**	2
RMB1,000,001 to RMB1,500,000	**1**	–

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 2001	876	2,156	4,301	108,961	23,983	874	141,151
Additions	351	7,029	2,607	43,246	18,164	3,778	75,175
Transfer from construction-in-progress *(Note 14)*	–	–	–	277,599	–	–	277,599
Disposals	–	(83)	–	(2,983)	–	–	(3,066)
As at 30th June 2002	**1,227**	**9,102**	**6,908**	**426,823**	**42,147**	**4,652**	**490,859**
Accumulated depreciation							
As at 1st July 2001	115	414	387	4,762	56	225	5,959
Charge for the year	222	752	627	18,849	645	170	21,265
Disposals	–	(81)	–	(141)	–	–	(222)
As at 30th June 2002	337	1,085	1,014	23,470	701	395	27,002
Net book value							
As at 30th June 2002	**890**	**8,017**	**5,894**	**403,353**	**41,446**	**4,257**	**463,857**
As at 30th June 2001	761	1,742	3,914	104,199	23,927	649	135,192

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

14 CONSTRUCTION-IN-PROGRESS

	2002	2001
	RMB'000	*RMB'000*
Brought forward	**73,160**	–
Additions	**393,001**	56,160
Acquisition of a subsidiary *(Note 28(b))*	**80,808**	–
Transfer from other receivables, deposits and prepayments	**–**	17,000
Transfer to fixed assets *(Note 13)*	**(277,599)**	–
Carried forward	**269,370**	73,160

15 COMPUTER SOFTWARE DEVELOPMENT COST

	2002	2001
	RMB'000	*RMB'000*
Brought forward	**55,000**	–
Additions	**1,000**	55,000
Carried forward	**56,000**	55,000

Computer software development cost represents the software cost incurred for the establishment of the Group's computerised information system which is currently under development. Amortisation on the software development cost will commence when the information system is completed and put into use.

The Group also incurred hardware cost amounting to RMB22,000,000 as at 30th June 2002 (2001: RMB16,000,000) for this information system, which has been included in construction-in-progress in note 14.

16 DEFERRED DEVELOPMENT COSTS

	2002 *RMB'000*	2001 *RMB'000*
Cost		
Brought forward	**51,700**	23,450
Acquisition of subsidiaries	**–**	3,100
Amounts capitalised	**22,500**	25,150
Carried forward	**74,200**	51,700
Accumulated amortisation		
Brought forward	**2,257**	1,250
Amortisation	**2,461**	1,007
Carried forward	**4,718**	2,257
Carrying value	**69,482**	49,443

Notes to the Financial Statements

17 LONG-TERM PREPAID RENTALS

This represents prepayment of long-term rentals of farmland and a research centre with remaining lease terms ranging from 19 to 70 years under operating leases. The movement of the long-term prepaid rentals during the year is as follows:

	2002	2001
	RMB'000	*RMB'000*
Cost		
Brought forward	**244,194**	42,908
Acquisition of subsidiaries	**–**	9,870
Additions	**215,276**	200,416
Early termination of lease *(Note)*	**(3,000)**	(9,000)
Carried forward	**456,470**	244,194
Accumulated amortisation		
Brought forward	**4,758**	814
Acquisition of subsidiaries	**–**	81
Amortisation	**8,283**	4,258
Early termination of lease *(Note)*	**(92)**	(395)
Carried forward	**12,949**	4,758
Carrying value	**443,521**	239,436

Note: During the year ended 30th June 2002, a long-term operating lease (2001: one) on farmland was terminated. Pursuant to the termination agreement, the relevant unamortised long-term prepaid rentals of RMB2,908,000 (2001: RMB8,605,000) had been refunded to the Group.

18 INVESTMENTS IN SUBSIDIARIES

	Company	
	2002	2001
	RMB'000	*RMB'000*
Unlisted shares, at cost	**200,665**	200,665
Amounts due from subsidiaries	**1,027,686**	364,725
	1,228,351	565,390

Except for a shareholder's loan (the "Shareholder's Loan") of HK$250,000,000 (equivalent to RMB264,700,000) (2001: Nil) which will be repayable in one lump sum in 2007, all other balances due from subsidiaries have no fixed terms of repayment. All the balances are unsecured and interest free.

The Company's interests in certain subsidiaries and the Shareholder's Loan are pledged as securities for the Company's banking facilities (Note 27).

Particulars of the principal subsidiaries of the Group at 30th June 2002 are set out in note 31.

19 INTERESTS IN ASSOCIATED COMPANIES

	Group	
	2002	2001
	RMB'000	*RMB'000*
Share of net assets	**287,477**	–
Negative goodwill on acquisition	**(162,717)**	–
Less: Accumulated amortisation	**8,136**	–
	132,896	–
Shareholder's loan	**7,350**	–
	140,246	–

Pursuant to a share purchase agreement (the "Agreement"), the Group acquired 49% interest in Newasia Global Limited ("Newasia") from an independent third party at a consideration of RMB107.2 million on 26th July 2001. At the date of acquisition, the fair value of the interest acquired was RMB269.9 million, which resulted in a negative goodwill amounting to RMB162.7 million. Newasia holds Lucky Team which operates a citrus farm in Guangxi Province, the PRC.

Notes to the Financial Statements

19 INTERESTS IN ASSOCIATED COMPANIES *(continued)*

The shareholders' loan is unsecured, interest–free and repayable on demand.

Particulars of the associated companies of the Group at 30th June 2002 are as follows:

Company	Place of incorporation	Principal activity and place of operation	Particulars of issued/registered and paid up capital	Interest held indirectly
Newasia Global Limited	British Virgin Islands	Investment holding in Hong Kong	100,000 ordinary shares of US$1 each	49%
Lucky Team Biotech Development (Hepu) Limited	PRC	Operation of a citrus farm in PRC	RMB 80,000,000	49%

For the year ended 30th June 2002, the key consolidated financial information of Newasia and Lucky Team is as follows:

	2002 *RMB'000*
Long-term assets	**612,202**
Current assets	**52,886**
Current liabilities	**(78,400)**
Turnover	**124,689**
Profit for the year	**35,927**

20 INVENTORIES

	2002 *RMB'000*	2001 *RMB'000*
Growing crops	**51,832**	21,974
Livestock – Goats and sheeps	**6,142**	5,275
Agricultural materials *(Note)*	**2,402**	1,076
	60,376	28,325

As at 30th June 2002 and 2001, all inventories were stated at cost.

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

21 ACCOUNTS RECEIVABLE

Credit terms granted to customers are as follows:

Type of customers	Credit term
Local wholesales and retails sales	Cash on delivery
Local sales to institutional customers (including hotels and schools)	15 days to 30 days after delivery
Sales to export trading companies	15 days to 30 days after delivery
Direct sales to overseas customers	Cash on delivery or up to 150 days after delivery depending on the financial strengths of individual customers

At 30th June 2002 the aging analysis of the accounts receivable of the Group was as follows:

	2002 *RMB'000*	2001 *RMB'000*
0 – 1 month	**43,039**	25,150
1 – 3 month	**14,758**	–
Over 3 months	**3,441**	–
	61,238	25,150

22 CASH AND BANK BALANCES

Cash and bank balances of the Group as at the year end are analysed as follows:

	2002			2001		
	In RMB ***RMB'000***	**In foreign currencies** ***RMB'000***	**Total** ***RMB'000***	In RMB *RMB'000*	In foreign currents *RMB'000*	Total *RMB'000*
Kept in mainland China						
– Long-term bank deposits	**–**	**105,880**	**105,880**	–	–	–
– Cash and bank balances	**129,499**	**260,818**	**390,317**	56,106	212,833	268,939
	129,499	**366,698**	**496,197**	56,106	212,833	268,939
Kept in Hong Kong						
– Cash and bank balances	**–**	**500,726**	**500,726**	–	308,230	308,230
	129,499	**867,424**	**996,923**	56,106	521,063	577,169

The conversion of the Renminbi denominated balances into foreign currencies and the transfer of these balances out of mainland China are subject to the rules and regulations of foreign exchange control promulgated by the PRC government.

Included in the last year cash and bank balances was a foreign currency bank deposit of HK$50,000,000 (equivalent to RMB53,070,000) which was previously pledged as security for the Group's short-term banking facilities amounting to RMB50,000,000. The bank loan was fully repaid during the year (Note 24) and the deposit was returned accordingly.

The Company's cash and bank balances of RMB451,902,000 (2001: RMB189,643,000) were all denominated in foreign currencies and kept in Hong Kong.

Notes to the Financial Statements

23 AMOUNT DUE TO A RELATED COMPANY

The balance arose from purchases of agricultural materials, as detailed in note 30 below, from a company which is majority owned by Mr. Kwok Ho, the Chairman and a controlling shareholder of the Company. They are trading nature and aged within 3 months.

24 SHORT-TERM BANK LOAN – SECURED

The short-term bank loan was fully repaid during the year.

25 SHARE CAPITAL

	Authorised		
	Ordinary shares of HK$0.1 each		
	No. of shares	*HK$'000*	*RMB'000*
As at 1st July 2000	–	–	–
Upon incorporation of the Company	3,500,000	350	371
Increase of authorised share capital	4,996,500,000	499,650	527,144
As at 30th June 2001 and 2002	5,000,000,000	500,000	527,515

	Issued and fully paid		
	Ordinary shares of HK$0.1 each		
	No. of shares	*HK$'000*	*RMB'000*
As at 1st July 2000	–	–	–
Issued upon incorporation of the Company	2	–	–
Acquisition of subsidiaries	998	–	–
Capitalisation issue	1,199,999,000	120,000	127,368
Issue of shares upon listing	400,000,000	40,000	42,456
As at 30th June 2001	1,600,000,000	160,000	169,824
As at 1st July 2001	1,600,000,000	160,000	169,824
Issue of shares *(Note (a))*	320,000,000	32,000	33,965
As at 30th June 2002	**1,920,000,000**	**192,000**	**203,789**

Notes:

(a) By way of a top-up placing in November 2001, Kailey Investment Ltd. ("Kailey", a company owned as to 90% by Mr. Kwok Ho) placed 320,000,000 existing shares in the Company at a placing price of HK$2.30 per share with independent investors. The Company at the same time issued the same number of new shares at a subscription price of HK$2.30 per share to Kailey. Approximately HK$711.6 million (equivalent to approximately RMB755.3 million) net of related expenses was raised from this issue of shares.

(b) Pursuant to the resolution of an Extraordinary General Meeting of the Company held on 19th June 2002, the then existing share option scheme adopted on 23rd November 2000 (the "2000 Scheme") was terminated and a new share option scheme (the "2002 Scheme") was approved and adopted. As at 30th June 2002, no option was granted under the 2000 Scheme or the 2002 Scheme.

26 RESERVES

(a) Group

	Note	Share premium RMB'000	Capital reserve RMB'000	(Note) Statutory common reserve RMB'000	(Note) Statutory welfare reserve RMB'000	Retained profits RMB'000	Total RMB'000
As at 1st July 2000 as previously reported		–	63,283	–	566	13,766	77,615
Adoption of SSAP 9 (revised)	2(q)	–	–	–	–	20,000	20,000
As at 1st July 2000 as restated		–	63,283	–	566	33,766	97,615
Acquisition of subsidiaries		–	15,044	–	–	–	15,044
Contributed surplus arising from group reconstruction		–	16,567	–	–	–	16,567
Issue of shares upon listing		602,875	–	–	–	–	602,875
Issuing expenses		(63,843)	–	–	–	–	(63,843)
Capitalisation issue		(127,368)	–	–	–	–	(127,368)
Profit for the year		–	–	–	–	440,821	440,821
1999/2000 final dividends paid		–	–	–	–	(20,000)	(20,000)
Appropriation		–	–	26,881	165	(27,046)	–
As at 30th June 2001		411,664	94,894	26,881	731	427,541	961,711
As at 30th June 2001 Company and subsidiaries		411,664	94,894	26,881	731	427,541	961,711
As at 1st July 2001 as previously reported		411,664	94,894	26,881	731	303,733	837,903
Adoption of SSAP 9 (revised)	2(q)	–	–	–	–	123,808	123,808
As at 1st July 2001 as restated		411,664	94,894	26,881	731	427,541	961,711
Issue of shares	25(a)	747,226	–	–	–	–	747,226
Issuing expenses	25(a)	(25,850)	–	–	–	–	(25,850)
Profit for the year		–	–	–	–	621,924	621,924
2000/2001 final dividends paid	10(a)	–	–	–	–	(148,654)	(148,654)
Appropriation		–	–	53,743	–	(53,743)	–
As at 30th June 2002		**1,133,040**	**94,894**	**80,624**	**731**	**847,068**	**2,156,357**
Company and subsidiaries		1,133,040	94,894	80,624	731	829,464	2,138,753
Associated companies		–	–	–	–	17,604	17,604
As at 30th June 2002		**1,133,040**	**94,894**	**80,624**	**731**	**847,068**	**2,156,357**

Notes to the Financial Statements

26 RESERVES *(continued)*

(a) Group *(continued)*

Note:

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.

FIEs are required to transfer 10% of its profits after tax to statutory common reserve. The transfer to the statutory common reserve is required until it aggregates to 50% of the company's registered share capital.

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 statutory welfare reserve is non-distributable other than in liquidation.

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		602,875	–	602,875
Issuing expenses		(63,843)	–	(63,843)
Capitalisation issue		(127,368)	–	(127,368)
Acquisition of subsidiaries		200,665	–	200,665
Profit for the year		–	125,952	125,952
As at 30th June 2001		612,329	125,952	738,281
As at 1st July 2001				
previously reported		612,329	2,144	614,473
Adoption of SSAP 9 (revised)	*2(q)*	–	123,808	123,808
As at 1st July 2001 as restated		612,329	125,952	738,281
Issue of shares	*25(a)*	747,226	–	747,226
Issuing expenses	*25(a)*	(25,850)	–	(25,850)
Profit for the year		–	9,197	9,197
2000/2001 final dividends paid	*10(a)*	–	(148,654)	(148,654)
As at 30th June 2002		**1,333,705**	**(13,505)**	**1,320,200**

27 LONG-TERM BANK LOANS – SECURED

	Group and Company	
	2002	2001
	RMB'000	*RMB'000*
Long-term bank loans, wholly repayable in the second to fifth year – secured	**165,173**	–

On 16th January 2002, the Company entered into a loan agreement (the "Loan Agreement") with, inter alios, a syndicate of banks relating to a loan facility of up to US$50,000,000 (the "Loan"). The Loan is made available to the Company by way of a revolving loan facility during the 12-month period after the date of the Loan Agreement, and any principal amount of the Loan outstanding as at the date falling 12 months after the date of the Loan Agreement will automatically be converted into a term loan and repayable during the period between 18 months and 36 months after the date of the Loan Agreement.

As at 30th June 2002, the Company drew down US$20,000,000 (equivalent to RMB165,173,000). The loan is interest bearing at London Inter-Bank Offered Rate plus 1.875% per annum. The banking facility is secured by the Company's interests in certain subsidiaries and the Shareholder's Loan (Note 18).

28 NOTES TO THE CONSOLIDATED CASH FLOW STATEMENT

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

	2002	2001
	RMB'000	*RMB'000*
Operating profit	**664,781**	444,032
Interest income	**(19,202)**	(10,997)
Depreciation charges	**17,589**	4,325
Loss on disposal of fixed assets	**–**	1,620
Amortisation of deferred development costs	**2,461**	1,007
Amortisation of long-term prepaid rentals	**6,303**	3,507
Amortisation of negative goodwill	**(8,136)**	–
Increase in inventories, accounts receivable and other receivables, deposits and prepayments	**(118,417)**	(81,753)
Increase in amount due to a related company and other payables and accrued charges	**30,530**	7,681
Net cash inflow from operating activities	**575,909**	369,422

Notes to the Financial Statements

28 NOTES TO THE CONSOLIDATED CASH FLOW STATEMENT *(continued)*

(b) Acquisition of subsidiaries

	2002	2001
	RMB'000	*RMB'000*
Net assets acquired		
Fixed assets	–	366
Construction-in-progress	**80,808**	–
Deferred development costs	–	3,100
Long-term prepaid rentals	–	9,789
Inventories	–	2,663
Accounts receivable	–	488
Other receivables, deposits and prepayments	**25**	2,251
Amount due from a fellow subsidiary	–	12,715
Cash and bank balances	–	1,242
Accounts payable and other payables	–	(6,861)
Long-term advance from shareholders	–	(5,632)
Taxation	–	(4,971)
	80,833	15,150
Negative goodwill arising from acquisition recognised into capital reserve	–	(15,044)
	80,833	106
Satisfied by		
Cash	**80,833**	106

Analysis of the net cash (outflow)/inflow in respect of acquisition of subsidiaries:

	2002	2001
	RMB'000	*RMB'000*
Cash consideration	**(80,833)**	(106)
Cash and bank balances acquired	–	1,242
Net cash (outflow)/inflow in respect of the acquisition of subsidiaries	**(80,833)**	1,136

The subsidiary acquired during the year did not contribute significant cash flows to the Group.

28 NOTES TO THE CONSOLIDATED CASH FLOW STATEMENT *(continued)*

(c) Analysis of changes in financing during the year

	Share capital	Share premium	Capital reserve	Long-term advance from share-holders	Bank borrowings
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
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 group 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)
As at 30th June 2001	169,824	411,664	94,894	–	50,000

Notes to the Financial Statements

28 NOTES TO THE CONSOLIDATED CASH FLOW STATEMENT *(continued)*

(c) Analysis of changes in financing during the year *(continued)*

	Share capital *RMB'000*	Share premium *RMB'000*	Capital reserve *RMB'000*	Minority interests *RMB'000*	Bank borrowings *RMB'000*
As at 1st July 2001	169,824	411,664	94,894	–	50,000
Issue of shares	33,965	747,226	–	–	–
Issuing expenses	–	(25,850)	–	–	–
Contributions from minority interests	–	–	–	5,350	–
Minority interests in share of loss	–	–	–	(50)	–
Repayment of bank loans	–	–	–	–	(50,000)
New bank loans	–	–	–	–	165,173
As at 30th June 2002	**203,789**	**1,133,040**	**94,894**	**5,300**	**165,173**

(d) Analysis of the balances of cash and cash equivalents

	Note	**2002** *RMB'000*	2001 *RMB'000*
Cash and bank balances		**891,043**	577,169
Bank deposits pledged for banking facilities	22	**–**	(53,070)
Short-term bank deposits with maturity more than three months from the date of placement		**(215,976)**	–
Cash and cash equivalents at end of the year		**675,067**	524,099

29 COMMITMENTS

(a) Capital commitments

As at 30th June 2002, the Group had the following capital commitments:

	2002 RMB'000	2001 RMB'000
Contracted but not provided for		
– Research and development expenditures	**73,500**	74,000
– Purchase of fixed assets	**140,646**	351,859
	214,146	425,859
Authorised but not contracted for		
– Purchase of fixed assets	**591,274**	–
Total	**805,420**	425,859

(b) Operating lease commitments

At 30th June 2002, 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 2002				
Land and buildings	**44,109**	**170,383**	**949,433**	**1,163,925**
Others	**268**	**228**	**–**	**496**
	44,377	**170,611**	**949,433**	**1,164,421**
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

Notes to the Financial Statements

30 RELATED PARTY TRANSACTIONS

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

	2002 RMB'000	2001 RMB'000
Fujian Chaoda Agricultural Produce Trading Company Limited		
– Purchase of organic fertilisers	**105,585**	52,097
– Purchase of plant growth regulators	**3,004**	1,343
Beijing Chaoda Yingjun Bio-Tech Company Limited		
– Purchase of seeds	–	270

(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 at prices and terms no less than those charged to or contracted with other third parties.

31 PARTICULARS OF PRINCIPAL SUBSIDIARIES

Particulars of principal subsidiaries of the Group at 30th June 2002 are as follows:

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%
Insight Decision Limited	British Virgin Islands	Investment holding in Hong Kong	1 ordinary share of US$1	100%

31 PARTICULARS OF PRINCIPAL SUBSIDIARIES *(continued)*

Company	Place of incorporation	Principal activities and place of operation	Particulars of issued/ registered and paid up capital	Interest held
Held indirectly:				
Fuzhou Chaoda Modern Agriculture Development Company Limited	PRC	Growing and sales of crops, breeding and sales of livestock in PRC	HK$156,000,000	100%
Fujian Chaoda Green Agriculture Development Company Limited	PRC	Growing and sales of crops in PRC	RMB40,000,000	100%
Fujian Chaoda Livestock Company Limited	PRC	Breeding and sales of livestock in PRC	RMB42,000,000	100%
Chaoda Vegetable & Fruits Limited	Hong Kong	Distribution and trading of crops in Hong Kong	100,000 ordinary shares of HK$1 each	100%
臨海超大現代農業發展有限公司	PRC	Growing and sales of crops in PRC	US$190,000	100%
Fujian Chaoda Liancheng Foodstuffs Company Limited	PRC	Operation not yet commenced	RMB15,000,000	91%
福州超大超市發展有限公司	PRC	Operation not yet commenced	RMB20,000,000	95%
上海超大精文綠亭配送服務有限公司	PRC	Operation not yet commenced	RMB10,000,000	70%
Desire Star (Fujian) Development Company Limited	PRC	Property holding in PRC	US$5,000,000	100%

Notes to the Financial Statements

32 ULTIMATE HOLDING COMPANY

The Directors regard Kailey Investment Ltd., 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 29th October 2002.