Notes to the Financial Statements

30 JUNE 2004

1. BASIS OF PREPARATION

The principal activity of the Company is investment holding.

The principal activities and other particulars of the subsidiaries are set out in note 36 to the financial statements.

2. ADOPTION OF NEW AND REVISED STATEMENTS OF STANDARD ACCOUNTING PRACTICE ("SSAPs")

The financial statements have been prepared in accordance with generally accepted accounting principles in Hong Kong and comply with Statements of Standard Accounting Practice ("SSAPs") issued by the Hong Kong Institute of Certified Public Accountants, the disclosure requirements of the Hong Kong Companies Ordinance and the Rules of Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited. The financial statements are prepared under the historical cost convention.

SSAP 12 (Revised) "Income taxes" is effective for the first time for the current year's financial statements. It prescribes the accounting for income taxes payable or recoverable, arising from the taxable profit or loss for the current period (current tax); and income taxes payable or recoverable in future periods, principally arising from taxable and deductible temporary differences and the carryforward of unused tax losses (deferred tax).

The principal impact of the revision of this SSAP on these financial statements is described below:

Measurement and recognition:

- deferred tax assets and liabilities relating to the differences between capital allowances for tax purposes and depreciation for financial reporting purposes and other taxable and deductible temporary differences are generally fully provided for, whereas previously the deferred tax was recognised for timing differences only to the extent that it was probable that the deferred tax asset or liability would crystallise in the foreseeable future;

- a deferred tax liability has been recognised relating to the fair value adjustments arising from the acquisition of subsidiaries; and

- a deferred tax asset has been recognised for tax losses arising in the current/prior years to the extent that it is probable that there will be sufficient future taxable profits against which such losses can be utilised.

Disclosures:

- the related note disclosures are now more extensive than previously required. The disclosures are presented in note 9 to the financial statements and include reconciliation between the accounting profit and the tax expense for the year.

Unless otherwise stated, the 2003 comparative figures presented herein have incorporated the effect of the adjustments, where applicable, resulting from the adoption of the new accounting standard above.

3. SIGNIFICANT ACCOUNTING POLICIES

(a) Consolidation

The consolidated financial statements include the financial statements of the Company and all of its subsidiaries for the year ended 30 June 2004. The results of subsidiaries acquired or disposed of during the year are included in the consolidated income statement from or to the date of their acquisition or disposal, as appropriate.

All material intercompany transactions and balances are eliminated on consolidation.

The gain or loss on the disposal of a subsidiary represents the difference between the sales proceeds and the Group's share of its net assets together with any goodwill or capital reserves which was not previously charged or recognised in the consolidated income statement.

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

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) Subsidiaries

A subsidiary is an enterprise in which the Company, directly or indirectly, controls more than half of its voting power or issued share capital, or controls the composition of its board of directors.

Investment in subsidiaries are included in the Company's balance sheet less any identified impairment loss.

(c) Associates

An associate is a company in which the Group or the Company has significant influence and which is neither a subsidiary nor a joint venture of the Group or the Company.

The investment in an associate is accounted for in the consolidated balance sheet under the equity method whereby the investment is initially recorded at cost and adjusted thereafter for the post acquisition change in the Group's share net assets of the associate.

The results of the associate is accounted for in the consolidated income statement to the extent of the Group's share of associate's results of operations.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(d) Goodwill

Positive goodwill arising on consolidation represents the excess of the cost of the acquisition over the Group's share of the fair value of the identifiable assets and liabilities acquired. In respect of controlled subsidiaries:

— for acquisitions before 1 January 2001, positive goodwill is eliminated against reserves and is reduced by impairment losses; and

— for acquisitions on or after 1 January 2001, positive goodwill is amortised to the consolidated income statement on a straight-line basis over its estimated useful life. Positive goodwill is stated in the consolidated balance sheet at cost less any accumulated amortisation and any impairment losses.

In respect of acquisitions of associates, positive goodwill is amortised to the consolidated income statement on a straight-line basis over its estimated useful life. The cost of positive goodwill less any accumulated amortisation and any impairment losses is included in the carrying amount of the interest in associates.

Negative goodwill arising on acquisitions of controlled subsidiaries and associates represents the excess of the Group's share of the fair value of the identifiable assets and liabilities acquired over the cost of the acquisition. Negative goodwill is accounted for as follows:

— for acquisitions before 1 January 2001, negative goodwill is credited to a capital reserve; and

— for acquisitions on or after 1 January 2001, to the extent that negative goodwill relates to an expectation of future losses and expenses that are identified in the plan of acquisition and can be measured reliably, but which have not yet been recognised, it is recognised in the consolidated income statement when the future losses and expenses are recognised. Any remaining negative goodwill, but not exceeding the fair values of the non-monetary assets acquired, is recognised in the consolidated income statement over the weighted average useful life of those non-monetary assets that are depreciable/amortisable. Negative goodwill in excess of the fair values of the non-monetary assets acquired is recognised immediately in the consolidated income statement.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(d) Goodwill *(Continued)*

In respect of any negative goodwill not yet recognised in the consolidated income statement:

— for controlled subsidiaries, such negative goodwill is shown in the consolidated balance sheet as a deduction from assets in the same balance sheet classification as positive goodwill; and

— for associates, such negative goodwill is included in the carrying amount of the interests in associates.

On disposal of a controlled subsidiary or an associate during the year, any attributable amount of purchased goodwill not previously amortised through the consolidated income statement or which has previously been dealt with as a movement on Group reserves is included in the calculation of the profit or loss on disposal.

(e) Intangible assets (Other than goodwill)

(i) Research and development costs

Research costs are charged to the income statement 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 amortisted 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.

(ii) 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 recognized as a capital improvement and added to the original cost of the software. Computer software development costs recognised as assets is amortised using the straight-line method over their useful lives, not exceeding a period of 3 years.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(e) Intangible assets (Other than goodwill) *(Continued)*

(iii) Land use rights

Land use rights are stated at cost less accumulated amortisation and impairment losses. Cost represents consideration paid for the rights to use the land on which various warehouses, office premises and processing factory are situated. Amortisation of land use rights are calculated on a straight-line basis over the period of the land use rights of 20 to 50 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.

(f) Fixed assets and depreciation

Fixed assets are stated at cost less accumulated depreciation and accumulated impairment losses.

Depreciation is calculated on the straight-line basis to write off the cost of each asset over its estimated useful life. The principal annual rates used for this purpose are as follows:

Leasehold improvements	10% to 50%
Land and buildings	over the term of the lease
Furniture, fixtures and equipment	20%
Motor vehicles	20%
Farmland infrastructure	5% to 20%
Computer equipment	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 income statement. Improvements are capitalised and depreciated over their expected useful lives.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(f) Fixed assets and depreciation *(Continued)*

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 consolidated income statement.

Subsequent expenditure relating to a fixed asset that has already been recognised is added to the carrying amount of the asset when it is probable that future economic benefits, in excess of the originally assessed standard of performance of the existing asset, will flow to the enterprise. All other subsequent expenditure is recognised as an expense in the period in which it is incurred.

(g) Impairment

Internal and external sources of information are reviewed at each balance sheet date to identify indications that the assets may be impaired or an impairment loss previously recognised no longer exists or may have decreased.

If any such indication exists, the asset's recoverable amount is estimated. For intangible assets that are not yet available for use, or are amortised over more than 20 years from the date when the asset is available for use or goodwill that is amortised over 20 years from initial recognition, the recoverable amount is estimated at each balance sheet date. An impairment loss is recognised whenever the carrying amount of an assets exceeds its recoverable amount.

(i) Calculation of recoverable amount

The recoverable amount of an asset is the greater of its net selling price and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of time value of money and the risks specific to the asset. Where an asset does not generate cash inflows largely independent of those from other assets, the recoverable amount is determined for the smallest group of assets that generates cash inflows independently (i.e. a cash-generating unit).

(ii) Reversals of impairment losses

In respect of assets other than goodwill, an impairment loss is reversed if there has been a favorable change in the estimates used to determine the recoverable amount. An impairment loss in respect of goodwill is reversed only if the loss was caused by a specific external event of an exceptional nature that is not expected to recur, and the increase in recoverable amount relates clearly to the reversal of the effect of that specific event.

A reversal of impairment losses is limited to the asset's carrying amount that would have been determined net of amortisation or depreciation had no impairment loss been recognised in prior years. Reversals of impairment losses are credited to the income statement in the year in which the reversals are recognised.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(h) Construction-in-progress

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

(i) Long-term prepaid rentals

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

(j) Deferred expenditure

Deferred expenditure is recognised at cost and amortised on a straight-line basis over five to ten years.

(k) Provisions

Provisions are recognised when the Group has a present legal or constructive obligation as a result of past events and it is probable that an outflow of economic benefits which can be reasonably estimated will be required to settle such obligation.

Provisions are reviewed at each balance sheet date and adjusted to reflect the current best estimate. Where the effect of the time value of money is material, the amount of a provision is the present value of the expenditures expected to be required to settle the obligation.

(l) Contingent liabilities and contingent assets

A contingent liability is a possible obligation that arises from past events and whose existence will only be confirmed by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Group. It can also be a present obligation arising from past events that is not recognised because it is not probable that outflow of economic resources will be required or the amount of obligation cannot be measured reliably.

A contingent liability is not recognised but is disclosed in the notes to the financial statements. When a change in the probability of an outflow occurs so that outflow is probable, they will then be recognised as a provision.

A contingent asset is a possible asset that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain events not wholly within the control of the Group.

Contingent assets are not recognised but are disclosed in the notes to the financial statements when an inflow of economic benefits is probable. When inflow is virtually certain, an asset is recognised.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(m) Revenue recognition

(i) Revenue from the sales of crops, livestock and supermarkets chain operation are recognised on the transfer of risks and rewards of ownership, which generally coincides with the time when the goods are delivered to customers and title has passed.

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

(n) Translation of foreign currencies

Foreign currency transactions during the year are translated into Renminbi at the exchange rates ruling at the transaction dates. Monetary assets and liabilities denominated in foreign currencies are translated into Renminbi at the exchange rates ruling at the balance sheet date. Foreign currency assets, being equity investments or other long-term non-monetary assets, the holding or use or the subsequent disposal of which will generate receipts in a foreign currency, hedged by foreign currency borrowings, are translated into Renminbi at the exchange rates ruling at the balance sheet date.

Exchange gains and losses are dealt with in the income statement, except those arising from the translation at closing rates of foreign currency assets hedged by foreign currency borrowings, and the gains and losses on those foreign currency borrowings (to the extent of exchange differences arising on the foreign currency assets), which are taken directly to reserves.

The results of foreign enterprises are translated into Renminbi at the average exchange rates for the year; balance sheet items are translated into Renminbi at the rates of exchange ruling at the balance sheet date. The resulting exchange differences are dealt with as a movement in reserves.

(o) Employee benefits

(i) Salaries, annual bonuses, paid annual leave, leave passage and the cost to the Group of non-monetary benefits are accrued in the year in which the associated services are rendered by employees of the Group. Where payment or settlement is deferred and the effect would be material, these amounts are stated at their present values.

(ii) Contributions to Mandatory Provident Funds as required under the Hong Kong Mandatory Provident Fund Schemes Ordinance, are recognised as an expense in the income statement as incurred, except to the extent that they are included in the cost of intangible assets and inventories not yet recognised as an expense.

(iii) 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.

(iv) The Group operates a share option scheme where directors, employees and specified participants are granted with options to acquire shares of the Company at specified exercise prices.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(p) Inventories

The Group's inventories, comprising growing crops, livestock, agricultural materials and merchandise purchased for resale and ancillary food products, are carried at the lower of cost and 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, merchandise purchased for resale and ancillary food products are stated at their purchase costs calculated on a first-in, first-out basis.

Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.

(q) Trade receivables

Provision is made against trade receivables to the extent they are considered to be doubtful. Trade receivables in the balance sheet are stated net of such provision.

(r) Cash and cash equivalents

Cash and cash equivalents comprise cash at bank and in hand, demand deposits with banks and other financial institutions, and short-term, highly liquid investments that are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value. Bank overdrafts that are repayable on demand and form an integral part of the group's cash management are also included as a component of cash and cash equivalents for the purpose of the cash flow statement.

(s) Deferred taxation

Deferred taxation is provided in full, using the liability method, for all temporary differences arising between the tax bases of assets and liabilities and their carrying values in the accounts. Deferred tax liabilities are provided in full of all taxable temporary differences while deferred tax assets are recognised to the extent that it is probable that future taxable profits will be available against which the deductible temporary differences can be utilised.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(t) Operating leases

Where the Group has the use of assets under operating leases, payments made under the leases are charged to the income statement in equal installments over the accounting periods covered by the lease term, except where an alternative basis is more representative of the pattern by benefits to be derived from the leased asset. Lease incentives received are recognised in the income statement as an integral part of the aggregate net lease payments made. Contingent rentals are charged to the income statement in the accounting period in which they are incurred.

(u) Related parties

For the purposes of these financial statements, parties are considered to be related to the Group if the Group has the ability, directly or indirectly, to control the party or exercise significant influence over the party in making financial and operating decisions, or vice versa, or where the Group and the party are subject to common control or common significant influence. Related parties may be individuals or other entities.

(v) Segment reporting

A segment is a distinguishable component of the Group that is engaged either in providing products or services (business segment), or in providing products or services within a particular economic environment (geographical segment), which is subject to risks and rewards that are different from those of other segments.

In accordance with the Group's internal financial reporting system, the Group has chosen business segment information as the primary reporting format and geographical segment information as the secondary reporting format for the purposes of these financial statements.

Segment revenue, expenses, results, assets and liabilities include items directly attributable to a segment as well as those that can be allocated on a reasonable basis to that segment. For example, segment assets may include inventories, trade receivables and property, plant and equipment. Segment revenue, expenses, assets and liabilities are determined before intra-group balances and intra-group transactions are eliminated as part of the consolidation process, except to the extent that such intra-group balances and transactions are between Group's enterprises within a single segment. Inter-segment pricing is based on similar terms as those available to other external parties.

Segment capital expenditure is the total cost incurred during the period to acquire segment assets (both tangible and intangible) that are expected to be used for more than one period.

Unallocated items mainly comprise financial and corporate assets, interest-bearing loans, borrowings, corporate and financing expenses and minority interests.

4. TURNOVER

The principal activities of the Group are the growing and sales of crops, breeding and sales of livestock, and supermarkets chain operation.

Turnover represents the sales value of goods supplied to customers. The amount of each significant category of revenue recognised in turnover during the year is as follows:

	2004	2003
	RMB'000	*RMB'000*
Sales of crops	**1,695,546**	1,358,393
Sales of livestock	**41,007**	24,557
Supermarkets chain operation	**125,205**	79,970
Sales of ancillary food products	—	2,264
Export trading	—	20,123
	1,861,758	1,485,307

5. OTHER REVENUE

	2004	2003
	RMB'000	*RMB'000*
Amortisation of negative goodwill	**8,136**	8,136
Interest income	**6,950**	16,930
Sundry income from supermarkets chain operation	**4,161**	3,227
Others	**10,923**	1,795
	30,170	30,088

6. SEGMENT INFORMATION

Analysis of business segment results for the year ended 30 June 2004

	Growing and sales of crops *RMB'000*	Breeding and sales of livestock *RMB'000*	Supermarkets chain operation *RMB'000*	Inter-segment elimination *RMB'000*	Total *RMB'000*
Sales to external customers	1,698,345	41,007	125,205	(2,799)	1,861,758
Cost of sales	(503,321)	(12,732)	(116,640)	2,799	(629,894)
Gross profit	1,195,024	28,275	8,565	—	1,231,864
Unallocated items:					
Other revenue					30,170
Selling and distribution expenses					(185,094)
General and administrative expenses					(102,269)
Research expenses					(66,709)
Other operating expenses					(43,812)
Profit from operations					864,150
Finance costs					(10,844)
Share of profits less losses of associates					52,262
Profit from ordinary activities before taxation					905,568
Taxation					89,083
Profit from ordinary activities after taxation					994,651
Minority interests					2,103
Profit attributable to shareholders					996,754

6. SEGMENT INFORMATION *(Continued)*

Inter-segment revenue represents the sales of fruits & vegetables from the crops segment to the supermarket segment. Sales between business segments are accounted for at competitive market prices charged to unaffiliated customers for similar goods.

Analysis of business segment results for the year ended 30 June 2003

	Growing and sales of crops	Breeding and sales of livestock	Supermarkets chain operation	Sales of ancillary food products	Export trading	Inter-segment elimination	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Sales to external customers	1,363,164	24,557	79,970	2,264	20,123	(4,771)	1,485,307
Cost of sales	(399,895)	(4,088)	(71,954)	(1,588)	(18,763)	4,771	(491,517)
Gross profit	963,269	20,469	8,016	676	1,360	—	993,790
Unallocated items:							
Other revenue							30,088
Selling and distribution expenses							(139,767)
General and administrative expenses							(88,638)
Research expenses							(58,535)
Other operating expenses							(33,369)
Profit from operations							703,569
Finance costs							(15,345)
Share of profits less losses of associates							37,803
Profit from ordinary activities before taxation							726,027
Taxation							(2,838)
Profit from ordinary activities after taxation							723,189
Minority interests							1,945
Profit attributable to shareholders							725,134

6. SEGMENT INFORMATION *(Continued)*

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 30 June 2004 and 2003. Consequently, no further segment information by business activity is presented.

The Group's operations are primarily in the People's Republic of China (the "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 30 June 2004 and 2003. Consequently, no segment information by geographical area is presented.

7. OTHER OPERATING EXPENSES

	2004	2003
	RMB'000	*RMB'000*
Expenses incurred for idle farmlands and maintenance	**28,520**	23,823
Natural loss of growing crops	**2,062**	2,367
Loss on disposal of fixed assets	**5,447**	5,366
Others	**7,783**	1,813
	43,812	33,369

8. PROFIT FROM ORDINARY ACTIVITIES BEFORE TAXATION

Profit from ordinary activities before taxation is arrived at after (crediting)/charging:

(a) Finance costs

	2004	2003
	RMB'000	*RMB'000*
Interest on bank loans	**4,973**	10,749
Bank charges	**5,871**	4,596
	10,844	15,345

8. PROFIT FROM ORDINARY ACTIVITIES BEFORE TAXATION *(Continued)*

(b) Staff costs

	2004	2003
	RMB'000	*RMB'000*
Salaries, wages and other benefits	**141,944**	133,254
Retirement benefits costs	**1,840**	1,655
	143,784	134,909

(c) Other items

	2004	2003
	RMB'000	*RMB'000*
Amortisation of negative goodwill	**(8,136)**	(8,136)
Auditors' remuneration		
— Current year	**2,901**	4,155
— Under-provision in prior year	**87**	1,269
Cost of inventories sold	**629,894**	491,517
Depreciation of owned fixed assets		
(net of amount capitalised in inventories)	**83,352**	52,971
Operating lease expenses		
— land and buildings	**59,287**	50,127
— motor vehicles	**130**	575
Amortisation of computer software development cost	**19,658**	19,591
Amortisation of deferred development costs	**5,173**	3,150
Amortisation of land use rights	**274**	—
Amortisation of long-term prepaid rentals		
(net of amount capitalised in inventories)	**14,507**	9,078
Amortisation of deferred expenditure	**11,406**	13,146
Research expenses	**66,709**	58,535
Loss on disposal of fixed assets	**5,447**	5,366

9. TAXATION

The amount of taxation credited/(charged) to the consolidated income statement represents:

	Note	**2004** **RMB'000**	2003 RMB'000
PRC income tax			
— Current year	(a)	**—**	—
— Over-provision in previous years	(b)	**93,096**	—
Hong Kong profits tax	(c)	**—**	—
		93,096	—
Share of taxation attributable to associates			
— Current year	(d)	**(5,489)**	(2,838)
— Over-provision in previous year		**1,476**	—
		89,083	(2,838)

(a) Fuzhou Chaoda Modern Agriculture Development Company Limited, the Group's principal subsidiary, was awarded as "State-Level Agricultural Leading Enterprise" of the nation by the central government of the PRC in December 2002. According to the circular Nong Jing Fa [2000] No. 8 and No. 10 jointly issued by Agricultural Ministry, State Development Planning Commission, State Economic & Trade Commission, Ministry of Finance, Ministry of Foreign Trade & Economic Cooperation, People's Bank of China, State Administration of Taxation, Securities Regulatory Commission and Chinese Supply and Marketing Coorperatives, domestic PRC State-Level Agricultural Leading Enterprises are entitled to certain tax benefits including full exemption of income tax. These tax benefits will also be applied to other PRC subsidiaries comprising the Group.

(b) Before obtaining the award of "State-Level Agricultural Leading Enterprise" in December 2002, provisions for PRC income tax, aggregating to RMB93,096,000, had been provided in respect of the net profits of certain subsidiaries for the years ended 30 June 1998, 1999, 2000, 2001 and 2002. According to the current rules and practice in relation to the tax exemption policy for "State-Level Agricultural Leading Enterprise", the Group is not required to pay these PRC income tax payables. In view of this, the whole provision of RMB93,096,000 has been written back during the year.

(c) No provision for Hong Kong profits tax has been made as there is no estimated assessable profits (2003: Nil) for the Company and its subsidiaries operating in Hong Kong during the year.

9. TAXATION *(Continued)*

(d) It represents the share of PRC income tax charged on the assessable profits of Lucky Team Biotech Development (Hepu) Limited ("Hepu"), a 49% associate directly owned by a wholly owned subsidiary of the Group.

Hepu is a Foreign Investment Enterprise ("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. Hepu 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 was lapsed during the year ended 30 June 2002. Hepu has been subject to a reduced income tax rate of 7.5% for a tax reduction period of 3 years.

(e) The Group has not recognised deferred tax asset in respect of tax losses of RMB17,637,000 (2003: RMB12,115,000). The tax losses are mainly attributable from the expenses incurred by the Company. Since the principal activity of the Company is investment holding, no revenue inflow is expected in the foreseeable future. The deferred tax assets are therefore not recognised as the realisation is uncertain.

The charge for the year is reconciled to the profit before taxation per income statement as follows:

	2004	2003
	RMB'000	*RMB'000*
Profit before tax	**905,568**	726,027
Notional tax on profit before tax, calculated at the rate applicable to profits in the countries concerned	**(275,307)**	(198,109)
Tax effect of expense/(income) that are not deductible/ taxable in determining taxable profit and tax allowance	**(22)**	(19,432)
Tax effect of non-taxable offshore profit	**403**	223,045
Tax effect of unrecognised tax losses	**(12,991)**	(5,692)
Tax effect of exemption benefits under State-Level Agricultural Leading Enterprise	**287,917**	188
Over-provision in previous years	**93,096**	—
Share of tax of associates (net of over provision in previous year)	**(4,013)**	(2,838)
	89,083	(2,838)

10. PROFIT ATTRIBUTABLE TO SHAREHOLDERS

The consolidated profit attributable to shareholders includes a profit of RMB40,010,000 (2003: profit of RMB155,891,000) which has been dealt with in the financial statements of the Company.

11. EARNINGS PER SHARE

(a) Basic earnings per share

The calculation of the earnings per share is based on the profit attributable to shareholders of RMB996,754,000 (2003: RMB725,134,000) and the weighted average number of 2,167,796,045 (2003 (restated): 2,012,607,450 after adjusting for the bonus shares issued in 2004) ordinary shares in issue during the year.

(b) Diluted earnings per share

The calculation of diluted earnings per share is based on the profit attributable to shareholders of RMB996,754,000 (2003: RMB725,134,000) and the weighted average number of 2,210,334,639 (2003 (restated): 2,012,607,450 after adjusting for the bonus shares issued in 2004) ordinary shares after adjusting for the effects of all dilutive potential ordinary shares under the Company's share option scheme.

The weighted average number of shares for the calculation of basic earnings per share and diluted earnings per share, has been both adjusted from 1,916,769,000 to 2,012,607,450, as a result of the adjustment for the bonus shares issued during the year ended 30 June 2004.

(c) Reconciliation

	2004 Number of shares	2003 Number of shares
Weighted average number of ordinary shares used in calculating basic earnings per share	**2,167,796,045**	2,012,607,450
Deemed issue of ordinary shares	**42,538,594**	—
Weighted average number of ordinary shares used in calculating diluted earnings per share	**2,210,334,639**	2,012,607,450

12. DIVIDENDS

	2004		2003	
	RMB per share	**RMB'000**	*RMB per share*	*RMB'000*
Final dividend proposed of HK$0.073 (2003: HK$0.0349) per ordinary share	**0.077**	**180,411**	0.037	71,795
Special dividend proposed of HK$0.007 (2003: Nil) per ordinary share	**0.008**	**18,744**	—	—
	0.085	**199,155**	0.037	71,795

At a meeting held on 19 October 2004, the directors proposed a final dividend of HK$0.073 (equivalent to RMB0.077) per ordinary share. The directors also proposed a special dividend of HK$0.007 (equivalent to RMB0.008) per ordinary share for the exceptional income of tax provided in prior years being written back during the year. The proposed final dividend and the special dividend are subject to approval by the shareholders in the forthcoming Annual General Meeting and not yet accounted for in the current year's financial statements, but will be reflected as an appropriation of retained profits in the financial statements for the year ending 30 June 2005.

For the year ended 30 June 2003, the aggregate amount of proposed dividend disclosed in the previous financial statements was RMB70,857,294. However, at the date of approval of the final dividend on 19 December 2003, the number of issued shares had been increased from 1,915,062,000 to 1,942,912,000 due to the exercise of 27,850,000 share options before the closure of register of members for lodgment of final dividend. As a result, the actual aggregate dividend paid for the year ended 30 June 2003 had been increased from RMB70,857,294 to RMB71,794,717.

13. 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 30 June 2004, the Group had contributions payable to the above retirement schemes aggregating RMB35,840 (2003: RMB34,290), as included in the other payables and accrued charges under current liabilities in the consolidated balance sheet.

14. DIRECTORS' REMUNERATION

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

	2004	2003
	RMB'000	*RMB'000*
Fees	**—**	—
Salaries and other emoluments		
Executive Directors	**3,161**	3,441
Independent non-executive Directors	**310**	56
Retirement benefit costs		
Executive Directors	**39**	38
Independent non-executive Directors	**—**	—
	3,510	3,535

The above emoluments do not include the value of share options granted to and exercised by certain directors. The details of these benefits in kind are disclosed under paragraph "Share Option Scheme" in Directors' Report.

The remuneration of the directors is within the following bands:

	2004	2003
	Number of directors	Number of directors
Emoluments		
RMBNil to RMB1,000,000	**10**	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.

15. INDIVIDUALS WITH HIGHEST EMOLUMENTS

Two (2003: Three) of the five highest paid individuals are directors whose emoluments have been included above. Details of the emoluments paid to the remaining three (2003: two) highest paid individuals are as follows:

	2004	2003
	RMB'000	*RMB'000*
Salaries and other benefits-in-kind	**2,131**	1,575
Retirement benefit costs	**37**	14
	2,168	1,589

The emoluments of three (2003: two) individuals with the highest emoluments within the following band:

	2004	2003
	Number of individuals	Number of individuals
Emoluments		
RMBNil to RMB1,000,000	**3**	2

16. FIXED ASSETS

The Group

	Leasehold improvements	Land and buildings	Furniture, fixtures and equipment	Motor vehicles	Farmland infrastruc-ture	Computer equipment	Orchard	Intermediate life plants	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Cost									
At 1 July 2003	29,631	65,000	22,859	10,093	737,858	22,000	206,231	4,723	1,098,395
Additions	—	—	4,219	783	49,331	—	45,188	—	99,521
Transfer from construction-in-progress *(Note 17)*	25,287	88,561	82	—	330,774	—	—	—	444,704
Disposals	(3,300)	—	(257)	(1,096)	(31,986)	—	(6,807)	—	(43,446)
At 30 June 2004	51,618	153,561	26,903	9,780	1,085,977	22,000	244,612	4,723	1,599,174
Accumulated depreciation									
At 1 July 2003	2,141	1,887	3,932	2,190	69,386	4,400	2,020	171	86,127
Charge for the year	3,063	2,659	4,191	1,358	71,580	4,400	6,634	183	94,068
Disposals	(470)	—	(123)	(329)	(5,331)	—	(700)	—	(6,953)
At 30 June 2004	4,734	4,546	8,000	3,219	135,635	8,800	7,954	354	173,242
Net book value									
At 30 June 2004	46,884	149,015	18,903	6,561	950,342	13,200	236,658	4,369	1,425,932
At 30 June 2003	27,490	63,113	18,927	7,903	668,472	17,600	204,211	4,552	1,012,268

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

Intermediate life plants are aloe veras growing at the year end date.

The Group's land and buildings are held under long term leases in the PRC.

17. CONSTRUCTION-IN-PROGRESS

	2004	2003
	RMB'000	*RMB'000*
At 1 July	**371,854**	269,370
Additions	**482,182**	462,439
Transfer to fixed assets *(Note 16)*	**(444,704)**	(359,955)
At 30 June	**409,332**	371,854

18. COMPUTER SOFTWARE DEVELOPMENT COST

	2004	2003
	RMB'000	*RMB'000*
Cost		
At 1 July	**58,773**	56,000
Additions	**200**	2,773
At 30 June	**58,973**	58,773
Accumulated amortisation		
At 1 July	**19,591**	—
Amortisation for the year	**19,658**	19,591
At 30 June	**39,249**	19,591
Net carrying value	**19,724**	39,182

Computer software development cost represents the software cost incurred for the establishment of the Group's computerised information system. Computer software development cost recognised as assets are amortised using the straight-line method over their useful lives, not exceeding a period of 3 years.

19. DEFERRED DEVELOPMENT COSTS

	2004 RMB'000	2003 RMB'000
Cost		
At 1 July	**80,630**	74,200
Additions	**7,169**	6,430
At 30 June	**87,799**	80,630
Accumulated amortisation		
At 1 July	**7,868**	4,718
Amortisation for the year	**5,173**	3,150
At 30 June	**13,041**	7,868
Net carrying value	**74,758**	72,762

20. LAND USE RIGHTS

	2004 RMB'000	2003 RMB'000
Cost		
At 1 July	**—**	—
Additions	**23,665**	—
At 30 June	**23,665**	—
Accumulated amortisation		
At 1 July	**—**	—
Amortisation for the year	**274**	—
At 30 June	**274**	—
Net carrying value	**23,391**	—

21. LONG-TERM PREPAID RENTALS

This represents prepayment of long-term rentals of farmland, livestock ranches, reservoir and a research centre with remaining lease terms ranging from 17 to 69 years under operating leases. The movement of the long-term prepaid rentals during the year is as follows:

	2004 RMB'000	2003 RMB'000
Cost		
At 1 July	**621,814**	456,470
Additions	**639,020**	187,916
Early termination of lease *(Note)*	**(80,929)**	(22,572)
At 30 June	**1,179,905**	621,814
Accumulated amortisation		
At 1 July	**23,917**	12,949
Amortisation for the year	**19,872**	12,274
Early termination of lease *(Note)*	**(2,184)**	(1,306)
At 30 June	**41,605**	23,917
Net carrying value	**1,138,300**	597,897

Note: During the year ended 30 June 2004, three long-term operating leases (2003: four) on farmlands were terminated. Pursuant to the termination agreements, the relevant unamortised long-term prepaid rentals of RMB78,745,000 (2003: RMB21,266,000) had been refunded to the Group.

22. CASH AND BANK BALANCES

Cash and bank balances of the Group as at the balance sheet date are analysed as follows:

	2004				
	Kept in PRC		Kept in Hong Kong, Australia & Japan		
	In RMB RMB'000	In foreign currencies RMB'000	In RMB RMB'000	In foreign currencies RMB'000	Total RMB'000
Cash at banks and in hand	**393,640**	**2,584**	**—**	**548,255**	**944,479**

22. CASH AND BANK BALANCES *(Continued)*

	2003				
	Kept in PRC		Kept in Hong Kong & Japan		
	In RMB	In foreign currencies	In RMB	In foreign currencies	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Cash at banks and in hand	212,025	160,138	—	370,714	742,877
Cash and cash equivalents in the consolidated cash flow statement	212,025	160,138	—	370,714	742,877
Pledged time deposit against short term bank loan	—	21,176	—	—	21,176
Cash and bank balances in the consolidated balance sheet	212,025	181,314	—	370,714	764,053
Long-term bank deposits	—	—	—	103,233	103,233
Total	212,025	181,314	—	473,947	867,286

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

The Company's cash and bank balances of RMB401,934,000 (2003: RMB219,311,000) were all denominated in foreign currencies and kept in Hong Kong.

23. DEFERRED EXPENDITURE

This represents payment of farmland refurbishment and site preparation during the year. The movement of the deferred expenditure is as follows:

	2004 RMB'000	2003 RMB'000
Cost		
At 1 July	**57,442**	—
Additions	**12,148**	57,442
Disposals	**(2,165)**	—
At 30 June	**67,425**	57,442
Accumulated amortisation		
At 1 July	**13,146**	—
Amortisation for the year	**11,406**	13,146
Disposals	**(361)**	—
At 30 June	**24,191**	13,146
Net carrying value	**43,234**	44,296

24. INTERESTS IN SUBSIDIARIES

	2004 RMB'000	2003 RMB'000
Unlisted shares, at cost	**200,665**	200,665
Amounts due from subsidiaries	**1,640,626**	1,478,887
	1,841,291	1,679,552

Except for a shareholder's loan of US$15,945,000 (equivalent to RMB131,681,000) and HK$250,000,000 (equivalent to RMB264,700,000) (2003: total of RMB636,339,000) which will be repayable in the first and third year respectively of the balance sheet date, 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 are pledged as securities for the Company's banking facilities as shown in note 33.

Particulars of the principal subsidiaries of the Group at 30 June 2004 are set out in note 36.

25. INTERESTS IN ASSOCIATES

	2004	2003
	RMB'000	*RMB'000*
Share of net assets	**378,042**	322,442
Negative goodwill on acquisition	**(162,717)**	(162,717)
Less: Accumulated amortisation	**24,408**	16,272
	239,733	175,997
Amount due to an associate	**—**	(80)
Shareholders' loan	**—**	7,350
	239,733	183,267

The carrying amounts of the associates have been adjusted for like items on fixed assets and biological assets as the associates have revalued their fixed assets and early adopted SSAP 36 "Agriculture". Would have the Group applied the same accounting treatments in its own accounting policy, the share of the net assets of the associates and share of the profits less losses of associates will be both increased by RMB31,825,000.

Amount due to an associate was unsecured, interest-free and fully settled during the year.

Particulars of the associates of the Group at 30 June 2004 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	100,100 ordinary shares of US$1each	49%
Lucky Team Biotech Development (Hepu) Limited	PRC	Operation of an orange orchard in PRC	RMB80,000,000	49%
Litian Biological Science & Technology Development (Xinfeng) Company Limited	PRC	Not yet commenced business	US$10,000,000	49%

25. INTERESTS IN ASSOCIATES *(Continued)*

Company	Place of incorporation	Principal activity and place of operation	Particulars of issued/registered and paid up capital	Interest held indirectly
Asian Citrus Holdings Limited	Bermuda	Investment holding in Hong Kong	1,000,000 ordinary shares of HK$0.1 each	49%
Asian Citrus Management Company Limited (previously known as "Apex Reward International Limited")	British Virgin Islands	Proprietor & licensor of intellectual property rights	50,000 ordinary shares of US$1 each	49%

Note: All the above associates are audited by CCIF CPA Limited.

For the year ended 30 June 2004, the key consolidated financial information of the associates is as follows:

	2004	2003
	RMB'000	*RMB'000*
Non-current assets	**759,224**	713,981
Current assets	**52,339**	52,502
Non-current liabilities	**(16,993)**	—
Current liabilities	**(23,057)**	(108,438)
Turnover	**275,208**	186,064
Profit for the year	**98,467**	71,358

26. INVENTORIES

	2004	2003
	RMB'000	*RMB'000*
Growing crops	**101,953**	58,203
Livestock	**11,667**	13,380
Agricultural materials *(Note)*	**4,713**	1,863
Merchandise for resale	**8,073**	7,051
	126,406	80,497

At 30 June 2004 and 2003, all inventories were stated at cost.

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

27. TRADE RECEIVABLES

Credit terms granted to customers are as follows:

Type of customers	Credit term
Local wholesale and retail sales	Cash on delivery
Local sales to institutional customers (including supermarkets, 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	Telegraphic transfers or up to 150 days after delivery depending on the financial strengths of individual customers

The aging of the Group's trade receivables is analysed as follows:

	2004	2003
	RMB'000	*RMB'000*
0 - 1 month	**55,904**	63,973
1 - 3 months	**507**	4,003
Over 3 months	**3,258**	1,431
	59,669	69,407

28. AMOUNT DUE TO A RELATED COMPANY

The balance arose from purchases of agricultural materials, as detailed in note 35 below, from a company of which Mr. Kwok Ho, the Chairman and a controlling shareholder of the Company is a major shareholder. They are trading nature and aged within 3 months.

29. TRADE PAYABLES

The aging of the Group's trade payables is analysed as follows:

	2004	2003
	RMB'000	*RMB'000*
0 — 1 month	**4,202**	8,645
1 — 3 months	**4,807**	3,300
Over 3 months	**44**	4,227
	9,053	16,172

30. SHARE CAPITAL

	Authorised ordinary shares of HK$0.1 each		
	No. of shares	*HK$'000*	*RMB'000*
At 30 June 2003 and 2004	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*
At 30 June 2002	1,920,000,000	192,000	203,789
Repurchase of shares	(4,938,000)	(494)	(523)
At 30 June 2003	1,915,062,000	191,506	203,266
Issue of shares *(Note a)*	280,000,000	28,000	29,646
Bonus shares issued *(Note b)*	97,145,600	9,715	10,286
New shares exercised under share option scheme *(Note 31)*	49,876,400	4,988	5,281
At 30 June 2004	2,342,084,000	234,209	248,479

Notes:

a. By way of a top-up placing in January 2004, Kailey Investment Ltd. ("Kailey"), the ultimate holding company, placed through a placing agent on a fully underwritten basis, 280,000,000 existing shares in the Company at a placing price of HK$2.50 (RMB2.64) per share to independent professional, institutional and other investors. The Company at the same time issued the same number of new shares at a subscription price of HK$2.50 (RMB2.64) per share to Kailey. Approximately HK$683 million (equivalent to approximately RMB723 million) net of related expenses was raised from this issue of shares.

b. The bonus issue announced by the Company on 21 October 2003 had been approved at the Annual General Meeting on 19 December 2003 and the 97,145,600 bonus shares issued pursuant to the bonus issue commenced dealing on 16 January 2004.

31. SHARE OPTION SCHEME

Pursuant to the resolution of an extraordinary general meeting of the Company held on 19 June 2002, the share option scheme adopted on 23 November 2000 was terminated and a new share option scheme (the "Scheme") was approved and adopted. Under the Scheme, the Company may grant options to various classes of participants, among others, including directors (whether executive or non-executive) and employees of the Group. During the year ended 30 June 2004, options in respect of 8,650,000 shares (2003: 145,200,000) were granted to the relevant participants under the Scheme.

(a) Movement in share options

	2004 Number of shares	2003 Number of shares
At 1 July	**145,200,000**	—
Issued *(Note c)*	**8,650,000**	145,200,000
Option adjustment *(Note d)*	**5,867,500**	—
Exercised during the year *(Note e)*	**(49,876,400)**	—
At 30 June	**109,841,100**	145,200,000
Options vested at 30 June	**49,876,400**	—

(b) Terms of unexpired and unexercised share options at balance sheet date

At 30 June 2004, options to subscribe for 109,841,100 shares under the Scheme (2003: 145,200,000) were outstanding:

Date of grant	Exercise period	Exercise price HK$	**2004 Number of shares**	2003 Number of shares
28 January 2003	1 July 2003 to 27 January 2013	1.58	**30,425,000**	45,500,000
28 January 2003	1 January 2004 to 27 January 2013	1.58	**21,000,000**	20,000,000
28 January 2003	1 January 2005 to 27 January 2013	1.58	**21,000,000**	20,000,000
19 June 2003	1 July 2003 to 18 June 2013	1.08	**19,841,100**	48,700,000
19 June 2003	1 July 2004 to 18 June 2013	1.08	**7,350,000**	7,000,000
24 June 2003	1 July 2003 to 23 June 2013	1.09	**1,575,000**	4,000,000
28 May 2004	1 January 2005 to 27 May 2014	2.40	**5,550,000**	—
28 May 2004	1 July 2005 to 27 May 2014	2.40	**500,000**	—
28 May 2004	1 January 2006 to 27 May 2014	2.40	**1,050,000**	—
28 May 2004	1 July 2006 to 27 May 2014	2.40	**500,000**	—
28 May 2004	1 January 2007 to 27 May 2014	2.40	**1,050,000**	—
			109,841,100	145,200,000

31. SHARE OPTION SCHEME *(Continued)*

(c) Share options granted during the year

Date of grant	Exercise period	Exercise price HK$	2004 Number of shares	2003 Number of shares
28 January 2003	1 July 2003 to 27 January 2013	1.58	—	45,500,000
28 January 2003	1 January 2004 to 27 January 2013	1.58	—	20,000,000
28 January 2003	1 January 2005 to 27 January 2013	1.58	—	20,000,000
19 June 2003	1 July 2003 to 18 June 2013	1.08	—	48,700,000
19 June 2003	1 July 2004 to 18 June 2013	1.08	—	7,000,000
24 June 2003	1 July 2003 to 23 June 2013	1.09	—	4,000,000
28 May 2004	1 January 2005 to 27 May 2014	2.40	**5,550,000**	—
28 May 2004	1 July 2005 to 27 May 2014	2.40	**500,000**	—
28 May 2004	1 January 2006 to 27 May 2014	2.40	**1,050,000**	—
28 May 2004	1 July 2006 to 27 May 2014	2.40	**500,000**	—
28 May 2004	1 January 2007 to 27 May 2014	2.40	**1,050,000**	—
			8,650,000	145,200,000

(d) Option adjustment during the year

Due to the bonus issue of shares in the proportion of one bonus share for every twenty shares allotted on 15 January 2004, the number of the outstanding options in respect of the shares of the Company and the option prices have been adjusted.

Date of grant	Exercise period	Exercise price HK$	2004 Number of shares	2003 Number of shares
15 January 2004	1 July 2003 to 27 January 2013	1.58	**1,942,500**	—
15 January 2004	1 January 2004 to 27 January 2013	1.58	**1,000,000**	—
15 January 2004	1 January 2005 to 27 January 2013	1.58	**1,000,000**	—
15 January 2004	1 July 2003 to 18 June 2013	1.08	**1,500,000**	—
15 January 2004	1 July 2004 to 18 June 2013	1.08	**350,000**	—
15 January 2004	1 July 2003 to 23 June 2013	1.09	**75,000**	—
			5,867,500	—

31. SHARE OPTION SCHEME *(Continued)*

(e) Share options exercised during the year

Date of grant	Exercise period	Exercise price *HK$*	2004 Number of shares	2003 Number of shares
28 January 2003	1 July 2003 to 27 January 2013	1.66	**12,150,000**	—
28 January 2003	1 July 2003 to 27 January 2013	1.58	**4,867,500**	—
24 June 2003	1 July 2003 to 23 June 2013	1.14	**2,500,000**	—
19 June 2003	1 July 2003 to 18 June 2013	1.13	**18,700,000**	—
19 June 2003	1 July 2003 to 18 June 2013	1.08	**11,658,900**	—
			49,876,400	—

32. RESERVES

(a) Group

	Share premium RMB'000	Capital reserve RMB'000	Capital redemption reserve RMB'000	Statutory common reserve RMB'000	Statutory welfare reserve RMB'000	Retained profits RMB'000	Total RMB'000
At 1 July 2002	1,133,040	94,894	—	80,624	731	847,068	2,156,357
Premium on share repurchased	(5,778)	—	—	—	—	—	(5,778)
Transfer to capital redemption reserve	—	—	523	—	—	(523)	—
Profit for the year	—	—	—	—	—	725,134	725,134
2001/2002 final dividends paid	—	—	—	—	—	(182,490)	(182,490)
Appropriation	—	—	—	3,487	—	(3,487)	—
At 30 June 2003 and 1 July 2003	1,127,262	94,894	523	84,111	731	1,385,702	2,693,223
Issued of shares	711,514	—	—	—	—	—	711,514
Bonus shares issued	(10,286)	—	—	—	—	—	(10,286)
New shares exercised under share option scheme	62,926	—	—	—	—	—	62,926
Profit for the year	—	—	—	—	—	996,754	996,754
2002/2003 final dividends paid	—	—	—	—	—	(71,795)	(71,795)
Issuing expenses	(17,771)	—	—	—	—	—	(17,771)
Appropriation	—	—	—	96,911	300	(97,211)	—
At 30 June 2004	1,873,645	94,894	523	181,022	1,031	2,213,450	4,364,565

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 the Group's FIEs.

32. RESERVES *(Continued)*

(b) Company

	Share premium RMB'000	Capital redemption reserve RMB'000	Retained profits RMB'000	Total RMB'000
At 1 July 2002	1,333,705	—	(13,505)	1,320,200
Premium on shares repurchased	(5,778)	—	—	(5,778)
Transfer to capital redemption reserve	—	523	(523)	—
Profit for the year	—	—	155,891	155,891
2001/2002 final dividends paid	—	—	(182,490)	(182,490)
At 30 June 2003 and 1 July 2003	1,327,927	523	(40,627)	1,287,823
Issue of shares	711,514	—	—	711,514
Bonus shares issued	(10,286)	—	—	(10,286)
New shares exercised under share option scheme	62,926	—	—	62,926
Profit for the year	—	—	40,010	40,010
2002/2003 final dividends paid	—	—	(71,795)	(71,795)
Issuing expenses	(17,771)	—	—	(17,771)
At 30 June 2004	2,074,310	523	(72,412)	2,002,421

33. BANK LOANS — SECURED

At 30 June 2004, the bank loans were repayable as follows:

	Group		Company	
	2004	2003	**2004**	2003
	RMB'000	*RMB'000*	***RMB'000***	*RMB'000*
Within 1 year or on demand	**38,569**	462,932	—	412,932

Certain bank loans with outstanding balances amounted to RMB28,569,000 as at 30 June 2004 were secured by corporate guarantee executed by one of the subsidiaries; and another bank loan with an outstanding balance of RMB10,000,000 was secured by a property owned by one of the subsidiaries (2003: The bank loans were secured by the Company's interests in certain subsidiaries, shareholders loan of US$45,000,000 and HK$250,000,000, fixed deposits of HK$20,000,000 of one of the subsidiaries and corporate guarantee executed by one of the subsidiaries).

33. BANK LOANS — SECURED *(Continued)*

The Company has entered into an agreement relating to a loan facility of up to US$21,000,000 (RMB173,431,440) on 30 April 2004 with a syndicate of banks. The facility was secured by the shares of certain subsidiaries and will be repayable within 36 months after the drawdown date.

At the balance sheet date, the Group has total banking facilities amounted to RMB215,241,440 (2003: RMB462,932,000) in which RMB38,569,000 (2003: RMB462,932,000) has been utilised by the Group.

34. COMMITMENTS

(a) Capital commitment

At 30 June 2004, the Group had the following capital commitments:

	2004 RMB'000	2003 RMB'000
Contracted but not provided for		
— Research and development expenditures	**75,700**	20,700
— Purchase of fixed assets	**140,051**	76,438
— Purchase of land use rights	**600**	—
	216,351	97,138
Authorised but not contracted for		
— Purchase of fixed assets	**214,383**	358,676
Total	**430,734**	455,814

(b) Operating leases commitment

At 30 June 2004, the Group had future minimum lease payments under non-cancellable operating leases that are payable as follows:

	Within 1 year RMB'000	After 1 year but within 5 years RMB'000	After 5 years RMB'000	Total RMB'000
At 30 June 2004				
Land & buildings	**63,566**	**243,450**	**1,202,223**	**1,509,239**
Others	**105**	—	—	**105**
Total	**63,671**	**243,450**	**1,202,223**	**1,509,344**

34. COMMITMENTS *(Continued)*

(b) Operating leases commitment *(Continued)*

	Within 1 year	After 1 year but within 5 years	After 5 years	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
At 30 June 2003				
Land & buildings	65,859	228,606	1,113,693	1,408,158
Others	672	155	—	827
Total	66,531	228,761	1,113,693	1,408,985

35. RELATED PARTY TRANSACTIONS

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

	2004	2003
	RMB'000	*RMB'000*
Fujian Chaoda Agricultural Produce Trading Company Limited		
— Purchase of organic fertilisers	**175,109**	136,311
— Purchase of plant growth regulators	**1,776**	2,557
福建超大集團有限公司		
— Rental and management fee received	**605**	—
福建超大現代種業有限公司		
— Rental and management fee received	**144**	—

(a) The above related parties are companies in which Mr. Kwok Ho, a major shareholder and a director of the Company, is a beneficial major shareholder.

(b) The directors are of the opinion that these transactions were conducted in the normal course of business at prices and terms no less than those charged to or contracted with other third parties.

36. PARTICULARS OF PRINCIPAL SUBSIDIARIES

Particulars of principal subsidiaries of the Group at 30 June 2004 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%
Chaoda Vegetable & Fruits Trading Limited	British Virgin Islands	Investment holding in Hong Kong	1 ordinary share of US$1	100%
Huge Market Investments Limited	British Virgin Islands	Investment holding in Hong Kong	1 ordinary share of US$1	100%
Worthy Year Investments Limited	British Virgin Islands	Investment holding in Hong Kong	1 ordinary share of US$1	100%
Great Challenge Developments Limited	British Virgin Islands	Investment holding in Hong Kong	1 ordinary share of US$1	100%
New Horizon Technology Limited	British Virgin Islands	Investment holding in Hong Kong	10 ordinary shares of US$1 each	60%
Held indirectly:				
Fuzhou Chaoda Modern Agriculture Development Company Limited **	PRC	Growing and sales of crops, breeding and sales of livestock in PRC	HK$356,000,000	100%
Fujian Chaoda Green Agriculture Development Company Limited *	PRC	Growing and sales of crops, breeding and sales of livestock in PRC	RMB40,000,000	100%

36. 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: *(Continued)*				
Fujian Chaoda Livestock Company Limited ***	PRC	Agency service	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	Sales of ancillary food products in PRC	RMB15,000,000	91%
福州超大超市發展有限公司 ***	PRC	Supermarkets chain operation in PRC	RMB20,000,000	95%
上海超大精文綠亭配送服務有限公司 ***	PRC	Sales of crops in PRC	RMB10,000,000	70%
Desire Star (Fujian) Development Company Limited **	PRC	Property holding in PRC	US$5,000,000	100%
福建省明溪超大食品有限公司 *	PRC	Not yet commence business	RMB10,000,000	100%
Jiangxi Nanfeng Chaoda Fruits Company Limited *	PRC	Growing and sales of fruits in PRC	RMB10,000,000	100%
福州超大嘉和茶業有限公司 ***	PRC	Growing and sales of tea in PRC	RMB6,000,000	100%

36. 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: *(Continued)*				
超大現代農業集團東京株式會社 #	Japan	Sales of crops in Japan	JPY￥10,000,000	60%
Chaoda Modern Agriculture (Australia) Pty Ltd. #	Australia	Not yet commence business	AUD$1	100%

Not audited by CCIF CPA Limited
* Sino-foreign owned equity joint ventures
** Wholly foreign owned enterprises
*** Limited liability companies

37. SUBSEQUENT EVENTS

(a) Subsequent to the year end, the Company has drawn down the whole sum of syndicated loan of US$21,000,000 (RMB173,431,440) on 21 July 2004 with interest rate calculated at 1.5% plus London InterBank Offering Rate.

(b) Subsequent to the year end, the Company has repurchased a total of 1,890,000 shares of its own shares on 5 August 2004 at a price ranging between HK$1.92 (equivalent to RMB2.04) to HK$2.05 (equivalent to RMB2.17) per share with a total consideration of approximately HK$3,766,000 (equivalent to RMB3,992,000).

38. ULTIMATE HOLDING COMPANY

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

39. COMPARATIVE FIGURES

Certain comparative amounts have been reclassified to conform with the current year's presentation.