China Agrotech Holdings Limited

(Incorporated in the Cayman Islands with limited liability)
(Stock Code: 1073)

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CORPORATE INFORMATION

EXECUTIVE DIRECTORS
Mr. Wu Shaoning, *Chairman and Chief Executive Officer*
Ms. Chen Xiao Fang

INDEPENDENT NON-EXECUTIVE DIRECTORS
Mr. Zhang Shaosheng
Mr. Wong Kin Tak, *CPA, FCCA*
Mr. Li Yik Sang, *CPA*

COMPANY SECRETARY
Mr. Tong Hing Wah, *CPA, FCCA*

AUTHORISED REPRESENTATIVES
Mr. Wu Shaoning
Mr. Tong Hing Wah, *CPA, FCCA*

AUDIT COMMITTEE
Mr. Wong Kin Tak, *CPA, FCCA (Chairman)*
Mr. Zhang Shaosheng
Mr. Li Yik Sang, *CPA*

REMUNERATION COMMITTEE
Mr. Li Yik Sang, *CPA (Chairman)*
Mr. Wong Kin Tak, *CPA, FCCA*
Mr. Wu Shaoning

NOMINATION COMMITTEE
Mr. Wu Shaoning *(Chairman)*
Mr. Wong Kin Tak, *CPA, FCCA*
Mr. Li Yik Sang, *CPA*

AUDITOR
Elite Partners CPA Limited

PRINCIPAL BANKERS
Bank of China
Industrial and Commercial Bank of China
Agricultural Bank of China
China Construction Bank
Bank of Communications
China Merchants Bank
China Minsheng Bank
Shanghai Pudong Development Bank
Industrial Bank
Huaxia Bank
China Citic Bank
China Everbright Bank

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE
HSBC Trustee (Cayman) Limited
PO Box 484, HSBC House
68 West Bay Road
Grand Cayman, KY1-1106
Cayman Islands

HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE
Hong Kong Registrars Limited
Shops 1712–1716, 17th Floor
Hopewell Centre
183 Queen's Road East
Wanchai
Hong Kong

REGISTERED OFFICE
Cricket Square
Hutchins Drive
P.O. Box 2681
Grand Cayman KY1-1111
Cayman Islands

HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS IN HONG KONG
Room 2706, 27th Floor
China Resources Building
26 Harbour Road
Wanchai
Hong Kong

FIVE YEARS FINANCIAL SUMMARY

	Years ended 30 June				
	2013 HK$'000	2012 HK$'000	2011 HK$'000	2010 HK$'000	2009 HK$'000
Turnover	**4,811,020**	4,987,245	4,242,804	3,362,029	3,178,420
Cost of sales	**(4,533,809)**	(4,719,802)	(3,981,200)	(3,183,660)	(2,966,047)
Gross profit	**277,211**	267,443	261,604	178,369	212,373
Valuation gains on investment properties	**–**	–	–	–	595
Other revenue and other net income	**69,529**	65,102	35,695	39,619	44,767
Gain from compensation of shortfall of guaranteed profit arising from an acquisition	**150,000**	120,000	–	–	–
Gain from bargain purchases on acquisition of subsidiaries	**–**	–	217,285	–	–
Gain from change in fair value of derivative financial liabilities	**6,091**	24,917	40,817	–	–
Loss arising from change in fair value less costs to sell of biological assets	**(13,633)**	(7,543)	(34,679)	–	–
Distribution costs	**(54,852)**	(59,236)	(52,975)	(48,764)	(76,757)
Administrative expenses	**(125,271)**	(107,055)	(107,019)	(73,374)	(57,650)
Other expenses	**(33,057)**	(12,867)	(13,075)	(4,161)	(9,790)
Write down of inventories	**–**	–	–	(5,847)	(24,510)
Loss on disposal of subsidiaries	**–**	(6,661)	(5,143)	(8,474)	(12,226)
Loss on disposal of biological assets	**–**	–	(121,569)	–	–
Profit from operations	**276,018**	284,100	220,941	77,368	76,802
Finance costs	**(130,997)**	(143,480)	(84,369)	(30,093)	(51,069)
Profit before taxation	**145,021**	140,620	136,572	47,275	25,733
Income tax	**10,313**	(5,132)	(6,317)	(16,394)	(13,816)
Profit for the year	**155,334**	135,488	130,255	30,881	11,917
Attributable to:					
— Owners of the Company	**154,347**	137,052	126,558	29,793	11,067
— Non-controlling interests	**987**	(1,564)	3,697	1,088	850
	155,334	135,488	130,255	30,881	11,917

	As at 30 June				
	2013 HK$'000	2012 HK$'000	2011 HK$'000	2010 HK$'000	2009 HK$'000
Total non-current assets	**1,361,119**	1,317,484	1,239,280	255,606	257,793
Total current assets	**4,315,407**	4,255,168	3,748,506	2,568,670	2,274,415
Total current liabilities	**(3,170,819)**	(3,356,274)	(2,812,101)	(1,903,947)	(1,824,765)
Net current assets	**1,144,588**	898,894	936,405	664,723	449,650
Total assets less current liabilities	**2,505,707**	2,216,378	2,175,685	920,329	707,443
Non-current liabilities	**(598,310)**	(566,255)	(754,409)	(34,881)	–
Net assets	**1,907,397**	1,650,123	1,421,276	885,448	707,443
Total equity attributable to owners of the Company	**1,885,290**	1,637,150	1,398,055	864,597	687,184
Non-controlling interests	**22,107**	12,973	23,221	20,851	20,259
Total equity	**1,907,397**	1,650,123	1,421,276	885,448	707,443

CHAIRMAN'S STATEMENT

I am pleased to present to the shareholders the annual results of China Agrotech Holdings Limited ("China Agrotech" or the "Company") and its subsidiaries (collectively the "Group") for the year ended 30 June 2013 for their consideration.

TURNOVER AND PROFIT

For the year ended 30 June 2013, the consolidated turnover of the Group was approximately HK$4,811,020,000 (2012: HK$4,987,245,000), representing a decline of approximately 4%; and the profit attributable to owners of the Company was approximately HK$154,347,000 (2012: HK$137,052,000), representing an increase of approximately 13%. Excluding the effect of certain non-cashflow items (i.e. loss arising from change in fair value less costs to sell of biological assets, gain from change in fair value of derivative financial liabilities and notional interest expense on financial liabilities), net profit was approximately HK$206,977,000 (2012: HK$170,651,000), representing an increase of approximately 21%, which was mainly due to the improvement of the seedling operation during the year and the record of a gain from compensation of shortfall of guaranteed profit arising from an acquisition amounted to HK$150 million for the year as compared to the gain from compensation of HK$120 million for the last year.

BUSINESS REVIEW

During the year, the operating environment was still considerably affected by uncertainties of both domestic and worldwide economic situations. Nevertheless, leveraging on its extensive experience in management of its agricultural resources operation, and also prompt and decisive adjustment to its market strategies for seedling operation, the Group's annual turnover maintained at a high level of about HK$5 billion. Moreover, thanks to the Group's successful investment strategy and improvement of the seedling operation, net profit (after excluding certain non-cashflow items) for the year increased by 21% to approximately HK$207 million.

For the year under review, the Group's agricultural resources distribution network demonstrated the effect of consolidation under the fluctuated business environment and contributed to a record high of turnover from agricultural resources operation. During the year, selling prices of fertilizers were comparable to the last year, nevertheless, the Group closely monitored the market trend of pricing and adjusted its product mix to accommodate the market demand. As a result, aggregate sales volume of fertilizers reached 1.37 million tonnes (2012: 1.19 million tonnes), representing an increase of about 15%. However, the average gross profit margin of agricultural resources products that made up 83% of consolidated turnover decreased from approximately 5.7% last year to approximately 4.6% this year due to the general shrink in profit margins of agricultural resources products, especially those of pesticides during the year. Consequently, the segment profit of agricultural resources operation decreased by about 42% from HK$60.8 million last year to HK$35.4 million this year.

As to individual agricultural resources product, due to the thin margin of nitrogenous fertilizer and further shrink in gross profit margin of those pesticides with low profit margins during the year, the Group kept lesser sales in these categories so as to shun its downside risk. For phosphorous fertilizer, potash fertilizer and compound fertilizer, as the Group has actively developed its supply and sales channels over the years and its distribution network generated further economic benefits, sales of these products have been on a steady rise, and has demonstrated a supportive effect to the agricultural resources operation under difficult business environment.

For the non-agricultural resources trading operation, due to the decrease in profit margins of commodities and resources products under difficult business environment during the year, the Group reduced such trading and nevertheless, recorded a considerable decrease in gross profit from about HK$29.6 million last year to about HK$9.4 million this year with gross profit margin shrink from approximately 2.6% last year to approximately 1.6% this year and suffered a segment loss of about HK$11.7 million.

CHAIRMAN'S STATEMENT

On the other hand, the seedling operation demonstrated a turnaround and recorded a segment profit of about HK$19.8 million this year as compared to a segment loss of about HK$0.9 million last year. This is contributed by the success in the strategy of adjusting product mix through development of new plantation bases with different variety of seedling products in recent years.

Although the gross profits from both of agricultural resources operation and non-agricultural resources trading operation decreased as a result of shrink in gross profit margins, such effect was compensated by the remarkable increase in gross profit from seedling operation as a result of substantial increase in sale of seedlings. Hence, the Group recorded a gross profit of approximately HK$277 million (2012: HK$267 million), representing an increase of approximately 4% over the last year.

CORPORATE STRATEGIES AND PROSPECTS

According to the No. 1 Document of the Central Government of Year 2013, the PRC government continued its policy on deepening the agricultural reform, increasing farmers' income and stepping up its efforts to address the "three rural (rural areas, farmers and agriculture) issues". In particular, the No. 1 Document emphasized the speeding up of development of scaled and modernized agricultural operations and improvement of the development capability of rural areas, which provides the Group with a favorable environment for development in the coming years.

On the other hand, in view of the uncertainties of the worldwide economic environment arising from debt crises of some European countries and effectiveness of economic stimulation policies of the United States, as well as the recent tightening lending policies of the PRC banking industry, the Group will continue to strengthen its risk management and will take a prudent approach in the hope of steering clear of adversities in the coming year. The Group will also closely review its business model in order to reinforce its core competitiveness by consolidating existing businesses while setting new development direction.

Looking forward, in addition to the on-going pursuit of its centralized purchase and distribution policy and optimization of product mix in respect of its agricultural resources operation, the Group will actively strengthen strategic cooperation with upstream brandname suppliers to further explore quality resources thereby increasing its stability and sustainability. As to the seedling operation, the Group will continue adjusting the seedlings product mix and develop new seedling plantation bases in order to further improve the performance of the seedling operation.

Furthermore, the Group is continuously seeking investment opportunities with a view to diversifying the Group's agriculture business, enlarging the Group's asset base and expanding its source of income. In particular, the Group entered into an agreement for the acquisition of 32% equity interest of a PRC enterprise engaging in propagation and sales of seed potatoes and trading of fresh potatoes in the PRC, the transaction of which is expected to be completed by end of October 2013. We are optimistic about the long-term development of the Group and will better position ourselves to take on the challenges and opportunities arising in the year to come.

APPRECIATION

I would like to take this opportunity to express my gratitude to all our shareholders, members of the Board, the senior management and staff of all levels for their dedication and efforts over the years. In addition, on behalf of the Board, I would also like to express our sincerest thanks to all our customers, suppliers, scientific research units and business partners for their continuous support.

WU SHAONING
Chairman

Hong Kong, 26 September 2013

MANAGEMENT DISCUSSION AND ANALYSIS

OVERALL RESULTS

For the year ended 30 June 2013, the Group's consolidated turnover was approximately HK$4,811,020,000 (2012: HK$4,987,245,000) and profit attributable to owners of the Company was approximately HK$154,347,000 (2012: HK$137,052,000), representing a decline of about 4% and a growth of about 13% respectively as compared to the last year. Net profit, excluding the impact of certain non-cashflow items (i.e. loss arising from change in fair value less costs to sell of biological assets, gain from change in fair value of derivative financial liabilities and notional interest expense on financial liabilities), was approximately HK$206,977,000 (2012: HK$170,651,000), representing an increase of about 21%, which was mainly due to the improvement of the seedling operation during the year and the record of a gain from compensation of shortfall of guaranteed profit arising from an acquisition amounted to HK$150,000,000 for the year as compared to the gain from compensation of HK$120,000,000 for the last year.

The Group's business can be divided into three categories, namely, (i) agricultural resources operation; (ii) trading of non-agricultural resources products; and (iii) seedling operation. Agricultural resources operation includes the manufacturing and selling, purchase and distribution of agricultural resources products, as well as the provision of plant protection and consultancy services for the related products. The seedling operation represents nursing, planting and sales of landscaping seedlings.

The decrease in consolidated turnover of the Group for the year was mainly due to the decrease in trading of pesticides with low profit margins, as well as non-agricultural resources products such as coal and industrial chemicals as a result of shrink in gross profit margins of these products.

The overall gross profit margin of the Group increased from approximately 5.4% last year to 5.8% this year. This was mainly due to the increase in sales of seedling products which have much higher profit margins than both agricultural resources products and non-agricultural resources products, which compensated the effect of decrease in gross profit margins of products of both agricultural resources operation and non-agricultural resources trading operation.

The aggregate reportable segment profit of the Group was approximately HK$43,550,000 (2012: HK$56,445,000) representing a decrease of about 23%. This was mainly due to the considerable decrease in segment profit of agricultural resources operation under difficult business environment during the year, though mitigated by the effect of increase in segment profit of seedling operation.

Agricultural resources operation:

The turnover of the agricultural resources operation is analyzed by product segments as follows:

	2013		2012	
	Turnover HK$'000	**Percentage of the total turnover**	Turnover HK$'000	Percentage of the total turnover
Agricultural resources operation				
nitrogenous fertilizer	**402,770**	**10%**	378,184	10%
phosphorous fertilizer	**717,394**	**18%**	629,669	17%
potash fertilizer	**907,253**	**23%**	725,082	19%
compound fertilizer	**1,551,475**	**39%**	1,276,694	34%
pesticides	**410,809**	**10%**	780,218	20%
Total	**3,989,701**	**100%**	3,789,847	100%

MANAGEMENT DISCUSSION AND ANALYSIS

Aggregate sales volume of fertilizers, including nitrogenous fertilizer, phosphorous fertilizer, potash fertilizer and compound fertilizer, increased by about 15% from approximately 1,190,000 tonnes last year to approximately 1,370,000 tonnes this year. The aggregate turnover of fertilizers for this year was approximately HK$3.58 billion, representing an increase of about 19% as compared to approximately HK$3.01 billion last year. Gross profit margin of fertilizers decreased from an average of 4.7% last year to 4.2% this year.

For pesticides, due to the decrease in trading of pesticides sourced outside with relatively lower profit margins, turnover decreased from approximately HK$780 million last year to approximately HK$411 million this year, representing a sharp decrease of about 47%. Gross profit margin of pesticides decreased from an average of 9.7% last year to 8.2% this year due to general shrink of product margins.

Gross profit of agricultural resources operation amounted to approximately HK$182.4 million (2012: HK$216.4 million), representing a decrease of approximately 16% as compared to the last year. Overall gross profit margin of agricultural resources operation decreased from approximately 5.7% last year to 4.6% this year, which was mainly due to the shrink in profit margin of pesticides during the year. Gross profit of fertilizers increased from approximately HK$141.0 million last year to approximately HK$148.7 million this year, while gross profit of pesticides decreased from approximately HK$75.4 million last year to approximately HK$33.7 million this year. As a result, segment profit of agricultural resources operation decreased from approximately HK$60.8 million last year to approximately HK$35.4 million this year.

Trading of non-agricultural resources products:

For the trading of non-agricultural resources products, the decrease in turnover was mainly due to the decrease in trading of coal and industrial chemicals. In view of the uncertainties of the worldwide economic environment and shrink in profit margins of commodities and resources products, the Group reduced such trading in order to minimize risk. As a result, turnover decreased by about 47% to approximately HK$0.60 billion (2012: HK$1.14 billion) and gross profit decreased by about 68% to approximately HK$9.4 million (2012: HK$29.6 million) this year, while gross profit margin decreased from approximately 2.6% last year to 1.6% this year. Hence, the trading of non-agricultural resources products recorded a segment loss of approximately HK$11.7 million for the year (2012: loss of HK$3.5 million).

Seedling operation:

The Group completed the acquisition of a landscaping seedling enterprise in November 2010. The enterprise, namely, Shanxi Astro-wood, currently operates a total of six seedling plantation bases in Shanxi and Beijing for the nursing, planting and sale of rare landscaping seedlings in the PRC. The Group also developed a new seedling plantation base in Fujian province during the year. During the year, the seedling operation contributed a turnover and net profit of approximately HK$218.2 million (2012: HK$54.9 million) and HK$33.5 million (2012: HK$6.6 million) respectively to the Group (excluding loss arising from change in fair value less costs to sell of biological assets). Such increases were mainly due to the success in the strategy of adjusting the seedlings product mix during the year.

On the other hand, according to the sale and purchase agreement for the acquisition of the seedling enterprise, i.e. Present Sino Limited and its subsidiaries ("Present Sino Group", of which Shanxi Astro-wood is the principal operating subsidiary), as detailed in the Company's circular dated 25 September 2010, one of the vendors (the "Guarantor") had undertaken to the Company that (a) if the audited consolidated net profit after tax and extraordinary items of Present Sino Group for the year ended 30 June 2011 were less than HK$120,000,000, he shall pay to the Company an amount equal to the profit shortfall (being the shortfall between HK$120,000,000 and the audited net profit of Present Sino Group, or HK$120,000,000 in case of net loss) on a dollar-to-dollar basis; and (b) if the audited consolidated net profit after tax and extraordinary items of Present Sino Group for the year ended 30 June 2012 were less than HK$150,000,000, he shall pay to the Company an amount equal to the profit shortfall (being the shortfall between HK$150,000,000 and the audited net profit of Present Sino Group, or HK$150,000,000 in case of net loss) on a dollar-to-dollar basis.

MANAGEMENT DISCUSSION AND ANALYSIS

As Present Sino Group recorded an audited net loss of approximately HK$88,940,000 for the year ended 30 June 2011, the Guarantor was obliged to pay the Company a compensation amounted to HK$120,000,000, which was recorded by the Company as an unallocated other income ("Gain from compensation of shortfall of guaranteed profit arising from an acquisition") for the year ended 30 June 2012. The reason for the net loss for the year ended 30 June 2011 was mainly due to the one-off loss on disposal of all biological assets of a plantation base amounted to approximately HK$121,569,000.

For the year ended 30 June 2012, due to the decrease in sales of whitebark pines as compared with the year ended 30 June 2011 as described above and the loss arising from change in fair value less costs to sell of biological assets of approximately HK$7,543,000, Present Sino Group recorded an audited net loss of approximately HK$1,864,000. Accordingly, the Guarantor is obliged to pay the Company a compensation amounted to HK$150,000,000, which was recorded by the Company as an unallocated other income ("Gain from compensation of shortfall of guaranteed profit arising from an acquisition") for the year ended 30 June 2013.

Looking forward, the Group will continue the strategies of adjusting the seedlings product mix and developing new plantation bases in order to further improve the performance of the seedling operation.

LIQUIDITY AND FINANCIAL RESOURCES

Financial Resources

The Group generally finances its operations with internally generated cashflow and bank facilities for its capital expenditures and other capital requirements.

As at 30 June 2013, cash and cash equivalents and restricted bank deposits of approximately HK$926,075,000 included HK$23,044,000 which was denominated in HK/US/Euro dollars and HK$903,031,000 which was denominated in Renminbi.

With respect to foreign exchange exposure, as the Group's earnings and borrowings are primarily denominated in Renminbi and the exchange rates between Renminbi and Hong Kong/US dollar remained steady during the year under review, it has no significant exposure to foreign exchange rate fluctuations. During the year under review, the Group had not used any financial instruments for hedging purposes.

Indebtedness and Banking Facilities

As at 30 June 2013, the Group had bank and other borrowings of approximately HK$1,008,557,000 (approximately HK$906,227,000 was denominated in Renminbi and approximately HK$102,330,000 was denominated in US/Euro dollars) bearing interest at rates ranging from approximately 1% to 12% per annum. As at 30 June 2013, the Group had bills payable of approximately HK$1.722 billion which was secured by pledged bank deposits of approximately HK$737 million.

As at 30 June 2013, the Group had (i) convertible bonds (due in November 2015) with outstanding principal amount of HK$617 million which was denominated in Hong Kong dollars and non-interest bearing; and (ii) convertible bonds (due in January 2016) with outstanding principal amount of RMB70 million which was denominated in Renminbi and bore a yield-on-maturity/redemption of 6% per annum on a compound basis.

As at 30 June 2013, the Group's gearing ratio was approximately 85%. This was based on the division of the total amount of bank and other loans and convertible bonds (liability components) by total equity attributable to owners of the Company as at 30 June 2013. The Directors, taking into account of the nature and scale of operations and capital structure of the Group, considered that the gearing ratio as at 30 June 2013 was reasonable.

MANAGEMENT DISCUSSION AND ANALYSIS

Securities in Issue

During the year:

1. on 12 October 2012, pursuant to the sale and purchase agreement dated 29 October 2010 in relation to the acquisition of the entire interests of Fast Base Holdings Limited and its subsidiaries, 40,000,000 consideration shares were issued by the Company.

2. the convertible bonds (due in November 2015) with an aggregate principal amount of HK$6,000,000 were converted into 6,000,000 shares of the Company at the conversion price of HK$1.00 each.

As at 30 June 2013, there were 993,765,216 ordinary shares in issue and potential ordinary shares arising from (i) the convertible bonds (due in November 2015) in an aggregate outstanding principal amount of HK$617,000,000 at the conversion price of HK$1.00 per share (subject to adjustments); (ii) the convertible bonds (due in January 2016) in an aggregate outstanding accreted principal amount of approximately HK$94,084,000 (being original principal of HK$81,680,000 plus accrued interest of HK$12,404,000) at the reset conversion price of HK$0.70 per share (subject to adjustments); and (iii) unlisted warrants (to be expired in January 2016) conferring rights to subscribe for 60,000,000 shares at the subscription price of HK$1.20 per share.

Save as disclosed above, there was no movement in the issued share capital of the Company during the year ended 30 June 2013.

Commitments

As at 30 June 2013, the Group had no significant outstanding contracted capital commitments.

Contingent Liabilities

As at 30 June 2013, the Group had no material contingent liabilities.

REMUNERATION POLICIES AND SHARE OPTION SCHEME

The Group incurred total salaries and other remunerations of approximately HK$37.9 million with an average number of about 1,000 staff during the year ended 30 June 2013.

Remuneration packages comprise salary, mandatory provident fund and year-end bonus based on individual merits. During the year, a new share option scheme (the "Scheme") was adopted by the Company pursuant to a resolution passed at the extraordinary general meeting of the Company held on 19 June 2013. During the year ended 30 June 2013, no share option was granted to the relevant participants under the Scheme (2012: no share option was granted under the old share option scheme which had expired by effluxion of time on 30 December 2011).

BIOGRAPHICAL DETAILS OF DIRECTORS

EXECUTIVE DIRECTORS

Mr. Wu Shaoning

aged 48, is the Chairman, Chief Executive Officer and founder of the Group. Mr. Wu is also the Chairman of the Nomination Committee and a member of the Remuneration Committee. He is a director of various subsidiaries of the Company. Mr. Wu is responsible for the overall management and operation of the Group, as well as its strategic planning and business development. He graduated from the University of Xiamen with a bachelor's degree in politics and economics. Thereafter, Mr. Wu attended the Hong Kong Macau Economics Study Programme at the University of Hong Kong for one year and obtained a master's degree in economics from the University of Xiamen. Mr. Wu has over 21 years of experience in trading business and the agricultural chemicals industry in Mainland China. Mr. Wu has been nominated as the director of 中國農作物化控專業委員會 (the Professional Crop Chemical Control Committee of China) in 1999. He was also elected as the deputy chairman of 福建省農業產業化龍頭企業協會 (the Fujian Agricultural Industrialisation Association) in 2004.

Ms. Chen Xiao Fang

aged 49, was appointed as an Executive Director of the Company in April 2012. Ms. Chen joined the Group in 2004 and is currently the general manager and a director of certain subsidiaries of the Company and is in charge of the import and export business of the Group. She graduated from Suzhou University of China with a bachelor's degree in silk textile engineering design in 1984. Ms. Chen also completed the on-the-job postgraduate program of business administration at University of International Business and Economics of China and was accredited the relevant academic qualification in 2002. She is a qualified engineer and management consultant in Mainland China and has over 29 years of experience in information management, human resources management, marketing strategies and international trading.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Zhang Shaosheng

aged 62, was appointed as an Independent Non-executive Director of the Company in August 2004. Mr. Zhang is also a member of the Audit Committee. He is a professor of the College of Plant Protection of Fujian Agriculture and Forestry University. Mr. Zhang graduated from Fujian Agricultural College with a bachelor's degree in agriculture specialised in plant protection in 1975. He has 38 years of experience in the teaching of plant protection.

Mr. Wong Kin Tak

aged 41, was appointed as an Independent Non-executive Director of the Company in March 2010. He is also the Chairman of the Audit Committee, members of the Remuneration Committee and the Nomination Committee. Mr. Wong graduated from Hong Kong Baptist University with a bachelor's degree in business administration (majoring in accounting) in 1994. He is a certified public accountant of Hong Kong Institute of Certified Public Accountants and a fellow member of The Association of Chartered Certified Accountants. He has over 19 years of experience in auditing, accounting and financial management. He has about 9 years of experience in acting as financial controller for companies listed in Hong Kong and Singapore. Mr. Wong is currently the Financial Controller of China Paper Holdings Limited, a company listed on the Singapore Exchange Limited. He is also an Independent Non-executive Director of Juda International Holdings Limited, a company listed on The Stock Exchange of Hong Kong Limited.

Mr. Li Yik Sang

aged 38, was appointed as an Independent Non-executive Director of the Company in December 2011. He is also the Chairman of the Remuneration Committee, members of the Audit Committee and the Nomination Committee. Mr. Li graduated from University of Queensland, Australia with a bachelor's degree in commerce in 1998 and obtained a master's degree in commerce (information systems) in 2000. He is a certified practicing accountant of CPA Australia and a certified public accountant of Hong Kong Institute of Certified Public Accountants. He has over 12 years of experience in auditing, finance and accounting. Mr. Li is currently the Company Secretary and the Chief Financial Officer of Meike International Holdings Limited, a company listed on The Stock Exchange of Hong Kong Limited.

REPORT OF THE DIRECTORS

The Directors have pleasure in presenting the annual report and the audited accounts of China Agrotech Holdings Limited (the "Company") and its subsidiaries (collectively the "Group") for the year ended 30 June 2013.

PRINCIPAL ACTIVITIES

The Company is an investment holding company. The Group is principally engaged in (i) the trading of fertilizers, pesticides and other agricultural resources products ("Trading operation"); (ii) the manufacturing and selling of pesticides and fertilizers ("Manufacturing operation"); (iii) the provision of plant protection technical services ("Consultancy operation"); (iv) the trading of non-agricultural resources products ("Non-agricultural resources trading operation"); and (v) nursing, planting and sales of landscaping seedlings ("Seedling operation") in Mainland China.

An analysis of the principal activities of the operations of the Group for the year ended 30 June 2013 is set out in Note 12 to the financial statements.

RESULTS AND APPROPRIATIONS

The results of the Group for the year ended 30 June 2013 are set out in the consolidated income statement on page 28 of this annual report. No geographical analysis of the Group's turnover and segment results is presented as the Group's turnover and segment results are all derived from business conducted in Mainland China.

DIVIDEND

The Directors have resolved not to recommend the payment of any final dividend for the year ended 30 June 2013 (2012: Nil) and to recommend that the retained profits of approximately HK$830,725,000 as at 30 June 2013 be carried forward.

SHARE CAPITAL

Details of the movements in the share capital of the Company are set out in Note 33 to the financial statements.

RESERVES AND RETAINED PROFITS

Details of the movements in the reserves of the Group and of the Company during the year are set out in the consolidated statement of changes in equity and Note 33 to the financial statements respectively.

As at 30 June 2013, the Company's reserves available for distribution to owners of the Company amounted to approximately HK$605,118,000 which is computed in accordance with the Companies Law (Amended) of the Cayman Islands and the Company's Articles of Association. This includes the Company's share premium of approximately HK$444,968,000, contributed surplus of approximately HK$11,527,000 and retained profits of approximately HK$148,623,000, which is available for distribution provided that immediately following the date on which the distribution is proposed, the Company will be able to pay its debts as they fall due in the ordinary course of business.

PROPERTY, PLANT AND EQUIPMENT

Details of the movements in property, plant and equipment of the Group during the year are set out in Note 13 to the financial statements.

SUBSIDIARIES

Details of the Company's subsidiaries as at 30 June 2013 are set out in Note 20 to the financial statements.

PENSION SCHEMES

Details of the Group's pension schemes for the year ended 30 June 2013 are set out in Note 35 to the financial statements.

REPORT OF THE DIRECTORS

FIVE YEARS FINANCIAL SUMMARY

A summary of the results and of the assets and liabilities of the Group for the last five financial years is set out on page 3.

DIRECTORS

The Directors of the Company during the year and up to the date of this report are as follows:

Executive Directors:

Mr. Wu Shaoning *(Chairman and Chief Executive Officer)*
Ms. Chen Xiao Fang

Independent Non-executive Directors:

Mr. Zhang Shaosheng
Mr. Wong Kin Tak
Mr. Li Yik Sang

In accordance with Article 87 of the Company's Articles of Association, Mr. Wu Shaoning and Mr. Wong Kin Tak will retire at the forthcoming annual general meeting and, being eligible, offer themselves for re-election.

Under code provision A.4.3 of the Corporate Governance Code set out in Appendix 14 of the Listing Rules (as defined below), the proposed re-election of Mr. Zhang Shaosheng as an Independent Non-executive Director for a further period of one year with effect from 10 August 2013 constitutes his serving on the Board of the Company for more than nine years and his proposed re-election requires approval from the Shareholders at the forthcoming annual general meeting.

DIRECTORS' SERVICE AGREEMENTS

Mr. Wu Shaoning, an Executive Director of the Company, has entered into a service agreement with the Company for a term of 10 years commencing from 15 November 1999, and shall continue thereafter unless and until terminated by either party giving to the other not less than three months' notice in writing.

None of the Directors proposed for re-election at the forthcoming annual general meeting has a service agreement with the Company which is not determinable by the Company within one year without payment of compensation, other than statutory compensation.

BIOGRAPHICAL DETAILS OF DIRECTORS

Biographical details of Directors of the Company are set out on page 10.

REPORT OF THE DIRECTORS

DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS IN SECURITIES

As at 30 June 2013, the interests and short positions of the Directors and chief executives in the shares, underlying shares and debentures of the Company or any associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")) as recorded in the register required to be kept by the Company under Section 352 of the SFO or as otherwise notified to the Company and The Stock Exchange of Hong Kong Limited (the "Stock Exchange") pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as set out in the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules") were as follows:

Long positions in shares and underlying shares of the Company

Name of director	Capacity	Number of shares held	Number of underlying shares held	Approximate percentage of issued share capital
Wu Shaoning	Beneficial owner	231,834,000	—	23.33%
	Beneficial owner	—	256,000,000 *(Note)*	25.76%

Note: The 256,000,000 underlying shares are in respect of the convertible bonds due 2015 (unlisted equity derivatives) of the Company in the aggregate principal amount of HK$256,000,000 at a conversion price of HK$1.00 per share (subject to adjustments). Upon full conversion of such convertible bonds, 256,000,000 shares of the Company will be issued to Mr. Wu Shaoning.

Save as disclosed above, as at 30 June 2013, none of the Directors, chief executives or their associates had any interests and short positions in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which were recorded in the register required to be kept by the Company under Section 352 of the SFO or which were notified to the Company and the Stock Exchange pursuant to the Model Code.

REPORT OF THE DIRECTORS

SUBSTANTIAL SHAREHOLDERS' INTERESTS IN SECURITIES

As at 30 June 2013, so far as is known to the Directors, the interests or short positions of substantial shareholders/other persons in the shares and underlying shares of the Company as recorded in the register of the Company required to be kept under Section 336 of the SFO were as follows:

Long positions in shares of the Company

Name	Capacity	Number of shares held	Approximate percentage of issued share capital
Wu Shaoning *(director)*	Beneficial owner	231,834,000	23.33%

Long positions in underlying shares of the Company

Name	Capacity	Number of underlying shares held	*Note*	Approximate percentage of issued share capital
Wu Shaoning *(director)*	Beneficial owner	256,000,000	*1*	25.76%
Xue Zhixin	Beneficial owner	226,000,000	*1*	22.74%
Concept Capital Management Limited	Beneficial owner	194,405,987	*2*	19.56%

Notes:

1. The interests in underlying shares of unlisted equity derivatives represent interests in convertible bonds (due in November 2015) of the Company in which they are unissued shares.

2. The interests in underlying shares of unlisted equity derivatives comprise interests in convertible bonds (due in January 2016) of the Company in which they are unissued shares as to 134,405,987 shares, and interests in unlisted warrants conferring rights to subscribe for 60,000,000 shares of the Company.

Save as disclosed above, as at 30 June 2013, the Company had not been notified of any other interests or short positions in the shares or underlying shares of the Company which were required to be recorded in the register kept by the Company under Section 336 of the SFO.

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBT SECURITIES

Other than as disclosed under the headings "Directors' and Chief Executives' Interests in Securities" and "Substantial Shareholders' Interests in Securities" above, at no time during the year was the Company or any of its subsidiaries, or any of its fellow subsidiaries, a party to any arrangement to enable the Directors or chief executives of the Company (including their spouses or children under 18 years of age) to have any right to subscribe for securities of the Company or any of its associated corporations as defined in the SFO or to acquire benefits by means of acquisition of shares in, or debentures of, the Company or any other body corporate.

REPORT OF THE DIRECTORS

DIRECTORS' AND CONTROLLING SHAREHOLDERS' INTERESTS IN CONTRACTS

There was no contract of significance in relation to the Company's business, to which the Company or any of its subsidiaries was a party, subsisted at the end of the year or at any time during the year, and in which a Director had, whether directly or indirectly, a material interest, nor there was any contract of significance in relation to the Company's business between the Company or any of the Company's subsidiaries and a controlling shareholder or any of its subsidiaries.

SHARE OPTION SCHEME

The Company adopted a share option scheme (the "Old Scheme") pursuant to a resolution passed at the extraordinary general meeting of the Company held on 31 December 2001. As at the date of this report, no share is available for issue under the Old Scheme as it was expired on 30 December 2011 and the outstanding share options granted under the Old Scheme were lapsed on 30 December 2011 upon expiry of the option period.

A new share option scheme (the "New Scheme") was adopted pursuant to a resolution passed at the extraordinary general meeting of the Company held on 19 June 2013 for the primary purpose of providing incentives or rewards to selected participants for their contribution to the Group, which will expire on 18 June 2023. Under the New Scheme, the Company may grant options to any participant ("Participant(s)") which includes (i) any employee or proposed employee (whether full time or part time) of the Company, any of its subsidiaries or any entity in which the Group holds an equity interest ("Invested Entity"), including any Executive Director of the Company, any of such subsidiaries or any Invested Entity; (ii) any Non-executive Directors (including Independent Non-executive Directors) of the Company, any of its subsidiaries or any Invested Entity; (iii) any person or entity that provides research, development or other technological support to the Group or any Invested Entity; (iv) any shareholder of any member of the Group or any Invested Entity or any holder of any securities issued or proposed to be issued by any member of the Group or any Invested Entity; (v) any adviser (professional or otherwise) or consultant to the Group relating to business development of the Group or any member of the Group or any Invested Entity; and (vi) any joint venture partner or counterparty to business transactions of the Group or any Invested Entity, and for the purposes of the New Scheme, the options may be granted to any company wholly owned by one or more persons belonging to any of the above classes of Participants, to subscribe for shares of the Company.

The total number of shares in respect of which options may be granted under the New Scheme must not exceed 10% of the shares of the Company in issue as at the adoption date. The total number of shares issued and to be issued upon exercise of the options granted and to be granted to a Participant in any 12-month period must not exceed 1% of the shares of the Company in issue. Any further grant of options in excess of the individual limit must be subject to shareholders' approval.

Options granted must be taken up within 21 days from the offer date, upon payment of HK$1.00 per option. Option may be exercised after it has vested at any time during the period to be notified by the Committee (as defined in the New Scheme) at the time of the grant of the option but shall end in any event not later than 10 years from the offer date, subject to the provisions for early termination of the New Scheme. The Subscription Price shall be determined by the Committee (as defined in the New Scheme) and notified to a Participant and shall not be less than the higher of (a) the closing price of the shares as stated in the Stock Exchange's daily quotation sheets on the offer date, which must be a business day; (b) the average closing price of the shares as stated in the Stock Exchange's daily quotation sheets for the five business days immediately preceding the offer date; and (c) the nominal value of the shares.

REPORT OF THE DIRECTORS

MAJOR SUPPLIERS AND CUSTOMERS

During the year, the respective percentage of purchases attributable to the Group's five largest suppliers combined and the turnover attributable to the Group's five largest customers combined accounted for less than 30% of the total value of Group purchases and total Group turnover.

COMPETING INTERESTS

None of the Directors has an interest in a business which competes or may compete with the business of the Group.

RELATED PARTY TRANSACTIONS

Details of related party transactions under applicable accounting standards are set out in Note 39 to the financial statements. These mainly relate to contracts entered into by the Group in the ordinary course of business, which contracts were negotiated on normal commercial terms and on an arm's length basis.

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S LISTED SECURITIES

The Company did not redeem any of its listed securities during the year ended 30 June 2013. Neither the Company nor any of its subsidiaries purchased or sold any of the Company's listed securities during the year.

PRE-EMPTIVE RIGHTS

No pre-emptive rights exist under the laws of the Cayman Islands, being the jurisdiction in which the Company was incorporated.

PUBLIC FLOAT

On the basis of information that is publicly available to the Company and within the knowledge of the Directors as at the date of this report, the Company has maintained sufficient public float.

EVENTS AFTER THE REPORTING PERIOD

Details of events after the reporting period are set out in Note 41 to the financial statements.

AUDITOR

The financial statements have been audited by Elite Partners CPA Limited. Elite Partners CPA Limited was appointed as the new auditor of the Company at the extraordinary general meeting of the Company held on 15 June 2012 to fill the vacancy arising from the resignation of CCIF CPA Limited on 25 May 2012.

Save as disclosed above, there was no change in auditors of the Company in the past three years. A resolution for the re-appointment of Elite Partners CPA Limited will be proposed at the forthcoming annual general meeting.

On behalf of the Board
WU SHAONING
Chairman

Hong Kong, 26 September 2013

CORPORATE GOVERNANCE REPORT

CORPORATE GOVERNANCE PRACTICES

The Company is committed to maintaining a high standard of corporate governance. It is believed that high standards of corporate governance provide a framework and solid foundation for promoting high standards of accountability, transparency and responsibility to our shareholders.

The board of directors (the "Board") of the Company considers that the Company has complied throughout the year ended 30 June 2013 with the code provisions of the Corporate Governance Code (the "CG Code") as set out in Appendix 14 of the Rules Governing the Listing of Securities (the "Listing Rules") on The Stock Exchange of Hong Kong Limited (the "Stock Exchange"), except for the following major deviations:

1. Under code provision A.2.1 of the CG Code, the roles of chairman and chief executive officer should be separate and should not be performed by the same individual. However, the roles of Chairman and Chief Executive Officer of the Company have been performed by Mr. Wu Shaoning. This constitutes a deviation from code provision A.2.1 of the CG Code. As continuation is a key factor to the successful implementation of business plans, the Board believes that the roles of Chairman and Chief Executive Officer performed by Mr. Wu Shaoning provide the Company and its subsidiaries (the "Group") with strong and consistent leadership and are beneficial to the Group especially in planning and execution of business strategies. The Board also believes that the present arrangement is beneficial to the Company and its shareholders as a whole.

2. Under code provision A.6.7 of the CG Code, independent non-executive directors and other non-executive directors should attend general meetings and develop a balanced understanding of the views of shareholders. Due to other essential business engagements, Mr. Zhang Shaosheng, being an Independent Non-executive Director of the Company, did not attend the annual general meeting and the extraordinary general meeting of the Company held on 7 December 2012 and 19 June 2013 respectively.

DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") set out in Appendix 10 of the Listing Rules as its own code of conduct regarding securities transactions by the Directors. Having made specific enquiry with all Directors, the Company confirmed that all the Directors have complied with the required standard of dealings set out in the Model Code throughout the year ended 30 June 2013.

THE BOARD COMPOSITION AND BOARD PRACTICES

The Board is responsible for the oversight of management of the Company's business and affairs of the organization with the objective of enhancing shareholder value including setting and approving the Company's strategic direction and planning, and all important matters such as interim and annual results, dividends, annual financial budget, business and operation plan, etc., while delegating day-to-day operations of the Group to the management. Besides, each member of the Board is expected to make a full and active contribution to the Board's affairs and ensure that the Board acts in the best interests of the Company and its shareholders as a whole.

As at 30 June 2013, the Board comprises five Directors, of whom two are Executive Directors, namely Mr. Wu Shaoning (Chairman and Chief Executive Officer) and Ms. Chen Xiao Fang, and three are Independent Non-executive Directors, namely Mr. Zhang Shaosheng, Mr. Wong Kin Tak and Mr. Li Yik Sang. To the best knowledge of the Company, there is no financial, business, family or other material/relevant relationship between Board members.

CORPORATE GOVERNANCE REPORT

The Board has maintained a balance of skills and experience appropriate for the requirements of the businesses of the Group. Its composition represents a mixture of management, accounts and finance, marketing, manufacturing and procurement with comprehensive experience in and exposure to diversified businesses. Each of Directors' respective biographical details is set out in the "Biographical Details of Directors" of this annual report. It is the opinion of the Directors that the Board has the necessary skills and experience appropriate for discharging their duties as Directors in the best interest of the Company.

In compliance with Rule 3.10(1) of the Listing Rules, the Board currently comprises three Independent Non-executive Directors, namely Mr. Zhang Shaosheng, Mr. Wong Kin Tak and Mr. Li Yik Sang. This complies with Rule 3.10A of the Listing Rules of having at least one-third of the Board being represented by Independent Non-executive Directors. Amongst them, Mr. Wong Kin Tak has the appropriate professional qualifications and accounting and related financial management expertise required under Rule 3.10(2). All the current Independent Non-executive Directors have entered into letters of appointment with the Company for a fixed term of one year.

During the year ended 30 June 2013, the Company had held seven full Board meetings to approve, inter alia, interim and final results, acquisition of equity interest in a PRC enterprise, adoption of a new share option scheme and re-appointment of Independent Non-executive Directors; and two general meetings, being 2012 annual general meeting held on 7 December 2012 and extraordinary general meeting held on 19 June 2013 in relation to the adoption of the new share option scheme. The attendance of each Director at the Board and general meetings during the year is set out below:

	Number of meeting attended/ Number of meeting held	
Name of Director	**Board Meeting**	**General Meeting**
Executive Directors		
Mr. Wu Shaoning *(Chairman and Chief Executive Officer)*	7/7	1/2
Ms. Chen Xiao Fang	3/7	0/2
Independent Non-executive Directors		
Mr. Zhang Shaosheng	4/7	0/2
Mr. Wong Kin Tak	7/7	2/2
Mr. Li Yik Sang	7/7	2/2

Directors can attend meetings in person or through telephone pursuant to Article 116(2) of the Articles of Association. The Company Secretary assists the Chairman in establishing the meeting agenda, and each Director/committee member may request inclusion of items in the agenda.

Minutes of Board/committee meetings would be kept by the Company Secretary and shall be open for inspection by Directors. Where Directors have a material or conflict of interests in any transaction discussed in the Board/committee meetings, it would not be dealt with by way of written resolutions and any disinterested Independent Non-executive Director would be invited to attend such Board/committee meetings. The Directors concerned could express views but would not be counted as part of the quorum and shall abstain from voting on the relevant resolutions.

CORPORATE GOVERNANCE REPORT

In addition, to facilitate the decision-making process, the Directors are free to have access to the management for enquiries and to obtain further information, when required. The Directors can also seek independent professional advice, in appropriate circumstances, at the Company's expense in discharging their duties to the Company. All Directors have unrestricted access to the Company Secretary who is responsible for ensuring that the Board/committee procedures are complied with, and for advising the Board/committee(s) on compliance matters.

The Company has arranged appropriate insurance cover in respect of possible legal action against its Directors and senior officers.

CHAIRMAN AND CHIEF EXECUTIVE OFFICER

The CG Code stipulates that the roles of Chairman and Chief Executive Officer should be separate and should not be performed by the same person. The Company does not have a separate Chairman and Chief Executive Officer and Mr. Wu Shaoning currently holds both positions. The Chairman, Mr. Wu, is the founder and a substantial shareholder of the Group and has considerable industry experience. The Board is of the view that it is in the best interests of the Group to have a Chairman so that the Board, and in particular the Independent Non-executive Directors, can have the benefit of a Chairman who is knowledgeable about the business of the Group and is most capable to guide discussions and brief the Board in a timely manner on pertinent issues and developments to facilitate open dialogue between the Board and the management. He is also motivated to contribute to the growth and profitability of the Group. The Board also believes that vesting the roles of both Chairman and Chief Executive Officer in the same person provides the Group with strong and consistent leadership, allows for more effective planning and execution of long-term business strategies and enhances the efficiency of decision-making process in response to the changing environment. The Board also believes that the present arrangement is beneficial to the Company and its shareholders as a whole.

COMMITTEES OF THE BOARD

Nomination Committee

A nomination committee of the Company (the "Nomination Committee") was established on 28 March 2012 with written terms of reference in compliance with the code provisions of the CG Code. The terms of reference of the Nomination Committee are available on the websites of the Company and the Stock Exchange. The Nomination Committee currently comprises an Executive Director, namely Mr. Wu Shaoning, and two Independent Non-executive Directors, namely Mr. Wong Kin Tak and Mr. Li Yik Sang. Mr. Wu Shaoning is the Chairman of the Nomination Committee.

The role and functions of the Nomination Committee include to review the structure, size and composition of the Board, to identify qualified individual to become Board members and select or make recommendations to the Board on the selection of individuals nominated for directorships, to assess the independence of Independent Non-executive Directors, to make recommendations to the Board on the appointment or re-appointment of Directors and succession plan for Directors.

CORPORATE GOVERNANCE REPORT

The Nomination Committee meets at least once in each financial year. During the year, two Nomination Committee meetings were held to review the structure, size and composition of the Board and assess the independence of Independent Non-executive Directors; and recommend continuation of term of appointment of an Independent Non-executive Director. Below is the attendance record of the Nomination Committee meetings:

Name of committee member	Number of meeting attended/ Number of meeting held
Mr. Wu Shaoning *(Chairman)*	2/2
Mr. Wong Kin Tak	2/2
Mr. Li Yik Sang	2/2

The Nomination Committee will take into consideration criteria such as expertise, experience, integrity and commitment when considering new Director's appointment. The selection of individuals to become Executive or Non-executive Directors is based on assessment of their professional qualifications and experience.

Pursuant to paragraph 12B of Appendix 16 of the Listing Rules, each of the Independent Non-executive Directors has given an annual confirmation of his independence to the Company in accordance with Rule 3.13 of the Listing Rules. The Nomination Committee and the Board consider that all the three Independent Non-executive Directors are independent under these independence criteria, not being involved in the daily management of the Company, and are capable to effectively exercise independent judgement in order to ensure that the interests of all shareholders of the Company have been duly considered. Moreover, the Independent Non-executive Directors take an active role in Board meetings, contribute to the development of strategies and policies and make sound judgement in various aspects. They will take lead when potential conflicts of interest arise. They are also members of various Board committees and devote sufficient amount of time and attention to the affairs of the Company. Thus, the Nomination Committee and the Board consider the current board size as adequate for its present operations.

According to the Articles of Association, all Directors are subject to retirement by rotation and re-election at annual general meetings of the Company. New Directors appointed by the Board are required to retire and offer themselves for re-election at the next annual general meeting immediately following their appointments. Further, at each annual general meeting, one-third (if not a multiple of three, then the number nearest to but not less than one-third) of Director shall retire from office by rotation provided that every Director shall be subject to retirement at least once every three years. A retiring Director shall be eligible for re-election and shall continue to act as a Director throughout the meeting at which he retires.

In accordance with Article 87 of the Articles of Association, Mr. Wu Shaoning and Mr. Wong Kin Tak will retire at the forthcoming annual general meeting of the Company and, being eligible, offer themselves for re-elections. The Nomination Committee recommended to the Board that Mr. Wu Shaoning and Mr. Wong Kin Tak be nominated for re-election at the forthcoming annual general meeting of the Company.

Remuneration Committee

A remuneration committee of the Company (the "Remuneration Committee") was established on 1 July 2005. The revised terms of reference of the Remuneration Committee was adopted by the Board on 28 March 2012 in compliance with the code provisions of the CG Code. The terms of reference of the Remuneration Committee are available on the websites of the Company and the Stock Exchange. The Remuneration Committee currently comprises an Executive Director, namely, Mr. Wu Shaoning and two Independent Non-executive Directors, namely Mr. Wong Kin Tak and Mr. Li Yik Sang. Mr. Li Yik Sang is the Chairman of the Remuneration Committee.

The duties of the Remuneration Committee include making recommendations to the Board on the remuneration policy and structure of the Directors and senior management, reviewing the remuneration, recommending the remuneration packages of all Directors and senior management and the compensation to Directors and senior management on termination or dismissal. The remuneration packages including basic salary, annual discretionary bonus, pension scheme, share option scheme and other benefit-in-kind such as private medical cover are commensurate with their performance, job nature and experience level. No Director was involved in deciding his own remuneration.

The emolument policy of the employees of the Group is set up on the basis of their merit, qualifications and competence. The emoluments of the Directors are determined with reference to the Company's operating results, individual performance and the prevailing market rates.

The Remuneration Committee meets at least once in each financial year. During the year, three Remuneration Committee meetings were held to review and make recommendations to the Board, inter alia, Directors' remuneration and letters of appointments with Independent Non-executive Directors. Below is the attendance record of the Remuneration Committee meetings:

Name of committee member	Number of meeting attended/ Number of meeting held
Mr. Li Yik Sang *(Chairman)*	3/3
Mr. Wong Kin Tak	3/3
Mr. Wu Shaoning	3/3

Audit Committee

An audit committee of the Company (the "Audit Committee") currently comprises of three members, all of whom are Independent Non-executive Directors, namely, Mr. Wong Kin Tak, Mr. Zhang Shaosheng and Mr. Li Yik Sang. Mr. Wong Kin Tak is the Chairman of the Audit Committee. The Board adopted a revised terms of reference of the Audit Committee on 28 March 2012 in compliance with the code provisions of the CG Code. The terms of reference of the Audit Committee are available on the websites of the Company and the Stock Exchange.

The primary duties of the Audit Committee are to review and supervise the Company's financial reporting process. The Audit Committee is also responsible for reviewing the appointment and remuneration of auditors of the Company and any matters relating to the termination of, the appointment of and the resignation of the auditors. In addition, the Audit Committee also examines the effectiveness of the Company's internal controls, which involve at least annually review of the effectiveness of the Group's internal controls systems, the adequacy of resources, staff qualifications and experience, training programmes and budget of the Company's accounting and financial reporting function, and takes into account their respective potential risk and urgency, to ensure the effectiveness of the Company's business operations and the realization of its corporate objectives and strategies.

CORPORATE GOVERNANCE REPORT

The scope of such examinations and reviews include finance, operations, regulatory compliance and risk management. Each member of the Audit Committee has unrestricted access to the auditors and all senior management of the Group in order to discharge its responsibilities.

The Audit Committee meets at least twice in each financial year. During the year, two Audit Committee meetings were held. Below is the attendance record of the Audit Committee meetings:

Name of committee member	Number of meeting attended/ Number of meeting held
Mr. Wong Kin Tak *(Chairman)*	2/2
Mr. Zhang Shaosheng	2/2
Mr. Li Yik Sang	2/2

During the year ended 30 June 2013, the Audit Committee met two times together with the management of the Company as well as with the auditors of the Group. The Audit Committee has, among other things, reviewed financial reporting matters, including the interim and annual consolidated financial statements, announcements and reports of the Group; assessed the effectiveness of the audit process of the auditors; and reviewed the effectiveness of the Group's internal control system.

The Audit Committee has reviewed the audited financial statements of the Group for the year ended 30 June 2013 and has recommended to the Board that Elite Partners CPA Limited ("Elite Partners") be nominated for re-appointment as the Auditor at the forthcoming annual general meeting of the Company.

CORPORATE GOVERNANCE FUNCTION

The Board is responsible for performing the corporate governance duties and adopted a Corporate Governance Guideline on 28 March 2012 in compliance with the code provisions of the CG Code.

The Board has, among other things, reviewed the training and continuous professional development of Directors, the Company's compliance with the code provisions of the CG Code for the year ended 30 June 2013 and disclosures in this Corporate Governance Report.

According to code provision A.6.5 of the CG Code, all Directors should participate in continuous professional development to develop and refresh their knowledge and skills to ensure that their contribution to the Board remains informed and relevant. During the year ended 30 June 2013, Mr. Wong Kin Tak and Mr. Li Yik Sang have participated in continuous professional development programs required by The Hong Kong Institute of Certified Public Accountants. In addition, the Company has provided an update on amendments to the Listing Rules relating to the guide, which applies to listed issuer with financial year ended after 31 December 2012, of encouraging an inclusion of an environmental, social and governance report of the same reporting year in its annual report, and board diversity (effective from 1 September 2013), and consequential on the statutory backing of continuing obligation of listed issuer to disclose inside information (effective from 1 January 2013), to each of Mr. Wu Shaoning, Ms. Chen Xiao Fang and Mr. Zhang Shaosheng.

In compliance with Rule 3.29 of the Listing Rules, Mr. Tong Hing Wah, the Company Secretary, had taken no less than 15 hours of relevant professional training during the year ended 30 June 2013.

DIRECTORS' RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

The Directors acknowledge their responsibility for the preparation of accounts for each financial period which gives a true and fair view of the state of affairs of the Group and of the results and cash flows for that period. In preparing these accounts for the year ended 30 June 2013, the Directors have selected suitable accounting policies and applied them consistently; made judgements and estimates that are prudent and reasonable; and prepared the accounts on the going concern basis. The Directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the Group.

AUDITORS AND THEIR REMUNERATION

Elite Partners was re-appointed as the auditor of the Company for the year ended 30 June 2013 at the annual general meeting of the Company held on 7 December 2012 and to hold office until the conclusion of the forthcoming annual general meeting. The annual financial statements for the year ended 30 June 2013 have been audited by Elite Partners. The statement of Elite Partners in respect of their reporting responsibilities for the financial statements is set out in the "Independent Auditor's Report".

An amount of HK$950,000 was charged to the financial statements of the Company and its subsidiaries for the year ended 30 June 2013 for Elite Partners's statutory audit (2012: HK$1,050,000). No other non-audit service was provided by Elite Partners for the Company during the two years ended 30 June 2012 and 2013.

INTERNAL CONTROL AND RISK MANAGEMENT

The Board is responsible for the effectiveness of the Group's internal control systems. The internal control systems are designed to meet the Group's particular needs and the risks to which it is exposed, and by their nature can only provide reasonable, but not absolute assurance against misstatement or loss.

Procedures have been set up for safeguarding assets against unauthorised use or disposition, controlling over capital expenditure, maintaining proper accounting records and ensuring the reliability of financial information used for business and publication. Qualified management throughout the Group maintains and monitors the internal control systems on an ongoing basis.

During the year ended 30 June 2013, the Audit Committee assessed the internal control environment of the Group and reviewed the internal control procedural manual of the Group and concluded that the internal control systems are effective and efficient.

CORPORATE GOVERNANCE REPORT

SHAREHOLDERS' COMMUNICATION AND RIGHTS

The Board established a shareholders' communication policy (the "Policy") on 28 March 2012 which set out, inter alia, the procedures for shareholders of the Company to propose a person for election as a Director of the Company. The Policy is available on the website of the Company.

Set out below are procedures for shareholders of the Company to (1) convene an extraordinary general meeting; (2) put enquiries to the Board; and (3) put proposals at shareholders' meetings. These procedures are generally governed by the Articles of Association and applicable laws, rules and regulations, which prevail over the below information in case of any inconsistencies.

1. Procedures for shareholders of the Company to convene an extraordinary general meeting

1.1 Two or more shareholders of the Company holding at the date of deposit of requisition not less than one-tenth of the paid up capital of the Company carrying the right of voting at general meetings of the Company shall at all times have the right, by written requisition to the Board or the Company Secretary of the Company, to require an extraordinary general meeting to be called by the Board for the transaction of any business specified in such requisition.

1.2. The requisition must specify the business to be transacted at the meeting, signed by the requisitionists. The signatures of such requisitionists will be verified by the Company's share registrars or branch share registrars (where applicable).

1.3 On the condition that the requisition from requisitionists is proper and in order, the Board will within 21 days from the date of deposit of requisition proceed to convene an extraordinary general meeting and such meeting for transaction of the business specified in the requisition shall be held within 2 months after the deposit of such requisition.

1.4 If the Board fails to proceed to convene an extraordinary general meeting within 21 days from the date of deposit of a valid requisition, the requisitionists themselves may convene an extraordinary general meeting in the same manner as that in which general meeting is to be convened by the Board, and all reasonable expenses incurred by the requisitionists as a result of the failure of the Board shall be reimbursed to them by the Company.

2. Procedures for shareholders to put enquiries to the Board

Shareholders of the Company who have enquiries to the Board are most welcome to contact the Company Secretary of the Company at any time and such enquiries will be forwarded to the Board. The contact details are as follows:

Address	:	Room 2706, 27th Floor, China Resources Building, 26 Harbour Road, Wanchai, Hong Kong
Telephone	:	(852) 2827 0182
Facsimile	:	(852) 2802 2248
E-mail	:	secretary.agrotech@gmail.com

3. Procedures for shareholders to put proposal at shareholders' meeting

There is no provision allowing shareholders to propose new resolutions at the general meetings under the Cayman Islands Companies Law (2011 Revision). However, shareholders of the Company can follow Article 58 of the Articles of Association for including a resolution under valid requisition of an extraordinary general meeting. Details are set out in the above paragraph 1.

Pursuant to Article 88 of the Articles of Association, no person other than a Director retiring at the meeting shall be eligible for election as a Director at any general meeting, unless:

(a) recommended by the Directors for election;

(b) a written Notice (the "Notice") signed by a shareholder of the Company (other than the person to be proposed) duly qualified to attend and vote at the meeting for which the Notice is given of his/her intention to propose such person for election and also the Notice signed by the person to be proposed of his/her willingness to be elected shall have been lodged at the Company's principal place of business at Room 2706, 27th Floor, China Resources Building, 26 Harbour Road, Wanchai, Hong Kong provided that the minimum length of the period, during which the Notice(s) are given, shall be at least seven (7) days and that (if the Notice(s) are submitted after the despatch of the notice of the general meeting appointed for such election) the period for lodgment of the Notice(s) shall commence on the day after the despatch of the notice of the general meeting appointed for such election and end no later than seven (7) days prior to the date of such general meeting.

The Notice must state the full name of the person proposed for election as a Director of the Company and his/her biographical details as required by Rule 13.51(2) of the Listing Rules.

Shareholders of the Company who have enquiries regarding the above procedures may write to the Company Secretary with contact details set out in the above paragraph 2.

INVESTOR RELATIONS

The Company encourages two-way communications with both its institutional and private investors. Extensive information about the Company's activities is provided in its annual reports and interim reports, which are sent to shareholders of the Company. Meetings with investors were held after results announcement to explain the Company's activities, performance and future plans and to enable better understanding of the Group by the public. The annual general meeting provides a forum for direct communication between the Board and the Company's shareholders. The Company maintains regular communication with media to disseminate financial and other information relating to the Group and its business to the public in order to foster effective communication.

During the year ended 30 June 2013, there is no change in the Company's constitutional documents.

INDEPENDENT AUDITOR'S REPORT

開元信德會計師事務所有限公司
ELITE PARTNERS CPA LIMITED
Certified Public Accountants

INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF CHINA AGROTECH HOLDINGS LIMITED
(Incorporated in the Cayman Islands with limited liability)

We have audited the consolidated financial statements of China Agrotech Holdings Limited ("the Company") and its subsidiaries (together "the Group") set out on pages 28 to 116, which comprise the consolidated and company statements of financial position as at 30 June 2013, and the consolidated income statement, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

DIRECTORS' RESPONSIBILITY FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The directors of the Company are responsible for the preparation of consolidated financial statements that give a true and fair view in accordance with Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA") and the disclosure requirements of the Hong Kong Companies Ordinance, and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

AUDITOR'S RESPONSIBILITY

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. This report is made solely to you, as a body, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

We conducted our audit in accordance with Hong Kong Standards on Auditing issued by the HKICPA. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of the consolidated financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

INDEPENDENT AUDITOR'S REPORT

OPINION

In our opinion, the consolidated financial statements give a true and fair view of the state of affairs of the Group and the Company as at 30 June 2013, and of the Group's profit and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards and have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

Elite Partners CPA Limited
Certified Public Accountants
Hong Kong, 26 September 2013

Yip Kai Yin
Practising Certificate Number P05131

Suites 921–921A, 9/F., Star House,
3 Salisbury Road, Tsimshatsui,
Kowloon, Hong Kong

CONSOLIDATED INCOME STATEMENT

For the year ended 30 June 2013
(Expressed in Hong Kong dollars)

	Note	2013 HK$'000	2012 HK$'000
Turnover	4	**4,811,020**	4,987,245
Cost of sales		**(4,533,809)**	(4,719,802)
Gross profit		**277,211**	267,443
Other revenue and other net income	5	**69,529**	65,102
Loss arising from change in fair value less costs to sell of biological assets	15	**(13,633)**	(7,543)
Gain from compensation of shortfall of guaranteed profit arising from an acquisition	34(a)	**150,000**	120,000
Gain from change in fair value of derivative financial liabilities	30	**6,091**	24,917
Distribution costs		**(54,852)**	(59,236)
Administrative expenses		**(125,271)**	(107,055)
Impairment loss on trade receivables	22(a)	**(33,057)**	(12,867)
Loss on disposal of subsidiaries, net	34(c)	**–**	(6,661)
Profit from operations		**276,018**	284,100
Finance costs	6(a)	**(130,997)**	(143,480)
Profit before taxation	6	**145,021**	140,620
Income tax	7(a)	**10,313**	(5,132)
Profit for the year		**155,334**	135,488
Attributable to:			
Owners of the Company	33(a)	**154,347**	137,052
Non-controlling interests	33(a)	**987**	(1,564)
Profit for the year	33(a)	**155,334**	135,488
Earnings per share	11		
Basic		**HK15.76 cents**	HK16.12 cents
Diluted		**HK15.76 cents**	HK16.12 cents

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 30 June 2013
(Expressed in Hong Kong dollars)

	Note	2013 HK$'000	2012 HK$'000
Profit for the year		**155,334**	135,488
Other comprehensive income for the year			
Exchange differences on translation of financial statements of subsidiaries in the PRC	*33(a)*	**80,799**	24,495
Reclassification adjustment for exchange difference relating to disposal of subsidiaries in the PRC	*33(a)*	**–**	(625)
		80,799	23,870
Income tax relating to components of other comprehensive income		**–**	–
Other comprehensive income for the year, net of tax		**80,799**	23,870
Total comprehensive income for the year		**236,133**	159,358
Attributable to:			
Owners of the Company		**234,580**	160,922
Non-controlling interests		**1,553**	(1,564)
		236,133	159,358

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 June 2013
(Expressed in Hong Kong dollars)

	Note	2013 HK$'000	2013 HK$'000	2012 HK$'000	2012 HK$'000
Non-current assets					
Property, plant and equipment	*13*		**127,506**		136,952
Lease premiums for land	*14*		**11,190**		11,218
Biological assets	*15*		**1,043,773**		972,790
Intangible assets	*16*		**52,606**		60,010
Goodwill	*17*		**86,837**		83,941
Available-for-sale financial assets	*18*		**39,207**		37,917
Other deposit	*19*		**–**		14,656
			1,361,119		1,317,484
Current assets					
Lease premiums for land	*14*	**286**		276	
Inventories	*21*	**87,210**		88,068	
Trade and other receivables	*22*	**3,298,159**		3,132,773	
Trading securities	*23*	**3,677**		3,596	
Restricted bank deposits	*24*	**828,038**		819,815	
Cash and cash equivalents	*25*	**98,037**		210,640	
		4,315,407		4,255,168	
Current liabilities					
Trade and other payables	*26*	**2,125,790**		2,402,261	
Bank and other loans	*27*	**1,007,524**		693,523	
Tax payable	*29(a)*	**32,491**		47,476	
Derivative financial liabilities	*30*	**5,014**		19,665	
Promissory notes	*32*	**–**		193,349	
		(3,170,819)		(3,356,274)	
Net current assets			**1,144,588**		898,894
Total assets less current liabilities			**2,505,707**		2,216,378
Non-current liabilities					
Bank loans	*27*		**1,033**		1,388
Convertible bonds	*31(d)*		**585,811**		552,375
Deferred tax liabilities	*29(b)*		**11,466**		12,492
			(598,310)		(566,255)
NET ASSETS			**1,907,397**		1,650,123

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 June 2013
(Expressed in Hong Kong dollars)

	Note	2013 HK$'000	2013 HK$'000	2012 HK$'000	2012 HK$'000
CAPITAL AND RESERVES	*33(a)*				
Share capital			**99,377**		94,777
Share premium and reserves			**1,785,913**		1,542,373
Total equity attributable to owners of the Company	*33(a)*		**1,885,290**		1,637,150
Non-controlling interests	*33(a)*		**22,107**		12,973
TOTAL EQUITY	*33(a)*		**1,907,397**		1,650,123

Approved and authorised for issue by the board of directors on 26 September 2013.

WU SHAONING
Director

CHEN XIAO FANG
Director

STATEMENT OF FINANCIAL POSITION

At 30 June 2013
(Expressed in Hong Kong dollars)

	Note	2013 HK$'000	2012 HK$'000
Non-current assets			
Interests in subsidiaries	*20*	**1,262,553**	1,398,378
Current assets			
Other receivables	*22*	**202,086**	120,086
Cash and cash equivalents	*25*	**15**	1,030
		202,101	121,116
Current liabilities			
Other payables	*26*	**1,208**	1,186
Derivative financial liabilities	*30*	**5,014**	19,665
Promissory notes	*32*	**–**	193,349
		(6,222)	(214,200)
Net current assets/(liabilities)		**195,879**	(93,084)
Total assets less current liabilities		**1,458,432**	1,305,294
Non-current liabilities			
Convertible bonds	*31(d)*	**(585,811)**	(552,375)
NET ASSETS		**872,621**	752,919
CAPITAL AND RESERVES	*33(b)*		
Share capital		**99,377**	94,777
Share premium and reserves		**773,244**	658,142
TOTAL EQUITY		**872,621**	752,919

Approved and authorised for issue by the board of directors on 26 September 2013.

WU SHAONING
Director

CHEN XIAO FANG
Director

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 30 June 2013
(Expressed in Hong Kong dollars)

		Attributable to owners of the Company											
	Note	Share capital HK$'000	Share premium HK$'000	Capital reserve HK$'000	Exchange reserve HK$'000	Convertible Bond equity reserve HK$'000	Employee Share-based compensation reserve HK$'000	Other reserves HK$'000	Warrant reserve HK$'000	Retained profits HK$'000	Total HK$'000	Non-controlling interests HK$'000	Total equity HK$'000
At 1 July 2011		77,977	362,235	1,188	171,888	180,100	7,925	61,937	1,800	533,005	1,398,055	23,221	1,421,276
Profit for the year		–	–	–	–	–	–	–	–	137,052	137,052	(1,564)	135,488
Exchange difference on translation of the financial statements of subsidiaries in PRC		–	–	–	24,495	–	–	–	–	–	24,495	–	24,495
Disposals of subsidiaries	34(c)	–	–	–	(625)	–	–	–	–	–	(625)	–	(625)
Total other comprehensive income		–	–	–	23,870	–	–	–	–	–	23,870	–	23,870
Total comprehensive income for the year		–	–	–	23,870	–	–	–	–	137,052	160,922	(1,564)	159,358
Transactions with owners:													
Issue of unlisted warrants	33(d)(vi)	–	–	–	–	–	–	–	893	–	893	–	893
Issue of consideration shares	33(c)	2,800	3,080	–	–	–	–	–	–	–	5,880	–	5,880
Exercise of unlisted warrants	33(c)	10,000	30,893	–	–	–	–	–	(893)	–	40,000	–	40,000
Issue of shares upon conversion of convertible bonds	33(c)	4,000	38,183	–	–	(10,783)	–	–	–	–	31,400	–	31,400
Redemption of convertible bonds	31(a)	–	–	–	44	(1,374)	–	–	–	1,330	–	–	–
Lapse of share options	28	–	–	–	–	–	(7,925)	–	–	7,925	–	–	–
Acquisition of additional interests in a subsidiary		–	–	–	–	–	–	–	–	–	–	(146)	(146)
Disposal of subsidiaries	34(c)	–	–	–	–	–	–	–	–	–	–	(8,538)	(8,538)
Transfers		–	–	–	18	–	–	1,284	–	(1,302)	–	–	–
Total transactions with owners		16,800	72,156	–	62	(12,157)	(7,925)	1,284	–	7,953	78,173	(8,684)	69,489
At 30 June 2012		94,777	434,391	1,188	195,820	167,943	–	63,221	1,800	678,010	1,637,150	12,973	1,650,123
Profit for the year		–	–	–	–	–	–	–	–	154,347	154,347	987	155,334
Exchange difference on translation of the financial statements of subsidiaries in PRC		–	–	–	80,233	–	–	–	–	–	80,233	566	80,799
Total other comprehensive income		–	–	–	80,233	–	–	–	–	–	80,233	566	80,799
Total comprehensive income for the year		–	–	–	80,233	–	–	–	–	154,347	234,580	1,553	236,133
Transactions with owners:													
Issue of consideration shares	33(c)	4,000	4,560	–	–	–	–	–	–	–	8,560	–	8,560
Issue of shares upon conversion of convertible bonds	33(c)	600	6,017	–	–	(1,617)	–	–	–	–	5,000	–	5,000
Transfers		–	–	–	14	–	–	1,618	–	(1,632)	–	–	–
Total transactions with owners		4,600	10,577	–	14	(1,617)	–	1,618	–	(1,632)	13,560	–	13,560
Capital injection by non-controlling interests		–	–	–	–	–	–	–	–	–	–	7,581	7,581
At 30 June 2013		**99,377**	**444,968**	**1,188**	**276,067**	**166,326**	**–**	**64,839**	**1,800**	**830,725**	**1,885,290**	**22,107**	**1,907,397**

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 30 June 2013
(Expressed in Hong Kong dollars)

	Note	2013 HK$'000	2012 HK$'000
Operating activities			
Profit before taxation		**145,021**	140,620
Adjustments for:			
Interest charged on convertible bonds	*6(a)*	**38,436**	39,640
Interest charged on promissory notes	*6(a)*	**6,652**	11,333
Depreciation on owned fixed assets	*13*	**15,936**	15,460
Amortisation of lease premiums for land	*14*	**449**	442
Amortisation of intangible assets	*16*	**9,329**	9,479
Impairment losses on trade receivables	*22(a)(ii)*	**33,057**	12,867
Loss on disposal of property, plant and equipment	*6(c)*	**4,790**	702
Reversal of impairment losses of trade debtors and bills receivables	*22(a)(ii)*	**(12,867)**	(13,075)
Finance costs	*6(a)*	**85,909**	92,507
Interest income from bank deposits	*5*	**(22,794)**	(15,537)
Loss on disposals of subsidiaries	*34(c)*	**–**	6,661
Other interest income	*5*	**(11,458)**	(9,909)
Gain from change in fair value of derivative financial liabilities	*30*	**(6,091)**	(24,917)
Loss arising from change in fair value less costs to sell of biological assets	*15*	**13,633**	7,543
Gain from compensation of shortfall of guaranteed profit arising from an acquisition	*34(a)*	**(150,000)**	(120,000)
Operating profit before changes in working capital		**150,002**	153,816
Decrease/(Increase) in inventories		**3,774**	(28,806)
Increase in trade and other receivables		**(66,765)**	(447,194)
(Decrease)/Increase in trade and other payables		**(353,845)**	486,360
Cash (used in)/generated from operations		**(266,834)**	164,176
PRC enterprise tax paid		**(6,107)**	(7,849)
Net cash (used in)/generated from operating activities		**(272,941)**	156,327

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 30 June 2013
(Expressed in Hong Kong dollars)

	Note	2013 HK$'000	2012 HK$'000
Investing activities			
Interest received		34,252	25,446
Proceeds from disposal of property, plant and equipment		72	–
Payment for the purchase of property, plant and equipment		(6,904)	(16,053)
Purchase of trading securities		(386)	(1,178)
Capital expenditure in biological assets		(179,585)	(111,719)
Decrease in biological assets due to harvest		129,094	27,486
Proceeds from disposal of biological assets		–	110,159
Decrease/(Increase) in restricted bank deposits		19,747	(201,684)
Proceeds from disposal of trading securities		475	1,768
Payment for available-for-sale financial assets		–	(10,183)
Net cash inflow from disposals of subsidiaries	*34(c)*	–	17,972
Further addition of interest in subsidiaries		–	(146)
Gain from compensation of shortfall of guaranteed profit arising from an acquisition	*34(a)*	150,000	120,000
Net cash generated from/(used in) investing activities		146,765	(38,132)
Financing activities			
Advance from a director	*39(c)*	20,580	20,632
Repayment to a director	*39(c)*	(19,602)	(14,256)
Proceeds from new bank and other loans		1,745,963	1,138,629
Repayment of promissory note		(200,000)	–
Proceeds from issue of unlisted warrants		–	893
Proceeds from issue of shares upon exercise of unlisted warrants		–	40,000
Repayment of bank loans		(1,460,719)	(1,144,801)
Interest expenses paid	*6(a)*	(85,909)	(92,507)
Redemption of convertible bonds		–	(32,106)
Net cash generated from/(used in) financing activities		313	(83,516)
Net (decrease)/increase in cash and cash equivalents		(125,863)	34,679
Cash and cash equivalents at 1 July		210,640	178,514
Effect of foreign exchange rate changes		13,260	(2,553)
Cash and cash equivalents at 30 June		98,037	210,640
Represented by:			
Cash and bank balances		98,037	210,640

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2013
(Expressed in Hong Kong dollars)

1. GENERAL INFORMATION

China Agrotech Holdings Limited (the "Company") was incorporated in the Cayman Islands with limited liability on 9 September 1999 and its shares are listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange"). The addresses of the registered office and principal place of business of the Company are Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman KY1-1111, Cayman Islands and Room 2706, 27th Floor, China Resources Building, 26 Harbour Road, Wanchai, Hong Kong respectively.

The consolidated financial statements of the Group for the year ended 30 June 2013 comprise the Company and its subsidiaries (together the "Group"). The Company acts as an investment holding company. The subsidiaries are principally engaged in the following activities:

(a) the trading of fertilizers, pesticides and other agricultural resources products;

(b) the manufacture and sale of pesticides and fertilizers;

(c) the provision of plant protection technical services;

(d) the trading of non-agricultural resources products; and

(e) the nursing, planting and sale of landscaping seedlings.

2. SIGNIFICANT ACCOUNTING POLICIES

(a) Statement of compliance

These financial statements have been prepared in accordance with all applicable Hong Kong Financial Reporting Standards ("HKFRSs"), which collective term includes all applicable individual Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards ("HKASs") and Interpretations issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"), accounting principles generally accepted in Hong Kong and the disclosure requirements of the Hong Kong Companies Ordinance. These financial statements also comply with the applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules"). A summary of the significant accounting policies adopted by the Group is set out below.

The HKICPA has issued certain amendments and interpretations which are or have become effective. It has also issued certain new and revised HKFRSs which are first effective or available for early adoption for the current accounting period of the Group and the Company. Note 3 provides information on initial application of these developments to the extent that they are relevant to the Group for the current and prior accounting periods reflected in these financial statements.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2013
(Expressed in Hong Kong dollars)

2. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(b) Basis of preparation of the financial statements

The consolidated financial statements for the year ended 30 June 2013 comprise the Company and its subsidiaries.

Items included in the financial statements of each entity in the Group are measured using the currency that best reflects the economic substance of the underlying events and circumstances relevant to the entity. These financial statements are presented in Hong Kong dollars ("HK$"), rounded to the nearest thousand except for per share data. Hong Kong dollars is the Company's functional and presentation currency.

The measurement basis used in the preparation of the financial statements is the historical cost basis except that the following assets and liabilities are carried at their fair value as explained in the accounting policies set out below.

— biological assets (see note 2(i))

— derivative financial instruments (see note 2(n))

— financial instruments classified as available-for-sale or trading securities (see note 2(o))

The preparation of financial statements in conformity with HKFRSs requires management to make judgments, estimates and assumptions that affect the application of policies and reported amounts of assets, liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgments about carrying amounts of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Judgements made by management in the application of HKFRSs that have a significant effect on the financial statements and estimates with a significant risk of material adjustment in the next year are discussed in note 40.

(c) Subsidiaries and non-controlling interests

Subsidiaries are entities controlled by the Company. Control exists when the Company has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. In assessing control, potential voting rights that presently are exercisable are taken into account.

An investment in a subsidiary is consolidated into the consolidated financial statements from the date that control commences until the date that control ceases. Intra-group balances and transactions and any unrealised profits arising from intra-group transactions are eliminated in full in preparing the consolidated financial statements. Unrealised losses resulting from intra-group transactions are eliminated in the same way as unrealised gains but only to the extent that there is no evidence of impairment.

NOTES TO THE FINANCIAL STATEMENTS

2. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(c) Subsidiaries and non-controlling interests *(Continued)*

Non-controlling interests represent the equity in a subsidiary not attributable directly or indirectly to the Company, and in respect of which the Group has not agreed any additional terms with the holders of those interests which would result in the Group as a whole having a contractual obligation in respect of those interests that meets the definition of a financial liability. For each business combination, the Group can elect to measure any non-controlling interests either at fair value or at its proportionate share of the subsidiary's net identifiable assets.

Non-controlling interests are presented in the consolidated statement of financial position within equity, separately from equity attributable to the owners of the Company. Non-controlling interests in the results of the Group are presented on the face of the consolidated income statement and the consolidated statement of comprehensive income as an allocation of the total profit or loss. Total comprehensive income is attributed to the owners of the Company and to the non-controlling interests even if this result in the non-controlling interests having a deficit balance. Prior to 1 July 2010, losses applicable to the non-controlling interests in excess of the non-controlling interests in the subsidiary's equity were allocated against the interests of the Group except to the extent that the non-controlling interests had a binding obligation and were able to make an additional investment to cover the losses. Loan from holders of non-controlling interests and other contractual obligations towards these holders are presented as financial liabilities in the consolidated statement of financial position.

Changes in the Group's interests in a subsidiary that do not result in a loss of control are accounted for as equity transactions, whereby adjustments are made to the amounts of controlling and non-controlling interests within consolidated equity to reflect the change in relative interests, but no adjustments are made to goodwill and no gain or loss is recognised.

When the Group loses control of a subsidiary, it is accounted for as a disposal of the entire interest in that subsidiary, with a resulting gain or loss being recognised in profit or loss. Any interest retained in that former subsidiary at the date when control is lost is recognised at fair value and this amount is regarded as the fair value on initial recognition of a financial asset or, when appropriate, the cost on initial recognition of an investment in an associate.

In the Company's statement of financial position, interest in subsidiaries are carried at cost less impairment losses (see note 2(t)).

(d) Jointly-controlled entities

A jointly-controlled entity is an entity which operates under a contractual arrangement between the Group and other parties, where the contractual arrangement establishes that the Group and one or more of the other parties share joint control over the economic activity of the entity.

An investment in a jointly-controlled entity is accounted for in the consolidated financial statements under the equity method. Under the equity method, the investment is initially recorded at cost, adjusted for any excess of the Group's share of the acquisition-date fair values of the investee's identifiable net assets over the cost of the investment (if any). Thereafter, the investment is adjusted for the post-acquisition change in the Group's share of the investee's net assets and any impairment loss relating to the investment (see notes 2(t)). Any acquisition-date excess over cost, the Group's share of the post-acquisition, post-tax results of the investees and any impairment losses for the year are recognised in the profit or loss, whereas the Group's share of the post-acquisition post-tax items of the investees' other comprehensive income is recognised in the consolidated statement of comprehensive income.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2013
(Expressed in Hong Kong dollars)

2. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(d) Jointly-controlled entities *(Continued)*

When the Group's share of losses exceeds its interest in the jointly-controlled entity, the Group's interest is reduced to nil and recognition of further losses is discontinued except to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the investee. For this purpose, the Group's interest is the carrying amount of the investment under the equity method together with the Group's long-term interests that in substance form part of the Group's net investment in the jointly controlled entity.

Unrealised profits and losses resulting from transactions between the Group and its jointly-controlled entities are eliminated to the extent of the Group's interest in the investee, except where unrealised losses provide evidence of an impairment of the asset transferred, in which case they are recognised immediately in profit or loss.

In the Group's statement of financial position, investment in a jointly-controlled entities are carried at cost less impairment losses (see note 2(t)).

(e) Business combinations

Acquisitions of businesses are accounted for using the acquisition method. The consideration transferred in a business combination is measured at fair value, which is calculated as the sum of the acquisition-date fair values of the assets transferred by the Group, liabilities incurred by the Group to the former owners of the acquiree and the equity interests issued by the Group in exchange for control of the acquiree. Acquisition related costs are generally recognised in profit or loss as incurred.

At the acquisition date, the identifiable assets acquired and the liabilities assumed are recognised at their acquisition-date fair values, except that:

- deferred tax asset or liability arising from the assets acquired and liabilities assumed in a business combination and the potential tax effects of temporary differences and carry forwards of an acquiree that exist at the acquisition date or arise as a result of the acquisition are recognised and measured in accordance with HKAS 12, Income Tax;

- liabilities or assets relating to employee benefit arrangements are recognised and measured in accordance with HKAS 19 Employee Benefits;

- liabilities or equity instruments relating to share-based payment transactions of the acquiree or the replacement of an acquiree's share-based payment transactions with share-based payment transactions of the Group are measured in accordance with HKFRS 2 Share-based Payment at the acquisition date; and

- assets (or disposal Groups) that are classified as held for sale in accordance with HKFRS 5 Non-current Assets Held for Sale and Discontinued Operations are measured in accordance with that Standard.

Goodwill is measured as the excess of the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree, and the fair value of the acquirer's previously held equity interest in the acquiree (if any) over the net of the acquisition-date amounts of the identifiable assets acquired and the liabilities assumed. If, after re-assessment, the net of the acquisition-date amounts of the identifiable assets acquired and liabilities assumed exceeds the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree and the fair value of the acquirer's previously held interest in the acquiree (if any), the excess is recognised immediately in profit or loss as a bargain purchase gain.

NOTES TO THE FINANCIAL STATEMENTS

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2. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(e) Business combinations *(Continued)*

Non-controlling interests that are present ownership interests and entitle their holders to a proportionate share of the entity's net assets in the event of liquidation may be initially measured either at fair value or at the non-controlling interests' proportionate share of the recognised amounts of the acquiree's identifiable net assets. The choice of measurement basis is made on a transaction-by-transaction basis. Other types of non-controlling interests are measured at their fair value or another measurement basis required by another HKFRSs.

Where the consideration of the Group transfers in a business combination includes assets or liabilities resulting from a contingent consideration arrangement, the contingent consideration is measured at its acquisition-date fair value and considered as part of the consideration transferred in a business combination. Changes in the fair value of the contingent consideration that qualify as measurement period adjustments are adjusted retrospectively, with the corresponding adjustments being made against goodwill or gain on bargain purchase. Measurement period adjustments are adjustments that arise from additional information obtained during the measurement period about facts and circumstances that existed as of the acquisition date. Measurement period does not exceed one year from the acquisition date.

The subsequent accounting for changes in the fair value of the contingent consideration that do not qualify as measurement period adjustments depends on how the contingent consideration is classified. Contingent consideration that is classified as equity is not remeasured at subsequent reporting dates and its subsequent settlement is accounted for within equity. Contingent consideration that is classified as an asset or a liability is remeasured at subsequent reporting dates in accordance with HKAS 39, or HKAS 37 Provisions, Contingent Liabilities and Contingent Assets, as appropriate, with the corresponding gain or loss being recognised in profit or loss.

When a business combination is achieved in stages, the Group's previously held equity interest in the acquiree is remeasured to fair value at the acquisition date (i.e., the date when the Group obtains control), and the resulting gain or loss, if any, is recognised in profit or loss. Amounts arising from interests in the acquiree prior to the acquisition date that have previously been recognised in other comprehensive income are reclassified to profit or loss where such treatment would be appropriate if that interest were disposed of.

Changes in the value of the previously held equity interest recognised in other comprehensive income and accumulated in equity before the acquisition date are reclassified to profit or loss when the Group obtains control over the acquiree.

If the initial accounting for a business combination is incomplete by the end of the reporting period in which the combination occurs, the Group reports provisional amounts for the items for which the accounting is incomplete. Those provisional amounts are adjusted during the measurement period (see above), or additional assets or liabilities are recognised, to reflect new information obtained about facts and circumstances that existed as of the acquisition date that, if known, would have affected the amounts recognised as of that date.

2. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(f) Property, plant and equipment

Property, plant and equipment are carried in the statement of financial position at cost less accumulated depreciation and impairment losses (see note 2(t)).

When a lease includes both land and building elements, the Group assesses the classification of each element as a finance or an operating lease separately based on the assessment as to whether substantially all the risks and rewards incidental to ownership of each element have been transferred to the Group.

To the extent the allocation of the lease payments can be made reliably, interest in leasehold land that is accounted for as an operating lease is presented as "lease premiums for land" in the consolidated statement of financial position and is amortised over the lease term on a straight-line basis.

Depreciation is calculated to write off the cost of items of property, plant and equipment, less their estimated residual value, if any, using the straight-line method, over their estimated useful lives as follows:

— buildings situated on leasehold land are depreciated over the shorter of the unexpired term of lease and their estimated useful lives, being no more than 20 years.

— machinery	5 years
— furniture and office equipment	5 years
— motor vehicles	5 years

Where parts of an item of property, plant and equipment have different useful lives, the cost of the item is allocated on a reasonable basis between the parts and each part is depreciated separately. Both the useful life of an asset and its residual value, if any, are reviewed annually.

Historical cost includes expenditure that is directly attributable to the acquisition of the items. Cost may also include transfers from equity of any gains/losses on qualifying cash flow hedges of foreign currency purchases of property, plant and equipment.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognised. All other repairs and maintenance are charged to profit or loss during the financial period in which they are incurred.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

Gains or losses arising from the retirement or disposal of an item of property, plant and equipment are determined as the difference between the net proceeds on disposal and the carrying amount of the item and are recognised in profit or loss on the date of retirement or disposal.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2013
(Expressed in Hong Kong dollars)

2. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(g) Construction-in-progress

Construction-in-progress is carried at cost less impairment losses (see note 2(t)). Cost comprises direct costs of construction incurred, including any attributable financing costs, during the period of construction and installation. The asset concerned is transferred to property, plant and equipment when substantially all the activities necessary to prepare the asset for its intended use are completed, at which time it commences to be depreciated in accordance with the Group's depreciation policy.

(h) Leased assets

An arrangement, comprising a transaction or a series of transactions, is or contains a lease if the Group determines that the arrangement conveys a right to use a specific asset or assets for an agreed period of time in return for a payment or a series of payments. Such a determination is made based on an evaluation of the substance of the arrangement and is regardless of whether the arrangement takes the legal form of a lease.

(i) Classification of assets leased to the Group

Assets that are held by the Group under leases which transfer to the Group substantially all the risks and rewards of ownership are classified as being held under finance leases. Leases which do not transfer substantially all the risks and rewards of ownership to the Group are classified as operating leases, with the following exceptions:

— property held under operating leases that would otherwise meet the definition of an investment property is classified as an investment property on a property-by-property basis and, if classified as investment property, is accounted for as if held under a finance lease; and

— land held for own use under an operating lease, the fair value of which cannot be measured separately from the fair value of a building situated thereon at the inception of the lease, is accounted for as being held under a finance lease, unless the building is also clearly held under an operating lease. For these purposes, the inception of the lease is the time that the lease was first entered into by the Group, or taken over from the previous lessee.

(ii) Assets acquired under finance leases

Where the Group acquires the use of assets under finance leases, the amounts representing the fair value of the leased asset or, if lower, the present value of the minimum lease payments of such assets is included in non-current assets and the corresponding liabilities, net of finance charges, are included as obligations under finance leases. Depreciation is provided at rates which write off the cost or valuation of the assets over the term of the relevant lease or, where it is likely the Group will obtain ownership of the asset, the life of the asset, as set out in note 2(f). Impairment losses are accounted for in accordance with the accounting policy as set out in note 2(t). Finance charges implicit in the lease payments are charged to profit or loss over the period of the leases so as to produce an approximately constant periodic rate of charge on the remaining balance of the obligations for each reporting period.

(iii) Operating lease charges

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

2. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(h) Leased assets *(Continued)*

(iii) Operating lease charges *(Continued)*

The cost of acquiring land held under an operating lease is amortised on a straight-line basis over the period of the lease term except where the property is classified as an investment property.

(i) Biological assets

Biological assets are living plants involved in the agricultural activities of the transformation of biological assets into agricultural produce for sales or into additional biological assets. Biological assets and agricultural produce are measured at fair value less costs to sell at initial recognition and at each reporting date. The fair value less costs to sell at the time of harvest is deemed as the cost of agricultural produce for further processing, if applicable. Direct expenditures related to plantation and maintenance of biological assets are capitalised. Costs to sell are the incremental costs directly attributable to the sell of biological asset.

The fair value less costs to sell of biological assets is determined independently by professional valuers at the end of each reporting period. The gain or loss arising on initial recognition and subsequent changes in fair values less costs to sell of biological assets is recognised in profit or loss in the period in which it arises. Upon the sale of the agricultural produce, the carrying amount is transferred to cost of sales in the profit or loss.

(j) Goodwill

Goodwill represents the excess of:

(i) the aggregate of the fair value of the consideration transferred, the amount of any non-controlling interests in the acquiree and the fair value of the Group's previously held equity interest in the acquiree; over

(ii) the Group's interest in the net fair value of the acquiree's identifiable assets and liabilities measured as at the acquisition date.

When (ii) is greater than (i), this excess is recognised immediately in profit or loss as a gain on a bargain purchase.

Goodwill is carried at cost less accumulated impairment losses. For the purposes of impairment testing, goodwill is allocated to each of the cash-generating unit, or groups of cash-generating units that is expected to benefit from the synergies of the combination.

A cash-generating unit to which goodwill has been allocated is tested for impairment annually, or more frequently whenever there is indication that the unit may be impaired. For goodwill arising on an acquisition in a reporting period, the cash-generating unit to which goodwill has been allocated is tested for impairment before the end of that reporting period. If the recoverable amount of the cash-generating unit is less than the carrying amount of the unit, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to the other assets of the unit pro rata on the basis of the carrying amount of each asset in the unit. Any impairment loss for goodwill is recognised directly in profit or loss. An impairment loss recognised for goodwill is not reversed in subsequent periods.

On the disposal of a cash generating unit during the year, any attributable amount of purchased goodwill is included in the calculation of the profit or loss on disposal.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2013
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2. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(k) Intangible assets (other than goodwill)

Intangible assets are identifiable non-monetary asset without physical substance.

Expenditure on research activities is recognised as an expense in the period in which it is incurred. Expenditure on development activities is capitalised if the product or process is technically and commercially feasible and the Group has sufficient resources and intention to complete the development, it is probable that the expected future economic benefits that are attributable to the asset will flow to the Group and the cost of the asset can be measured reliably. The expenditure capitalised includes the costs of materials, direct labour, and an appropriate proportion of overheads and borrowing costs, where applicable (see note 2(v)). Capitalised development costs are carried at cost less accumulated amortisation and impairment losses (see note 2(t)). Other development expenditure and expenditure on internally generated goodwill are recognised as an expense in the period in which it is incurred.

Intangible assets that are acquired by the Group are carried in the consolidated statement of financial position at cost less accumulated amortisation (where the estimated useful life is finite) and impairment losses (see note 2(t)).

Amortisation of intangible assets with finite useful lives is charged to profit or loss on a straight-line basis over the assets' estimated useful lives. The following intangible assets with finite useful lives are amortised from the date they are available for use and their estimated useful lives are as follows:

—	system development costs	5 years
—	product development costs	5 to 10 years
—	technical know-how	5 to 10 years

Both the amortisation period and method of amortisation are reviewed annually.

Intangible assets are not amortised while their useful lives are assessed to be indefinite. Any conclusion that the useful life of an intangible asset is indefinite is reviewed annually to determine whether events and circumstances continue to support the indefinite useful life assessment for that asset. If they do not, the change in the useful life assessment from indefinite to finite is accounted for prospectively from the date of change and in accordance with the policy for amortisation of intangible assets with finite lives as set out above.

(l) Inventories

Inventories are carried at the lower of cost and net realisable value.

Cost is calculated using the weighted average cost formula and comprises all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition.

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.

When inventories are sold, the carrying amount of those inventories is recognised as an expense in the period in which the related revenue is recognised. The amount of any write-down of inventories to net realisable value and all losses of inventories are recognised as an expense in the period the write-down or loss occurs. The amount of any reversal of any write-down of inventories is recognised as a reduction in the amount of inventories recognised as an expense in the period in which the reversal occurs.

NOTES TO THE FINANCIAL STATEMENTS

2. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(m) Trade and other receivables

Trade and other receivables are initially recognised at fair value and thereafter carried at amortised cost less allowance for impairment for doubtful debts (see note 2(t)), except where the receivables are interest-free loans made to related parties without any fixed repayment terms or the effect of discounting would be immaterial. In such cases, the receivables are carried at cost less allowance for impairment for doubtful debts (see note 2(t)).

(n) Derivative financial instruments

Derivative financial instruments are recognised initially at fair value. At the end of each reporting period, the fair value is remeasured. The gain or loss on remeasurement to fair value is charged immediately to profit or loss, except where the derivatives qualify for cash flow hedge accounting or are effective hedges over the net investment in a foreign operation, in which case recognition of any resultant gain or loss depends on the nature of the item being hedged.

(o) Other investments in debt and equity securities

The policies of accounting for investments in equity securities, other than investments in subsidiaries are as follows:

Investments in equity securities are initially carried at fair value, which is their transaction price unless fair value can be more reliably estimated using valuation techniques whose variables include only data from observable markets. Cost includes attributable transaction costs, except where indicated otherwise below. These investments are subsequently accounted for as follows, depending on their classification:

Investments in securities held for trading are classified as current assets. Any attributable transaction costs are recognised in profit or loss as incurred. At the end of each reporting period, the fair value is remeasured, with any resultant gain or loss being recognised in profit or loss. The net gain or loss recognised in profit or loss does not include any dividends or interest earned on these investments as these are recognised in accordance with the policies set out in note 2(u)(iii) and (v).

Investments in equity securities that do not have a quoted market price in an active market and whose fair value cannot be reliably measured are recognised in the statement of financial position at cost less impairment losses (see note 2(t)).

Other investments in securities are classified as available-for-sale securities and are initially recognised at fair value plus transaction costs. At the end of each reporting period, the fair value is remeasured, with any resultant gain or loss being recognised directly in equity, except foreign exchange gains or losses in respect of monetary items such as debt securities which are recognised directly in profit or loss. Dividend income from these investments is recognised in profit or loss in accordance with the policy set out in note 2(u)(v) and, where these investments are interest-bearing, interest calculated using the effective interest method is recognised in profit or loss. When these investments are derecognised, the cumulative gain or loss previously recognised directly in equity is recognised in profit or loss.

For an investment in equity instruments that do not have a quoted market price in an active market, or derivatives linked to such equity instruments, it is measured at cost less impairment.

Investments are recognised/derecognised on the date the Group commits to purchase/sell the investments or when they expire.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2013
(Expressed in Hong Kong dollars)

2. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(p) Cash and cash equivalents

Cash and cash equivalents comprise cash at bank and on 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, having been within three months of maturity at acquisition. Bank overdrafts that are repayable on demand and form an integral part of the Group's cash management are also included as component of cash and cash equivalents for the purpose of the consolidated statement of cash flows.

(q) Trade and other payables

Trade and other payables are initially recognised at fair value. Except for financial guarantee liabilities measured in accordance with note 2(x)(i), trade and other payables are subsequently carried at amortised cost unless the effect of discounting would be immaterial, in which case they are carried at cost.

(r) Interest-bearing borrowings

Interest-bearing borrowings are recognised initially at fair value less attributable transaction costs. Subsequent to initial recognition, interest-bearing borrowings are stated at amortised cost with any difference between the amount initially recognised and redemption value being recognised in profit or loss over the period of the borrowings, together with any interest and fees payables, using the effective interest method.

(s) Convertible bonds

(i) Convertible bonds that contain an equity component

Convertible bonds that can be converted to equity share capital at the option of the holder, where the number of shares that would be issued on conversion and the value of the consideration that would be received at that time do not vary, are accounted for as compound financial instruments which contain both a liability component and an equity component.

At initial recognition the liability component of the convertible bonds is measured at the present value of the future interest and principal payments, discounted at the market rate of interest applicable at the time of initial recognition to similar liabilities that do not have a conversion option. Any excess of proceeds over the amount initially recognised as liability component is recognised as the equity component. Transaction costs that relate to the issue of a compound financial instrument are allocated to the liability and equity components in proportion to the allocation of proceeds.

The liability component is subsequently carried at amortised cost. The interest expense recognised in profit or loss on the liability component is calculated using the effective interest method. The equity component is recognised in the capital reserve until either the bond is converted or redeemed.

If the bond is converted, the capital reserve, together with the carrying amount of the liability component at the time of conversion, is transferred to share capital and share premium as consideration for the shares issued. If the bond is redeemed, the capital reserve is released directly to retained profits.

2. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(s) Convertible bonds *(Continued)*

(ii) Convertible bonds that contain a derivative component

At initial recognition the derivative component of the convertible bonds is measured at fair value and presented as part of derivative financial instruments. Any excess of proceeds over the amount initially recognised as the derivative component is recognised as the liability component. Transaction costs that relate to the issue of the convertible bond are allocated to the liability and derivative components in proportion to the allocation of proceeds. The portion of the transaction costs relating to the liability component is recognised initially as part of the liability. The portion relating to the derivative component is recognised immediately in profit or loss.

The derivative component is subsequently remeasured in accordance with the Group's accounting policy on derivative financial instruments. The liability component is subsequently carried at amortised cost. The interest expense recognised in profit or loss on the liability component is calculated using the effective interest method. If the bond is converted, the carrying amount of the derivative and liability components are transferred to share capital and share premium as consideration for the shares issued. If the bond is redeemed, any difference between the amount paid and the carrying amount of both components is recognised in profit or loss.

(t) Impairment of assets

(i) Impairment of investments in equity securities and other receivables

Investments in equity securities (other than investments in subsidiaries (see note 2(t)(ii)) and other current and non-current receivables that are carried at cost or amortised cost or are classified as available-for-sale securities are reviewed at the end of each reporting period to determine whether there is objective evidence of impairment. Objective evidence of impairment includes observable data that comes to the attention of the Group about one or more of the following loss events:

— significant financial difficulty of the debtor;

— a breach of contract, such as a default or delinquency in interest or principal payments;

— it becoming probable that the debtor will enter bankruptcy or other financial reorganisation;

— significant changes in the technological, market, economic or legal environment that have an adverse effect on the debtor; and

— a significant or prolonged decline in the fair value of an investment in an equity instrument below its cost.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2013
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2. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(t) Impairment of assets *(Continued)*

(i) Impairment of investments in equity securities and other receivables *(Continued)*

If any such evidence exists, any impairment loss is determined and recognised as follows:

— For unlisted equity securities carried at cost, the impairment loss is measured as the difference between the carrying amount of the financial asset and the estimated future cash flows, discounted at the current market rate of return for a similar financial asset where the effect of discounting is material. Impairment losses for equity securities are not reversed.

— For trade and other current receivables and other financial assets carried at amortised cost, the impairment loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the financial asset's original effective interest rate (i.e., the effective interest rate computed at initial recognition of these assets), where the effect of discounting is material. This assessment is made collectively where financial assets carried at amortised cost share similar risk characteristics, such as similar past due status, and have not been individually assessed as impaired. Future cash flows for financial assets which are assessed for impairment collectively are based on historical loss experience for assets with credit risk characteristics similar to the collective group.

If in a subsequent period the amount of an impairment loss decreases and the decrease can be linked objectively to an event occurring after the impairment loss was recognised, the impairment loss is reversed through profit or loss. A reversal of an impairment loss shall not result in the asset's carrying amount exceeding that which would have been determined had no impairment loss been recognised in prior years.

— For available-for-sale equity securities, which are carried at fair value, when a decline in the fair value has been recognised directly in equity and there is objective evidence that the asset is impaired, the cumulative loss that had been recognised directly in equity shall be removed from equity and recognised in profit or loss even though the financial asset has not been derecognised. The amount of the cumulative loss that is recognised in profit or loss is the difference between the acquisition cost (net of any principal repayment and amortisation) and current fair value, less any impairment loss on that asset previously recognised in profit or loss.

Impairment losses recognised in profit or loss in respect of available-for-sale equity securities are not reversed through profit or loss. Any subsequent increase in the fair value of such assets is recognised directly in equity.

Impairment losses are written off against the corresponding assets directly, except for impairment losses recognised in respect of trade debtors included within trade and other receivables, whose recovery is considered doubtful but not remote. In this case, the impairment losses for doubtful debts are recorded using an allowance account. When the Group is satisfied that recovery is remote, the amount considered irrecoverable is written off against trade debtors directly and any amounts held in the allowance account relating to that debt are reversed. Subsequent recoveries of amounts previously charged to the allowance account are reversed against the allowance account. Other changes in the allowance account and subsequent recoveries of amounts previously written off directly are recognised in profit or loss.

Impairment losses in respect of available-for-sale securities are reversed if the subsequent increase in fair value can be objectively related to an event occurring after the impairment loss was recognised. Reversals of impairment losses in such circumstances are recognised in profit or loss.

2. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(t) Impairment of assets *(Continued)*

(ii) Impairment of other assets

Internal and external sources of information are reviewed at the end of each reporting period to identify indications that the following assets may be impaired or, except in the case of goodwill, an impairment loss previously recognised no longer exists or may have decreased:

— property, plant and equipment;

— lease premiums for land;

— biological assets;

— intangible assets;

— investments in subsidiaries; and

— goodwill.

If any such indication exists, the asset's recoverable amount is estimated. In addition, for goodwill, intangible assets that are not yet available for use and intangible assets that have indefinite useful lives, the recoverable amount is estimated annually whether or not there is any indication of impairment.

— Calculation of recoverable amount
The recoverable amount of an asset is the higher of its fair value less costs to sell and its 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 the 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).

— Recognition of impairment losses
An impairment loss is recognised in profit or loss whenever the carrying amount of an asset, or the cash-generating unit to which it belongs, exceeds its recoverable amount. Impairment losses recognised in respect of cash-generating units are allocated first to reduce the carrying amount of any goodwill allocated to the cash-generating unit (or group of units) and then, to reduce the carrying amount of the other assets in the unit (or group of units) on a pro rata basis, except that the carrying value of an asset will not be reduced below its individual fair value less costs to sell, or value in use, if determinable.

— Reversals of impairment losses
In respect of assets other than goodwill, an impairment loss is reversed if there has been a favourable change in the estimates used to determine the recoverable amount. An impairment loss in respect of goodwill is not reversed.

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

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2013
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2. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(t) Impairment of assets *(Continued)*

(iii) Interim financial reporting and impairment

Under the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, the Group is required to prepare an interim financial report in compliance with HKAS 34, Interim financial reporting, in respect of the first six months of the financial year. At the end of the interim period, the Group applies the same impairment testing, recognition and reversal criteria as it would at the end of the financial year (see notes 2(t)(i) and (ii)).

Impairment losses recognised in an interim period in respect of goodwill and available-for-sale equity securities carried at cost are not reversed in a subsequent period. This is the case even if no loss, or a smaller loss, would have been recognised had the impairment been assessed only at the end of the financial year to which the interim period related.

(u) Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable. Provided it is probable that the economic benefits will flow to the Group and the revenue and costs, if applicable, can be measured reliably, revenue is recognised in profit or loss as follows:

(i) Sale of goods

Revenue is recognised when the goods are delivered which is taken to be the point in time when the customer has accepted the goods and the related risks and rewards of ownership. Revenue excludes value added tax or other sales taxes and is after deduction of any trade discounts and returns.

(ii) Provision of services

Revenue from the provision of plant protection technical services and agency services is recognised when the services are rendered.

(iii) Interest income

Interest income is recognised as it accrues using the effective interest method.

(iv) Government grants

Government grants are recognised in the statement of financial position initially when there is reasonable assurance that they will be received and that the Group will comply with the conditions attaching to them. Grants that compensate the Group for expenses incurred are recognised as revenue in profit or loss on a systematic basis in the same periods in which the expenses are incurred. Grants that compensate the Group for the cost of an asset are deducted in arriving at the carrying amount of the asset and consequently are recognised in profit or loss over the useful life of the asset by way of reduced depreciation expenses.

(v) Dividends

Dividend income from unlisted investments is recognised when the shareholder's right to receive payment is established.

Dividend income from listed investments is recognised when the share price of the investment goes ex-dividend.

2. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(v) Borrowing costs

Borrowing costs that are directly attributable to the acquisition, construction or production of an asset which necessarily takes a substantial period of time to get ready for its intended use or sale are capitalised as part of the cost of that asset. Other borrowing costs are expensed in profit or loss in the period in which they are incurred.

The capitalisation of borrowing costs as part of the cost of a qualifying asset commences when expenditure for the asset is being incurred, borrowing costs are being incurred and activities that are necessary to prepare the asset for its intended use or sale are in progress. Capitalisation of borrowing costs is suspended or ceases when substantially all the activities necessary to prepare the qualifying asset for its intended use or sale are interrupted or complete.

(w) Employee benefits

(i) Short-term employee benefits and contributions to defined contribution retirement plans

Salaries, annual bonuses, paid annual leave, contributions to defined contribution retirement plans and the cost of non-monetary benefits are accrued in the year in which the associated services are rendered by employees. Where payment or settlement is deferred and the effect would be material, these amounts are carried at their present values.

(ii) Share-based payments

The fair value of share options granted to employees is recognised as an employee cost with a corresponding increase in a share option reserve within equity. The fair value is measured at grant date using the Black-Scholes Model, taking into account the terms and conditions upon which the options were granted. Where the employees have to meet vesting conditions before becoming unconditionally entitled to the options, the total estimated fair value of the options is spread over the vesting periods, taking into account the probability that the options will vest.

During the vesting period, the number of share options that is expected to vest is reviewed. Any adjustment to the cumulative fair value recognised in prior years is charged/credited to the profit or loss for the year of the review, unless the original employee expenses qualify for recognition as an asset, with a corresponding adjustment to the share option reserve. On vesting date, the amount recognised as an expense is adjusted to reflect the actual number of options that vest (with a corresponding adjustment to the share option reserve) except where forfeiture is only due to not achieving vesting conditions that relate to the market price of the Company's shares. The equity amount is recognised in the share option reserve until either the option is exercised (when it is transferred to the share premium account) or the option expires (when it is released directly to retained profits).

(iii) Termination benefits

Termination benefits are recognised when, and only when, the Group demonstrably commits itself to terminate employment or to provide benefit as a result of voluntary redundancy by having a detailed formal plan which is without realistic possibility of withdrawal.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2013
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2. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(x) Financial guarantees issued, provisions and contingent liabilities

(i) Financial guarantees issued

Financial guarantees are contracts that require the issuer (i.e., the guarantor) to make specified payments to reimburse the beneficiary of the guarantee (the "holder") for a loss the holder incurs because a specified debtor fails to make payment when due in accordance with the terms of a debt instrument.

Where the Group issues a financial guarantee, the fair value of the guarantee (being the transaction price, unless the fair value can otherwise be reliably estimated) is initially recognised as deferred income within trade and other payables. Where consideration is received or receivable for the issue of the guarantee, the consideration is recognised in accordance with the Group's policies applicable to that category of asset. Where no such consideration is received or receivable, an immediate expense is recognised in profit or loss on initial recognition of any deferred income.

The amount of the guarantee initially recognised as deferred income is amortised in profit or loss over the term of the guarantee as income from financial guarantees issued. In addition, provisions are recognised in accordance with note 2(x)(iii) if and when (i) it becomes probable that the holder of the guarantee will call upon the Group under the guarantee, and (ii) the amount of that claim on the Group is expected to exceed the amount currently carried in trade and other payables in respect of that guarantee, that is, the amount initially recognised, less accumulated amortisation.

(ii) Contingent liabilities assumed in business combinations

Contingent liabilities assumed in a business combination which are present obligations at the date of acquisition are initially recognised at fair value, provided the fair value can be reliably measured. After their initial recognition at fair value, such contingent liabilities are recognised at the higher of the amount initially recognised, less accumulated amortisation where appropriate, and the amount that would be determined in accordance with note 2(x)(iii). Contingent liabilities assumed in a business combination that cannot be reliably fair valued or were not present obligations at the date of acquisition are disclosed in accordance with note 2(x)(iii).

(iii) Other provisions and contingent liabilities

Provisions are recognised for liabilities of uncertain timing or amount when the Group has a legal or constructive obligation arising as a result of a past event, it is probable that an outflow of economic benefits will be required to settle the obligation and a reliable estimate can be made. Where the time value of money is material, provisions are carried at the present value of the expenditure expected to settle the obligation.

Where it is not probable that an outflow of economic benefits will be required, or the amount cannot be estimated reliably, the obligation is disclosed as a contingent liability, unless the probability of outflow of economic benefits is remote. Possible obligations, whose existence will only be confirmed by the occurrence or non-occurrence of one or more future events are also disclosed as contingent liabilities unless the probability of outflow of economic benefits is remote.

2. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(y) Income tax

Income tax for the year comprises current tax and movements in deferred tax assets and liabilities. Current tax and movements in deferred tax assets and liabilities are recognised in profit or loss except to the extent that they relate to items recognised in equity, in which case they are recognised in equity.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the end of the reporting period, and any adjustment to tax payable in respect of previous years.

Deferred tax assets and liabilities arise from deductible and taxable temporary differences respectively, being the differences between the carrying amounts of assets and liabilities for financial reporting purposes and their tax bases. Deferred tax assets also arise from unused tax losses and unused tax credits.

Apart from certain limited exceptions, all deferred tax liabilities, and all deferred tax assets to the extent that it is probable that future taxable profits will be available against which the asset can be utilised, are recognised. Future taxable profits that may support the recognition of deferred tax assets arising from deductible temporary differences include those that will arise from the reversal of existing taxable temporary differences, provided those differences relate to the same taxation authority and the same taxable entity, and are expected to reverse either in the same period as the expected reversal of the deductible temporary differences or in periods into which a tax loss arising from the deferred tax asset can be carried back or forward. The same criteria are adopted when determining whether existing taxable temporary differences support the recognition of deferred tax assets arising from unused tax losses and credits, that is, those differences are taken into account if they relate to the same taxation authority and the same taxable entity, and are expected to reverse in a period, or periods, in which the tax loss or credit can be utilised.

The limited exceptions to recognition of deferred tax assets and liabilities are those temporary differences arising from goodwill not deductible for tax purposes, the initial recognition of assets or liabilities that affect neither accounting nor taxable profit (provided they are not part of a business combination), and temporary differences relating to investments in subsidiaries to the extent that, in the case of taxable differences, the Group controls the timing of the reversal and it is probable that the differences will not reverse in the foreseeable future, or in the case of deductible differences, unless it is probable that they will reverse in the future.

The amount of deferred tax recognised is measured based on the expected manner of realisation or settlement of the carrying amount of the assets and liabilities, using tax rates enacted or substantively enacted at the end of the reporting period. Deferred tax assets and liabilities are not discounted.

The carrying amount of a deferred tax asset is reviewed at the end of each reporting period and is reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow the related tax benefit to be utilised. Any such reduction is reversed to the extent that it becomes probable that sufficient taxable profits will be available.

Additional income taxes that arise from the distribution of dividends are recognised when the liability to pay the related dividends is recognised.

NOTES TO THE FINANCIAL STATEMENTS

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2. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(y) Income tax *(Continued)*

Current tax balances and deferred tax balances, and movements therein, are presented separately from each other and are not offset. Current tax assets are offset against current tax liabilities, and deferred tax assets against deferred tax liabilities, if the Group has the legally enforceable right to set off current tax assets against current tax liabilities and the following additional conditions are met:

— in the case of current tax assets and liabilities, the Group intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously; or

— in the case of deferred tax assets and liabilities, if they relate to income taxes levied by the same taxation authority on either:

  — the same taxable entity; or

  — different taxable entities, which, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered, intend to realise the current tax assets and settle the current tax liabilities on a net basis or realise and settle simultaneously.

(z) Translation of foreign currencies

Foreign currency transactions during the year are translated at the foreign exchange rates ruling at the transaction dates. Monetary asset and liabilities denominated in foreign currencies are translated at the foreign exchange rates ruling at the end of the reporting period. Exchange gains and losses are recognised in profit or loss.

Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated using the foreign exchange rates ruling at the transaction dates. Non-monetary assets and liabilities denominated in foreign currencies that are carried at fair value are translated using the foreign exchange rates ruling at the dates the fair value was determined.

The results of foreign operations are translated into Hong Kong dollars at the exchange rates approximating the foreign exchange rates ruling at the dates of the transactions. Statement of financial position items, including goodwill arising on consolidation of foreign operations acquired on or after 1 January 2005, are translated into Hong Kong dollars at the foreign exchange rates ruling at the end of the reporting period. The resulting exchange differences are recognised in other comprehensive income and accumulated separately in equity in the exchange reserve. Goodwill arising on consolidation of a foreign operation acquired before 1 January 2005 is translated at the foreign exchange rate that applied at the date of acquisition of the foreign operation.

On the disposal of a foreign operation, the cumulative amount of the exchange differences recognised in equity which relate to that foreign operation is included in the calculation of the profit or loss on disposal.

From 1 January 2010 onwards, on the disposal of a foreign operation (i.e., a disposal of the Group's entire interest in a foreign operation, or a disposal involving loss of control over a subsidiary that includes a foreign operation, or a disposal involving loss of significant influence over an associate that includes a foreign operation), all of the exchange differences accumulated in equity in respect of that operation attributable to the owners of the Company are reclassified to profit or loss.

2. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(z) Translation of foreign currencies *(Continued)*

In the case of a partial disposal of a subsidiary that does not result in the Group losing control over the subsidiary, the proportionate share of accumulated exchange differences are re-attributed to non-controlling interests and are not recognised in profit or loss. For all other partial disposals (i.e., partial disposals of associates that do not result in the Group losing significant influence), the proportionate share of the accumulated exchange differences is reclassified to profit or loss.

(aa) Segment reporting

Operating segments, and the amounts of each segment item reported in the financial statements, are identified from the financial information provided regularly to the senior executive management which is the Group's chief operation decision maker ("CODM"), for the purposes of allocating resources to, and assessing the performance of, the Group's various lines of business and geographical locations.

Individually material operating segments are not aggregated for financial reporting purposes unless the segments have similar economic characteristics and are similar in respect of the nature of products and services, the nature of production processes, the type or class of customers, the methods used to distribute the products or provide the services, and the nature of the regulatory environment. Operating segments which are not individually material may be aggregated if they share a majority of these criteria.

(ab) Related parties

A party is considered to be related to the Group if:

(a) the party is a person or a close member of that person's family and that person:

- (i) has control or joint control over the Group;
- (ii) has significant influence over the Group; or
- (iii) is a member of the key management personnel of the Group or of a parent of the Group.

(b) the party is an entity where any of the following conditions applies:

- (i) the entity and the Group are members of the same group;
- (ii) one entity is an associate or joint venture of the other entity (or of a parent, subsidiary or fellow subsidiary of the other entity);
- (iii) the entity and the Group are joint ventures of the same third party;
- (iv) one entity is a joint venture of a third entity and the other entity is an associate of the third entity;
- (v) the entity is a post-employment benefit plan for the benefit of employees of either the Group or an entity related to the Group;
- (vi) the entity is controlled or jointly controlled by a person identified in (a); and
- (vii) a person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).

NOTES TO THE FINANCIAL STATEMENTS

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3. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs")

The Group has adopted the following new and revised Standards, Amendments and Interpretations ("new and revised HKFRSs") that are first effective for the current accounting period.

HKAS 1 (Amendments)	Presentation of Items of Other Comprehensive Income
HKAS 12 (Amendments)	Deferred Tax: Recovery of Underlying Assets
HKFRS 1 (Amendments)	Severe Hyperinflation and Removal of Fixed Dates for First-time Adopters
HKFRS 7 (Amendments)	Disclosures — Transfers of Financial Assets

The adoption of the revised standard and amendments has had no material effect on the consolidated financial statements of the Group for the current and prior accounting periods.

4. TURNOVER

The principal activities of the Group are (i) trading of fertilizers, pesticides and other agricultural resources products; (ii) manufacturing and selling of pesticides and fertilizers; (iii) provision of plant protection technical services; (iv) trading of non-agricultural resources products; and (v) nursing, planting and sales of landscaping seedlings in Mainland China.

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

	2013 **HK$'000**	2012 HK$'000
Trading of fertilizers, pesticides and other agricultural resources products	**3,765,759**	3,516,561
Manufacturing and selling of pesticides and fertilizers	**185,645**	247,913
Provision of plant protection technical services	**38,297**	25,373
Trading of non-agricultural resources products	**603,127**	1,142,476
Sales of landscaping seedlings	**218,192**	54,922
	4,811,020	4,987,245

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2013
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5. OTHER REVENUE AND OTHER NET INCOME

	2013 HK$'000	2012 HK$'000
Other revenue		
Agency fee income	11,288	12,998
Government grants*	474	1,122
Rental income	4,534	3,724
Sundry income	2,343	580
Interest income from bank deposits	22,794	15,537
Other interest income	11,458	9,909
Total interest income on financial assets not at fair value through profit or loss	34,252	25,446
	52,891	43,870
Other net income		
Net foreign exchange gain	3,082	8,157
Reversal of impairment loss of trade receivables	12,867	13,075
Reversal of provision for financial guarantee	689	–
	16,638	21,232
	69,529	65,102

* It mainly represented subsidies granted to the Group from local governments of the People's Republic of China (the "PRC") for promoting the use of fertilizers, pesticides and other agricultural resources products.

6. PROFIT BEFORE TAXATION

Profit before taxation is arrived at after charging:

(a) Finance costs

	2013 HK$'000	2012 HK$'000
Interest on bank loans and other borrowings wholly repayable within five years	85,909	92,507
Interest on convertible bonds	38,436	39,640
Interest on promissory notes	6,652	11,333
Total interest expense on financial liabilities not at fair value through profit or loss	130,997	143,480

NOTES TO THE FINANCIAL STATEMENTS

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6. PROFIT BEFORE TAXATION *(Continued)*

(b) Staff costs (including directors' emoluments)

	2013 HK$'000	2012 HK$'000
Contributions to defined contribution retirement plans	**3,304**	2,600
Salaries, wages and other benefits	**34,569**	33,883
	37,873	36,483

(c) Other items

	Note	**2013 HK$'000**	2012 HK$'000
Depreciation#	*13*	**15,936**	15,460
Amortisation#			
— lease premiums for land	*14*	**449**	442
— intangible assets	*16*	**9,329**	9,479
Cost of inventories#	*21(b)*	**4,533,809**	4,719,802
Impairment loss on trade receivables	*22(a)(ii)*	**33,057**	12,867
Auditor's remuneration			
— audit services of the current year		**950**	1,050
— under-provision for audit services of the last year		**–**	250
Loss on disposal of subsidiaries, net	*34(c)*	**–**	6,661
Loss on disposal of property, plant and equipment		**4,790**	702
Operating lease charges: minimum lease payments for land and buildings#		**11,540**	16,835

Cost of inventories includes approximately HK$20,501,000 (2012: HK$17,024,000) relating to staff costs, depreciation, amortisation expenses and operating lease charges, which amount is also included in the respective total amounts disclosed separately above.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2013
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7. INCOME TAX IN THE CONSOLIDATED INCOME STATEMENT

(a) Taxation in the consolidated income statement represents:

	Note	2013 HK$'000	2012 HK$'000
Current tax:			
Hong Kong Profits Tax		–	–
PRC Enterprise Income Tax		3,718	12,741
Over provision in respect of prior year:			
PRC Enterprise Income Tax		(12,596)	(6,198)
Deferred tax:			
Credit to profit or loss	29(b)	(1,435)	(1,411)
Total		(10,313)	5,132

The Company is exempted from taxation in the Cayman Islands until 2019.

No provision for Hong Kong profits tax has been made as the Group has no estimated assessable profits arising in Hong Kong during the years ended 30 June 2013 and 2012.

The PRC enterprise income tax has been provided at the rate of 25% (2012: 25%).

No deferred tax liabilities on dividend have been recognised, as the Company controls the dividend policy of its subsidiaries and it has been determined that the profits earned by the Company's PRC subsidiaries for the period from 1 January 2008 to 30 June 2013 will not be distributed in the foreseeable future.

NOTES TO THE FINANCIAL STATEMENTS

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7. INCOME TAX IN THE CONSOLIDATED INCOME STATEMENT *(Continued)*

(b) Reconciliation between tax expense and accounting profit at the applicable tax rates:

	2013 **HK$'000**	2012 HK$'000
Profit before taxation	**145,021**	140,620
Notional tax on profit before taxation, calculated at the rates applicable to profits in the jurisdictions concerned	**36,255**	35,155
Tax effect of non-deductible expenses	**22,850**	15,142
Tax effect of non-taxable income	**(61,080)**	(43,698)
Tax effect of unused tax losses not recognised	**5,850**	6,142
Over provision in respect of prior years	**(12,596)**	(6,198)
Tax effect of utilisation of tax losses not previously recognised	**(157)**	–
Tax effect on reversal of deferred tax liability	**(1,435)**	(1,411)
Actual tax expense	**(10,313)**	5,132

8. DIRECTORS' EMOLUMENTS

Directors' emoluments disclosed pursuant to section 161of the Hong Kong Companies Ordinance are as follows:

Year ended 30 June 2013

Name of director	Directors' fees HK$'000	Salaries, allowances and benefits-in-kind HK$'000	Retirement scheme contributions HK$'000	Total HK$'000
Executive directors				
Mr. Wu Shaoning	–	870	15	885
Ms. Chen Xiao Fang	–	139	2	141
Independent non-executive directors				
Mr. Zhang Shaosheng	60	–	–	60
Mr. Wong Kin Tak	120	–	–	120
Mr. Li Yik Sang	84	–	–	84
	264	1,009	17	1,290

8. DIRECTORS' EMOLUMENTS *(Continued)*

Year ended 30 June 2012

Name of director	Directors' fees HK$'000	Salaries, allowances and benefits-in-kind HK$'000	Retirement scheme contributions HK$'000	Total HK$'000
Executive directors				
Mr. Wu Shaoning	–	800	12	812
Mr. Yang Zhuoya (resigned on 26 April 2012)	–	300	10	310
Ms. Chen Xiao Fang (appointed on 26 April 2012)	–	294	32	326
Independent non-executive directors				
Mr. Lam Ming Yung (resigned on 15 December 2011)	30	–	–	30
Mr. Zhang Shaosheng	60	–	–	60
Mr. Wong Kin Tak	120	–	–	120
Mr. Li Yik Sang (appointed on 15 December 2011)	46	–	–	46
	256	1,394	54	1,704

For the years ended 30 June 2013 and 2012, no emoluments were paid by the Group to any of the directors as an inducement to join or upon joining the Group or as compensation for loss of office. None of the directors waived or agreed to waive any remuneration for the years ended 30 June 2013 and 2012.

For the years ended 30 June 2013 and 2012, all of the remuneration paid to the directors were fall within HK$Nil to HK$1,000,000.

9. INDIVIDUALS WITH HIGHEST EMOLUMENTS

Of the five individuals with the highest emoluments, one (2012: two) is director of the Company whose emoluments are disclosed in note 8. The aggregate of the emoluments in respect of the other four (2012: three) individuals are as follows:

	2013 HK$'000	2012 HK$'000
Salaries and other emoluments	**1,535**	1,292
Retirement scheme contributions	**60**	37
	1,595	1,329

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9. INDIVIDUALS WITH HIGHEST EMOLUMENTS *(Continued)*

The emoluments of the four (2012: three) individuals with the highest emoluments are within the following bands:

	2013 Number of individuals	2012 Number of individuals
Nil–HK$1,000,000	**4**	3

For the years ended 30 June 2013 and 2012, no emoluments were paid by the Group to any of the five highest paid individuals as an inducement to join or upon joining the Group or as a compensation for loss of office.

10. PROFIT ATTRIBUTABLE TO OWNERS OF THE COMPANY

The consolidated profit attributable to owners of the Company includes a profit of approximately HK$106,142,000 (2012: HK$90,505,000) which has been dealt with in the financial statements of the Company.

11. EARNINGS PER SHARE

The calculation of basic and diluted earnings per share attributable to the owners of the Company is based on the following data:

	2013 HK$'000	2012 HK$'000
Earnings for the purpose of basic and diluted earnings per share	**154,347**	137,052

Weighted average number of ordinary shares

	Number of shares	
	2013 '000	2012 '000
Weighted average number of ordinary shares used in calculating basic and diluted earnings per share	**979,404**	850,295

Convertible bonds and unlisted warrants had anti-dilutive effects on the basic earnings per share for the years ended 30 June 2012 and 2013.

Share options had anti-dilutive effects on the basic earnings per share for the year ended 30 June 2012.

12. SEGMENT REPORTING

Operating segments are identified on the basis of internal reports which provides information about components of the Group. The information is reported to and reviewed by the CODM for the purpose of resource allocation and performance assessment.

The CODM considers the business from both geographic and nature of operation perspectives. Geographically, the CODM considers the performance of the segments in the PRC. From the nature of operation perspective, the Group has presented the following five reportable segments. These segments are managed separately and each of them offers products and services different from other segments.

— Trading operation: the trading of fertilizers, pesticides and other agricultural resources products.

— Manufacturing operation: the manufacture and sale of pesticides and fertilizers.

— Consultancy operation: the provision of plant protection technical services.

— Non-agricultural resources trading operation: the trading of non-agricultural resources products.

— Seedling operation: the nursing, planting and sale of landscaping seedlings.

(a) Segment results, assets and liabilities

For the purposes of assessing segment performance and allocating resources between segments, the CODM monitors the results, assets and liabilities attributable to each reportable segment on the following bases:

The accounting policies of the reportable segments are the same as the Group's accounting policies described in note 2(aa). Segment profit/(loss) represents the profit earned/(loss) of each segment without allocation of central administration costs such as directors' salaries, investment income and finance costs. This is the measure reported to the CODM for purposes of resource allocation and performance assessment.

Taxation charged/(credited) is not allocated to reportable segments.

Segment assets include all tangible, intangible assets and current assets with the exception of investments in financial assets, deferred tax assets and other corporate assets. Segment liabilities include trade and other payables and bank and other loans managed directly by the segments.

Revenue and expenses are allocated to each segment with reference to their respective sales and expenses or which otherwise arise from the depreciation or amortisation of assets attributable to those segments. Other than reporting inter-segment sales, assistance provided by one segment to another, including sharing of assets and technical know-how, is not measured.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2013
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12. SEGMENT REPORTING *(Continued)*

(a) Segment results, assets and liabilities *(Continued)*

(i) For the year ended 30 June 2013

	Agricultural resources products Trading operation HK$'000	Manufacturing operation HK$'000	Consultancy operation HK$'000	Non-agricultural resources trading operation HK$'000	Seedling operation HK$'000	Total HK$'000
Revenue from external customers	3,765,759	185,645	38,297	603,127	218,192	4,811,020
Inter-segment revenue	5,446	7,322	–	–	–	12,768
Reportable segment revenue	3,771,205	192,967	38,297	603,127	218,192	4,823,788
Reportable segment profit/(loss) before taxation	32,814	(32,228)	34,843	(11,715)	19,836	43,550
Interest income	31,306	258	6	2,618	64	34,252
Finance cost	48,122	6,845	–	14,460	16,482	85,909
Depreciation and amortisation	1,287	21,626	20	235	2,546	25,714
Impairment loss on						
— trade receivables	1,407	2,945	–	8,173	20,532	33,057
Reportable segment assets	2,947,662	489,452	556	723,083	1,269,033	5,429,786
Additions to non-current assets	2,048	3,040	–	343	167,483	172,914
Reportable segment liabilities	2,264,157	174,811	9	516,326	199,661	3,154,964

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For the year ended 30 June 2013
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12. SEGMENT REPORTING *(Continued)*

(a) Segment results, assets and liabilities *(Continued)*

(ii) For the year ended 30 June 2012

	Agricultural resources products			Non-agricultural resources		
	Trading operation HK$'000	Manufacturing operation HK$'000	Consultancy operation HK$'000	trading operation HK$'000	Seedling operation HK$'000	Total HK$'000
Revenue from external customers	3,516,561	247,913	25,373	1,142,476	54,922	4,987,245
Inter-segment revenue	6,708	16,691	–	18,576	–	41,975
Reportable segment revenue	3,523,269	264,604	25,373	1,161,052	54,922	5,029,220
Reportable segment profit/(loss) before taxation	48,461	(9,792)	22,166	(3,480)	(910)	56,445
Interest income	23,834	476	9	975	152	25,446
Finance cost	61,320	6,032	–	25,155	–	92,507
Depreciation and amortisation	1,422	21,549	9	294	2,107	25,381
Impairment loss on						
— trade receivables	1,676	747	–	4,260	6,184	12,867
Reportable segment assets	2,962,390	482,276	6,982	846,182	1,111,247	5,409,077
Additions to non-current assets	5,190	450	85	180	121,867	127,772
Reportable segment liabilities	2,180,416	257,649	35	627,105	82,425	3,147,630

NOTES TO THE FINANCIAL STATEMENTS

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12. SEGMENT REPORTING *(Continued)*

(b) Reconciliations of reportable segment revenues, profit or loss, assets and liabilities

		2013 HK$'000	2012 HK$'000
(i)	**Revenue**		
	Total reportable segments' revenues	4,823,788	5,029,220
	Elimination of inter-segment revenues	(12,768)	(41,975)
	Consolidated turnover	4,811,020	4,987,245
(ii)	**Profit**		
	Reportable segment profit	43,550	56,445
	Gain from change in fair value of derivative financial liabilities	6,091	24,917
	Unallocated corporate income	150,000	120,000
	Unallocated Finance costs	(45,088)	(50,973)
	Unallocated corporate expenses	(9,532)	(9,769)
	Consolidated profit before taxation	145,021	140,620
(iii)	**Assets**		
	Reportable segment assets	5,429,786	5,409,077
	Unallocated corporate assets	246,740	163,575
	Consolidated total assets	5,676,526	5,572,652
(iv)	**Liabilities**		
	Reportable segment liabilities	3,154,964	3,147,630
	Unallocated corporate liabilities	614,165	774,899
	Consolidated total liabilities	3,769,129	3,922,529

12. SEGMENT REPORTING *(Continued)*

(c) Revenue from major product and services

The following is an analysis of the Group's revenue from external customers, by its major products and services:

	2013 HK$'000	2012 HK$'000
Sales of agricultural resources and provision of related services		
Nitrogenous fertilizer	**402,770**	378,184
Phosphorous fertilizer	**717,394**	629,669
Potash fertilizer	**907,253**	725,082
Compound fertilizer	**1,551,475**	1,276,694
Pesticides	**410,809**	780,218
Agricultural resources products	**3,989,701**	3,789,847
Trading of non-agricultural resources products	**603,127**	1,142,476
Sale of landscaping seedlings	**218,192**	54,922
Total	**4,811,020**	4,987,245

(d) Geographic Information

The following is an analysis of geographical location of (i) the Group's revenue from external customers and (ii) the Group's non-current assets. The geographical location of customers refers to the location at which the services were provided or the goods delivered. The Group's non-current assets mainly include property, plant and equipment, biological assets and intangible assets. The geographical location of property, plant and equipment are based on the physical location of the assets. In the case of intangible assets, it is based on the location of operation to which these intangibles are allocated.

	Revenues from external customers		**Non-current assets**	
	2013 HK$'000	2012 HK$'000	**2013 HK$'000**	2012 HK$'000
Hong Kong (Place of domicile)	**–**	–	**854**	–
Mainland China	**4,811,020**	4,987,245	**1,360,265**	1,302,828
	4,811,020	4,987,245	**1,361,119**	1,302,828

(e) Information about major customers

No analysis of the Group's turnover and contribution from operations by major customers has been presented as there are no transactions with a single external customer equal to or greater than 10 per cent of the Group's total revenue.

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13. PROPERTY, PLANT AND EQUIPMENT

	The Group					
	Buildings HK$'000	Machinery HK$'000	Construction-in-progress HK$'000	Furniture and office equipment HK$'000	Motor vehicles HK$'000	Total HK$'000
At cost:						
At 1 July 2011	111,899	51,887	3,061	6,270	13,511	186,628
Exchange realignment	1,584	749	38	68	197	2,636
Additions	3,534	212	3,870	6,711	1,726	16,053
Disposals	(841)	(708)	–	(121)	(801)	(2,471)
Disposals of subsidiaries	(300)	–	–	(1,281)	(1,099)	(2,680)
At 30 June 2012 and 1 July 2012	115,876	52,140	6,969	11,647	13,534	200,166
Exchange realignment	3,849	1,509	277	380	480	6,495
Additions	415	492	2,834	1,206	1,957	6,904
Transfer	503	–	(503)	–	–	–
Disposals	(6,855)	(19,094)	–	(513)	(1,447)	(27,909)
At 30 June 2013	**113,788**	**35,047**	**9,577**	**12,720**	**14,524**	**185,656**
Accumulated depreciation and impairment:						
At 1 July 2011	11,749	27,835	–	4,218	7,164	50,966
Exchange realignment	155	389	–	54	105	703
Charge for the year	7,788	4,048	–	1,532	2,092	15,460
Write back on disposals	(275)	(672)	–	(81)	(740)	(1,768)
Disposals of subsidiaries	(86)	–	–	(1,137)	(924)	(2,147)
At 30 June 2012 and 1 July 2012	19,331	31,600	–	4,586	7,697	63,214
Exchange realignment	750	839	–	166	293	2,048
Charge for the year	7,686	3,632	–	1,894	2,724	15,936
Write back on disposals	(2,269)	(18,965)	–	(501)	(1,313)	(23,048)
At 30 June 2013	**25,498**	**17,106**	**–**	**6,145**	**9,401**	**58,150**
Carrying amount:						
At 30 June 2013	**88,290**	**17,941**	**9,577**	**6,575**	**5,123**	**127,506**
At 30 June 2012	96,545	20,540	6,969	7,061	5,837	136,952

13. PROPERTY, PLANT AND EQUIPMENT *(Continued)*

(a) All buildings are held under medium-term lease and are situated in the PRC.

(b) Construction-in-progress represents buildings under construction which the Group intends to hold for own use.

(c) At 30 June 2012, certain of the Group's plant and machinery with a carrying amount of HK$981,000 (2013: HK$Nil) were pledged to secure the Group's bills payable.

(d) At 30 June 2013, certain of the Group's buildings and construction-in-progress with a total carrying amount of approximately HK$52,142,000 (2012: HK$53,478,000) were, together with those lease premiums for land disclosed in note 14, pledged to secure the Group's bank loans amounting to approximately HK$45,627,000 (2012: HK$44,495,000).

14. LEASE PREMIUMS FOR LAND

	The Group	
	2013	2012
	HK$'000	HK$'000
Carrying amount at 1 July	**11,494**	11,748
Exchange realignment	**431**	188
Amortisation	**(449)**	(442)
Carrying amount at 30 June	**11,476**	11,494
Analysed for reporting purposes as:		
Current portion	**286**	276
Non-current portion	**11,190**	11,218
	11,476	11,494

(a) All land are held under medium-term lease and are situated in the PRC.

(b) At 30 June 2013, the Group's lease premiums for land amounting to approximately HK$11,476,000 (2012: HK$11,494,000) were, together with those buildings and construction-in-progress disclosed in note 13, pledged to secure the Group's bank loans amounting to approximately HK$45,627,000 (2012: HK$44,495,000).

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15. BIOLOGICAL ASSETS

	The Group	
	2013	2012
	HK$'000	HK$'000
At 1 July	**972,790**	883,536
Addition *(note (i))*	**179,585**	111,719
Harvested as agricultural produce *(note (ii))*	**(129,094)**	(27,486)
Loss arising from change in fair value less costs to sell of biological assets *(note (iii))*	**(13,633)**	(7,543)
Exchange realignment	**34,125**	12,564
At 30 June	**1,043,773**	972,790

The analysis of fair value of biological assets by location is as follows:

	The Group	
	2013	2012
	HK$'000	HK$'000
Shanxi	**1,028,508**	967,601
Beijing	**9,090**	5,189
Fujian	**6,175**	–
	1,043,773	972,790

Notes:

(i) The additions represent the considerations paid for the acquisitions of biological assets, the purchase cost of tree saplings and direct expenditures related to plantation and maintenance incurred during the year. The consideration of individual acquisition is agreed on a negotiation basis.

(ii) The quantity and amount of agricultural produce harvested, measured at fair value less costs to sell during the year were as follows:

	2013		2012	
Species	**Approximate number of plants '000**	**Amount HK$'000**	Approximate number of plants '000	Amount HK$'000
Lacebark pine				
— nutrient-bag seedlings (Below 30cm height)	**574**	**1,714**	120	732
— small seedlings (30cm–3.5m height)	**76**	**15,780**	210	9,722
— large seedlings (above 3.5m height)	**2**	**8,691**	–	–
Acer truncatum bunge	**–**	**–**	411	3,114
Zizyphus jujube (7cm diameter)	**34**	**35,216**	–	–
Other seedlings of flowers and shrubs	**7,437**	**67,693**	12,267	13,918
	8,123	**129,094**	13,008	27,486

15. BIOLOGICAL ASSETS *(Continued)*

Notes: (Continued)

(iii) Changes in fair value less costs to sell include changes upon initial acquisition of the biological assets and changes during the year.

The changes in fair value less costs to sell upon initial acquisition of the biological assets represent the difference between the acquisition cost and the fair value of the underlying biological assets at the date of acquisition.

The changes in fair value less costs to sell during the year represent the aggregate of the differences between the value of existing biological assets as at the beginning and the end of the financial year and the difference between the value of new biological assets as of the second day of acquisition and the end of the financial year. Since most of the biological assets of the Group had little biological transformation during the year and their market prices were relatively stable, the loss arising from change in fair value less costs to sell of the biological assets was mainly resulted from direct expenditures related to plantation and maintenance capitalised during the year.

(iv) The quantity and amount of biological assets measured at fair value less costs to sell at the end of each reporting period were as follows:

Species	**2013** Approximate number of plants '000	**2013** Amount HK$'000	2012 Approximate number of plants '000	2012 Amount HK$'000
Lacebark pine				
— nutrient-bag seedlings (Below 30cm height)	**2,901**	**5,525**	2,504	5,474
— small seedlings (30cm–3.5m height)	**423**	**67,501**	409	58,273
— large seedlings (above 3.5m height)	**219**	**829,020**	219	803,008
Platycladus orientalis (6cm diameter)	**39**	**27,631**	19	26,462
Zizyphus jujube (7cm diameter)	**–**	**–**	36	37,151
Acer truncatum bunge	**269**	**8,282**	239	8,440
Prunus humilis bunge	**3,713**	**21,623**	–	–
Other seedlings of flowers and shrubs	**4,186**	**84,191**	4,563	33,982
	11,750	**1,043,773**	7,989	972,790

The Group's biological assets mainly represent tree species of the stock including lacebark Pine, platycladus orientalis, acer truncatum bunge and Prunus humilis bunge located at Shanxi Province, Beijing and Fujian Province of the PRC (the "Tree Species"). The Tree Species are used for ornamental plant and also for greenery purposes. The major customers of these species include landscaping companies, construction companies and government departments. As at 30 June 2013, the total areas on which these Tree Species stand is approximately 8,718 Chinese Mu (2012: 7,039 Chinese Mu).

As at 30 June 2013, the Group's biological assets in the PRC were independently valued by Sino-Infinite Appraisal Limited (the "Valuer") (2012: valued by LCH (Asia-Pacific) Surveyors Limited) to determine the fair value less costs to sell of tree species.

The Valuation Methodology used to determine the fair value less costs to sell of tree species is in compliance with both HKAS 41Agriculture, and the International Valuation Standards issued by the International Valuation Standards Council which aims to determine the fair value of a biological asset in its present location and condition.

In valuing the Tree Species, the Valuer has considered three different valuation approaches with reference to the biological assets as well as the applicable accounting standard, and found that the market-based comparable sales approach is the most appropriate approach to value. This method uses the present market value in terms of price per tree as basis for coming up with the estimated value. The underlying theory of this approach is existing market price which are dependable parameters since it reflects the amount a buyer is willing to pay and the amount a seller is willing to give up.

NOTES TO THE FINANCIAL STATEMENTS

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15. BIOLOGICAL ASSETS *(Continued)*

Notes: (Continued)

(iv) *(Continued)*

The principal valuation methodology and assumptions adopted are as follows:

- That the end products or the market being assessed are for trees;
- The total number of each tree species located in Shanxi Province and Beijing considered in the valuation is based on the survey report prepared by a governmental body which is responsible for policy planning, management and monitoring, research and development, survey and inspection, investigation and patrol of the local forestry resources, wood production and trading activities in Shanxi Province. Officials with national professional qualifications perform site survey and inspection covering the forestry and woodland areas of Shanxi Province and Beijing;
- The prices for each tree species are homogenous and the average price for each species was used as valuation basis, with factoring in the condition of the tree species such as their species, age, height and breast width;
- The Tree Species are valued on the market value basis on the assumption of ready for sale and as part of a going-concern business;
- No allowance has been made in the valuation for any charges, mortgages, outstanding premium or amounts owing on the Tree Species; and
- No allowance has been made in the valuation for any expenses or depreciation or taxation, which may be incurred in effecting a sale of the Tree Species.

In valuing certain species planted or purchased recently prior to the reporting date, due to little biological transformation has taken place from the time planted or purchased to the reporting date and the impact of the biological transformation on the price of the saplings is not material based on the planned rotation of the tree, the Valuer considered their costs approximate their fair value and has adopted the cost approach. In using the cost approach, the Valuer has adopted the costs incurred as at the reporting date as well as unit costs since the independent research indicates that the unit costs are within reasonable range for the different ages of Tree Species (seeding bags, younglings and saplings) being planted, purchased, terrain and locality. Costs included in the valuation comprise sapling cost, land rental, management cost, planting cost and fertilizer cost. As at 30 June 2013, the aggregate value of respective Tree Species is approximately HK$46,460,000 (2012: HK$21,293,000).

(v) As at 30 June 2013, all the biological assets of a Plantation Base with a total carrying amount of approximately HK$897,995,000 were pledged to secure the Group's other loan amounting to approximately HK$189,514,000.

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16. INTANGIBLE ASSETS

	The Group			
	System development costs HK'000	Product development costs HK$'000	Technical know-how HK'000	Total HK$'000
Cost:				
At 1 July 2011	55,381	54,355	147,954	257,690
Exchange realignment	–	783	1,136	1,919
Assets written off	(55,381)	–	(69,107)	(124,488)
At 30 June 2012 and 1 July 2012	–	55,138	79,983	135,121
Exchange realignment	–	1,902	2,759	4,661
At 30 June 2013	**–**	**57,040**	**82,742**	**139,782**
Accumulated amortisation and impairment:				
At 1 July 2011	55,381	36,991	96,837	189,209
Exchange realignment	–	523	388	911
Charge for the year	–	3,911	5,568	9,479
Assets written off	(55,381)	–	(69,107)	(124,488)
At 30 June 2012 and 1 July 2012	–	41,425	33,686	75,111
Exchange realignment	–	1,486	1,250	2,736
Charge for the year	–	3,670	5,659	9,329
At 30 June 2013	**–**	**46,581**	**40,595**	**87,176**
Carrying amount:				
At 30 June 2013	**–**	**10,459**	**42,147**	**52,606**
At 30 June 2012	–	13,713	46,297	60,010

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16. INTANGIBLE ASSETS *(Continued)*

(a) System development costs represent costs of developing the Group's computer system software. Product development costs represent the internally developed technology on manufacturing pesticides and fertilizers. Technical know-how represents the cost of formulae acquired for manufacturing pesticides and fertilizers. They all have finite useful lives of 10 to 20 years.

(b) At 30 June 2013, the Company performed impairment tests for product development costs and technical know-how. The tests used cash flow projections based on financial estimates covering a five-year period, expected sales to be derived from the intangible assets and discount rates of 16% and 20% (2012: 15% and 18%) respectively. The cash flows beyond the five-year period are extrapolated using a steady growth rate from -20% to 0% (2012: -10% to 0%). The valuations were carried out by independent qualified professional valuation firms not connected with the Group.

The recoverable amount of the assets are determined based on value-in-use calculations.

The recoverable amount of product development costs exceeds their carrying amount and accordingly no impairment loss is recognised for the year (2012: HK$Nil).

The recoverable amount of technical know-how exceeds their carrying amount and accordingly no impairment loss is recognised for the year (2012: HK$Nil).

(c) Amortisation charges for the year of approximately HK$3,364,000 (2012: HK$1,233,000) and HK$5,965,000 (2012: HK$8,246,000) were included in the cost of sales and administrative expenses respectively in the consolidated income statement.

17. GOODWILL

	The Group HK$'000
Cost:	
At 1 July 2011	123,633
Exchange realignment	1,782
Eliminated on disposal of subsidiaries	(15,806)
At 30 June 2012 and 1 July 2012	109,609
Exchange realignment	3,781
At 30 June 2013	**113,390**
Accumulated amortisation and impairment:	
At 1 July 2011	25,303
Exchange realignment	365
At 30 June 2012 and 1 July 2012	25,668
Exchange realignment	885
At 30 June 2013	**26,553**
Carrying amount:	
At 30 June 2013	**86,837**
At 30 June 2012	83,941

Impairment test for cash-generating units containing goodwill

Goodwill is allocated to the Group's cash-generating units ("CGU") identified according to business segment as follows:

	Note	**2013 HK$'000**	2012 HK$'000
Agricultural resources trading operation	*(i)*	**86,837**	83,941
Non-agricultural resources trading operation	*(ii)*	**–**	–
		86,837	83,941

NOTES TO THE FINANCIAL STATEMENTS

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17. GOODWILL *(Continued)*

Impairment test for cash-generating units containing goodwill *(Continued)*

(i) Agricultural resources trading operation

The Group performed its annual impairment test for goodwill allocated to the agricultural resources trading operation CGU by comparing its recoverable amount to its carrying amount as at the end of the reporting period. The recoverable amount of the CGU is determined based on value-in-use calculations. These calculations used cash flow projections based on a five-year financial budget approved by management. Cash flows beyond a five-year period approved by management have been extrapolated with an estimated general annual growth of not more than 8% (2012: 8%) for a five-year period. The discount rate used of 10.7% (2012: 10.7%) reflects specific risks related to the relevant segment. The budgeted gross margin of 4.5% (2012: 4.7%) is determined by the management based on past performance and its expectations for market development. The management believes that any reasonably foreseeable change in any of the above key assumptions would not cause the carrying amount of the goodwill to exceed the recoverable amount. Accordingly, no impairment loss is recognised for the year.

(ii) Non-agricultural resources trading operation

Due to the unsatisfactory performance of non-agricultural resources trading operation in 2005 and 2006, the Group fully impaired the carrying amount of the goodwill allocated to the non-agricultural resources trading operation in prior years.

18. AVAILABLE-FOR-SALE FINANCIAL ASSETS

	The Group	
	2013	2012
	HK$'000	HK$'000
Unlisted equity investments, at cost	**39,207**	37,917

The unlisted equity investments with a carrying amount of HK$39,207,000 (2012: HK$37,917,000) represent the Group's interest in equity securities issued by private entities established in PRC and Hong Kong as to approximately HK$38,707,000 (2012: HK$37,417,000) and HK$500,000 (2012: HK$500,000) respectively, which are measured at cost less impairment losses. The directors of the Company are of the opinion that the fair value cannot be measured reliably because the probabilities of the various estimates within the range cannot be reasonably assessed and used in estimating fair value. The Group does not intend to dispose of them in the near future.

The increase in the carrying amount movement during the year ended 30 June 2013 represents an exchange realignment of approximately HK$1,290,000.

19. OTHER DEPOSIT

	The Group	
	2013	2012
	HK$'000	HK$'000
At 1 July	**14,656**	14,447
Exchange realignment	**505**	209
Reclassified as other receivable	**(15,161)**	–
As at 30 June	**–**	14,656

The amount represents a refundable deposit paid by the Group, under a letter of intent for the intended acquisition of the entire equity interests in a target company. The target company is in the process of acquiring 85% interests in a mine-holding company which in turn own phosphorous mine in Hubei Province in the PRC. The mine-holding company currently does not have exploitation licenses. Pursuant to the letter of intent dated 27 November 2007 (Letter of Intent), the Group paid RMB12,000,000 (equivalent to HK$15,161,000) as refundable deposit to the vendors. The completion of the acquisition of this target company is primarily subject to the procurement of the mine exploitation licenses by the mine-holding company and the acquisition consideration will be based on the verified reserve of the phosphorous mine. The deposit shall be refunded to the Group within 10 days after the expiration of the exclusive period which is 18 months after the signing of the Letter of Intent, if the acquisition not completed. The mining company and several other persons guarantee the performance of obligations of the vendors as regard the refund of the deposit.

On 30 April 2012, the Group entered into a supplemental agreement with the relevant party to extend the exclusive period under the Letter of Intent to 31 December 2013. Due to the technical complexity of the procedures to procure the mine exploitation licenses and other due diligence work to be performed, the directors do not expect that the acquisition of the phosphorous mines can be completed before 31 December 2013. In September 2013, the directors of the Group have agreed to terminate the proposed acquisition and seek for refund in full for the deposit paid before 30 June 2014. Accordingly, the amount of deposit is reclassified under other receivable.

20. INTERESTS IN SUBSIDIARIES

	The Company	
	2013	2012
	HK$'000	HK$'000
Unlisted shares, at cost	**1,044,203**	1,044,203
Amounts due from subsidiaries	**218,350**	354,175
	1,262,553	1,398,378

Amounts due from subsidiaries are unsecured, interest-free and are not expected to be recovered within one year. In the opinion of the Company's directors, these advances are considered as quasi-equity loans to the subsidiaries. The carrying amounts of the amounts due from subsidiaries approximate their fair values.

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20. INTERESTS IN SUBSIDIARIES *(Continued)*

The following list contains only the particulars of those subsidiaries which principally affect the results, assets and liabilities of the Group. The class of shares held, unless otherwise- stated, is ordinary.

Name of company	Place of establishment/ Incorporation and operation	Particulars of issued and paid up capital registered capital	Group's effective interest	Proportion of ownership interest Held by Company	Proportion of ownership interest Held by subsidiaries	Principal activities
福建浩倫農業科技集團有限公司*	PRC	RMB280,000,000	100%	–	100%	Investment holding, trading of pesticides, fertilizers and other agricultural resources products and provision of agricultural technical support services
福州浩倫作物科學有限公司*	PRC	HK$53,300,000	100%	–	100%	Provision of agricultural technical support services
福建浩倫生物工程技術有限公司*	PRC	US$5,000,000	100%	–	100%	Manufacturing and selling of plant growth regulatory products and pesticides
Topmart Limited	Hong Kong	HK$2	100%	–	100%	Investment holding and general trading and export
江西浩倫農業科技有限公司*	PRC	RMB30,000,000	100%	–	100%	Manufacturing and selling of fertilizers
湖南浩倫農業科技有限公司#	PRC	RMB50,000,000	100%	–	100%	Trading of pesticides, fertilizers and other agricultural resources products
江蘇浩倫農業科技有限公司#	PRC	RMB50,000,000	100%	–	100%	Trading of pesticides, fertilizers and other agricultural resources products
海南浩倫農業科技有限公司#	PRC	RMB20,000,000	100%	–	100%	Trading of pesticides, fertilizers and other agricultural resources products
山西天行若木生物工程開發有限公司@	PRC	RMB160,000,000	100%	–	100%	Research and development, nursing, planting and sales of landscaping seedlings

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20. INTERESTS IN SUBSIDIARIES *(Continued)*

Name of company	Place of establishment/ Incorporation and operation	Particulars of issued and paid up capital registered capital	Group's effective interest	Proportion of ownership interest Held by Company	Held by subsidiaries	Principal activities
濟南一農化工有限公司@	PRC	RMB17,160,000	100%	–	100%	Manufacturing and selling of pesticides
福建省三明市浩倫園藝植保有限公司#	PRC	RMB30,000,000	70%	–	70%	Trading of pesticides, fertilizers and other agricultural resources products
福建浩倫東方資源物產有限公司#	PRC	RMB50,000,000	100%	–	100%	General trading and export
山東浩倫農業科技有限公司#	PRC	RMB25,000,000	98%	–	98%	Trading of pesticides, fertilizers and other agricultural resources products

* Registered under the laws of the PRC as sino-foreign equity joint venture enterprise
\# Registered under the laws of the PRC as domestic enterprise
@ Registered under the laws of the PRC as wholly-foreign-owned enterprise

21. INVENTORIES

(a) Inventories in the consolidated statement of financial position comprise:

	The Group 2013 HK$'000	2012 HK$'000
Raw materials	**25,816**	24,185
Work-in-progress	**1,156**	1,140
Finished goods	**11,798**	23,878
Merchandise	**48,440**	38,865
	87,210	88,068

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21. INVENTORIES *(Continued)*

(b) The analysis of the amount of inventories recognised as an expense is as follows:

	The Group	
	2013	2012
	HK$'000	HK$'000
Amount of inventories sold	**4,533,809**	4,719,802

22. TRADE AND OTHER RECEIVABLES

		The Group		The Company	
		2013	2012	**2013**	2012
	Note	**HK'000**	HK$'000	**HK'000**	HK$'000
Trade debtors and bills receivables	*(a)*	**1,130,145**	1,079,708	**–**	–
Less: allowance for doubtful debts		**(33,057)**	(12,867)	**–**	–
Loans and receivables		**1,097,088**	1,066,841	**202,000**	120,000
Deposits and prepayments		**538,017**	461,087	**86**	86
Advances to suppliers	*(b)*	**1,663,054**	1,604,191	**–**	–
Due from a director	*39(c)*	**–**	654	**–**	–
		3,298,159	3,132,773	**202,086**	120,086

All of the trade and other receivables are expected to be recovered or recognised as expense within one year.

(a) Trade debtors and bills receivables

(i) Ageing analysis

The ageing analysis of trade debtors and bills receivables is presented based on invoice date as of the end of the reporting period as follows:

	The Group	
	2013	2012
	HK$'000	HK$'000
0–90 days	**933,824**	948,795
91–180 days	**130,126**	106,863
181–365 days	**35,964**	11,455
Over 365 days	**30,231**	12,595
	1,130,145	1,079,708

Debts are generally due within six months from the date of billing. The Group may, on a case by case basis and after evaluation of the business relationship and creditworthiness, extend the credit period upon a customer's request. Further details on the Group's credit policy are set out in note 36(a).

22. TRADE AND OTHER RECEIVABLES *(Continued)*

(a) Trade debtors and bills receivables *(Continued)*

(ii) Impairment of trade debtors and bills receivables

Impairment losses in respect of trade debtors and bills receivable are recorded using an allowance account unless the Group is satisfied that recovery of the amount is remote, in which cases the impairment loss is written off against trade debtors and bills receivables directly (see note 2(t)(i)).

The movements in the allowance account for doubtful debts during the year, including both specific and collective loss components, are as follows:

	The Group	
	2013	2012
	HK$'000	HK$'000
At 1 July	**12,867**	13,075
Impairment loss recognised	**33,057**	12,867
Reversal of impairment loss	**(12,867)**	(13,075)
At 30 June	**33,057**	12,867

At 30 June 2013, the Group's trade debtors and bills receivables of approximately HK$33,057,000 (2012: HK$12,867,000) were individually determined to be impaired. The individually impaired receivables related to long overdue debts and the directors of the Company are of the opinion that these receivables are unrecoverable. The Group does not hold any collateral over these balances. Allowance for certain doubtful debts of HK$12,867,000 (2012: HK$13,075,000) made in previous years were reversed because the debts were subsequently recovered.

(iii) Trade debtors and bills receivables that are not impaired

The ageing analysis of trade debtors and bills receivables that are neither individually nor collectively considered to be impaired are as follows:

	The Group	
	2013	2012
	HK$'000	HK$'000
Neither past due nor impaired	**1,063,950**	1,055,658
Past due but not impaired		
Past due within 6 months	**13,063**	3,465
Past due more than 6 months	**20,075**	7,718
	33,138	11,183
	1,097,088	1,066,841

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For the year ended 30 June 2013
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22. TRADE AND OTHER RECEIVABLES *(Continued)*

(a) Trade debtors and bills receivables *(Continued)*

(iii) Trade debtors and bills receivables that are not impaired *(Continued)*

Receivables that were neither past due nor impaired relate to a wide range of independent customers for whom there was no recent history of default and have a good track record with the Group.

Based on past experience, management considered that no impairment allowance is necessary in respect of these balances as there has not been a significant change in credit quality and the balances are still considered fully recoverable. The Group does not hold any collateral over these balances.

(b) Advances to suppliers

Amount represents prepayments or deposits paid to suppliers for purchases of inventories.

Ageing analysis

The ageing analysis of advances to suppliers is presented based on the date of advancement received by suppliers as of the end of the reporting period as follows:

	The Group	
	2013	2012
	HK$'000	HK$'000
0–90 days	**1,141,149**	1,099,366
91–180 days	**271,845**	380,154
181–365 days	**217,766**	104,492
Over 365 days	**32,294**	20,179
	1,663,054	1,604,191

The Group generally utilised the advances to suppliers within one year from the date of advancements received by suppliers. The Group may on a case by case basis and after evaluation of the business relationship extend the utilisation period.

23. TRADING SECURITIES

	The Group 2013 HK$'000	The Group 2012 HK$'000
Trading securities (at fair value)		
Unlisted securities, outside Hong Kong	**3,677**	3,596

24. RESTRICTED BANK DEPOSITS

The restricted bank deposits are bank deposits pledged to banks to secure credit facilities granted to the Group. The bank deposits that have been pledged represent margin deposits to secure bills and other trade finance facilities and bank loans granted to the Group from time to time and are therefore classified as current assets. The pledged bank deposits will be released upon settlement of the relevant bills payables and bank loans.

25. CASH AND CASH EQUIVALENTS

Cash and cash equivalents in the consolidated statement of financial position include a sum of HK$95,997,000 (2012: HK$200,295,000) that is denominated in Renminbi. Renminbi is not a freely convertible currency and the remittance of funds out of the PRC is subject to exchange controls imposed by the PRC government. Cash at bank earns interest at floating rates based on daily bank deposit rates.

26. TRADE AND OTHER PAYABLES

	Note	The Group 2013 HK$'000	The Group 2012 HK$'000	The Company 2013 HK$'000	The Company 2012 HK$'000
Trade creditors and bills payable	*(a)*	**1,822,965**	2,083,351	**–**	–
Accrued charges		**12,303**	7,422	**1,208**	1,186
Receipts in advance from customers		**225,654**	187,016	**–**	–
Due to a director	*39(c)*	**7,665**	7,030	**–**	–
Other payables		**57,203**	117,442	**–**	–
Financial liabilities measured at amortised cost		**2,125,790**	2,402,261	**1,208**	1,186

All of the trade and other payables are expected to be settled within one year.

NOTES TO THE FINANCIAL STATEMENTS

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26. TRADE AND OTHER PAYABLES *(Continued)*

(a) Trade creditors and bills payable

The ageing analysis of trade creditors and bills payable based on the invoice date as at the end of the reporting period is as follows:

	The Group	
	2013	2012
	HK$'000	HK$'000
0–30 days	**367,670**	487,358
31–60 days	**245,761**	382,728
61–90 days	**185,333**	289,806
91–180 days	**985,830**	900,073
Over 180 days	**38,371**	23,386
	1,822,965	2,083,351

At 30 June 2013, the bills payable of approximately HK$1,722 million (2012: HK$1,903 million) were secured by restricted bank deposits of the Group amounting to approximately HK$737 million (2012: HK$809 million) (note 24) and guarantees provided by independent third parties and a director of the Company (the "Guarantees") amounting to approximately HK$1,528 million (2012: HK$2,198 million) and approximately HK$796 million (2012: HK$1,103 million) respectively. The Guarantees were also used to support those unsecured bank loans mentioned in note 27(b).

As at 30 June 2012, plant and machinery of the Group with a total carrying amount of approximately HK$981,000 (2013: HK$Nil) were pledged to banks as securities (note 13(c)).

27. BANK AND OTHER LOANS

At 30 June 2013, details of the bank and other loans carried at amortised cost and repayable within 5 years were as follows:

		The Group	
	Note	**2013 HK$'000**	2012 HK$'000
Secured	*(a)*	**445,333**	86,874
Unsecured	*(b)*	**563,224**	608,037
		1,008,557	694,911
Carrying amount repayable on demand or within one year		**1,007,524**	693,523
More than one year but not exceeding two years		**374**	362
More than two years but not more than five years		**659**	1,026
		1,008,557	694,911
Less: Amounts due within one year shown under current liabilities		**(1,007,524)**	(693,523)
Non-current liabilities		**1,033**	1,388

(a) At 30 June 2013, bank and other loans of the Group amounting to HK$445,333,000 (2012: HK$86,874,000) were secured by the followings:

	The Group	
	2013 HK$'000	2012 HK$'000
Buildings	**48,402**	49,693
Construction-in-progress	**3,740**	3,785
Lease premiums for land	**11,476**	11,494
Restricted bank deposits	**90,664**	10,992
Biological assets	**897,995**	–
	1,052,277	75,964

(b) The unsecured bank loans are supported by the guarantees as mentioned in note 26(a) and additional guarantees provided by a director of the Company and independent third parties amounting to approximately HK$123,310,000 (2012: HK$67,171,000) and HK$1,224,637,000 (2012: HK$254,702,000) respectively.

(c) At 30 June 2013, the effective interest rates of the bank and other loans ranged from 1.07% to 11.81% (2012: 2.77% to 11.81%) per annum.

NOTES TO THE FINANCIAL STATEMENTS

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28. EQUITY SETTLED SHARE-BASED TRANSACTIONS

New Scheme

During the year ended 30 June 2013, a new share option scheme ("New Scheme") was adopted by the Company pursuant to a resolution passed at the extraordinary general meeting of the Company held on 19 June 2013. During the year ended 30 June 2013, no share option was granted to the relevant participants under the New Scheme.

Old Scheme

The Company had a share option scheme ("Old Scheme") which was adopted on 31 December 2001 and expired by effluxion of time on 30 December 2011.

Under both the New Scheme and the Old Scheme, the Board is authorised, at their discretion, to grant to employees of the Group, including directors of any company in the Group, and eligible grantees to take up options and subscribe for the shares of the Company. The terms and conditions of the grant are determined by the Board at the time of grant. In any event, the exercisable period of an option must not exceed a period of ten years commencing on the date of grant. The options give the holder the right to subscribe for ordinary shares in the Company. Options are forfeited if the employee leaves the Group.

(a) The terms and conditions of the grants that existed during the years are as follows and all options are settled by physical delivery of shares:

Date of grant	Vesting conditions	Exercise period	Exercise price	Number of shares issuable under options granted
1 December 2003	Immediate	1 January 2004 to 30 December 2011	HK$0.55	400,000
27 July 2009	Immediate	27 July 2009 to 30 December 2011	HK$0.72	48,270,000

(b) Movement in the number of share options outstanding and their related weighted average exercise prices are as follows:

	2013		2012	
	Weighted average exercise price HK$	Number of shares issuable under options granted '000	Weighted average exercise price HK$	Number of shares issuable under options granted '000
Outstanding at 1 July	–	–	0.72	48,670
Lapsed during the year	–	–	0.72	(48,670)
Outstanding at 30 June	–	–	–	–

The entire share options of the Old Scheme were lapsed on 30 December 2011.

NOTES TO THE FINANCIAL STATEMENTS

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29. INCOME TAX IN THE CONSOLIDATED STATEMENT OF FINANCIAL POSITION

(a) Current taxation

Income tax payable of approximately HK$32,491,000 (2012: HK$47,476,000) in the consolidated statement of financial position represents provision for the PRC enterprise income tax.

(b) Deferred tax liabilities recognised

The Group

The components of deferred tax liabilities recognised in the consolidated statement of financial position and the movements during the year are as follows:

	Fair value adjustments arising from acquisition of subsidiaries HK$'000
At 1 July 2011	13,702
Credited to profit or loss	(1,411)
Exchange realignment	201
At 30 June 2012 and 1 July 2012	12,492
Credited to profit or loss	(1,435)
Exchange realignment	409
At 30 June 2013	11,466

(c) Deferred taxation not recognised

In accordance with the accounting policy set out in note 2(y), the Group has not recognised deferred tax assets in respect of tax losses of approximately HK$32,722,000 (2012: HK$26,122,000). Deferred tax assets have not been recognised in respect of these losses due to the unpredictability of future profit streams. Under current tax legislation, tax losses of approximately HK$29,005,000 (2012: HK$24,143,000) do not have an expiry date and tax losses of approximately HK$3,717,000 (2012: HK$1,979,000) will expire in five years from the year in which they were incurred.

The Group had no other significant deferred taxation not provided for during the year and as at the end of the reporting period.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2013
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30. DERIVATIVE FINANCIAL LIABILITIES

The Group and the Company

	Contingent consideration for business combination *(note)* HK$'000	Derivative components of convertible bonds issued by the Company *(note 31(d))* HK$'000	Total HK$'000
At 1 July 2011	28,260	22,202	50,462
Issue of consideration shares *(notes 34(b))*	(5,880)	–	(5,880)
Change in fair value	(13,340)	(11,577)	(24,917)
At 30 June 2012 and 1 July 2012	9,040	10,625	19,665
Issue of consideration shares *(notes 34(b))*	(8,560)	–	(8,560)
Change in fair value	(480)	(5,611)	(6,091)
At 30 June 2013	–	5,014	5,014

Note:

On 2 November 2010, the Group completed the acquisition of 100% equity interest in Fast Base Holdings Limited ("Fast Base") and its subsidiaries (together "Fast Base Group") from an independent third party. The acquisition was satisfied by cash of RMB11,520,000 (equivalent to approximately HK$13,395,000) and 68,000,000 Company shares to be issued in two tranches of 28,000,000 shares and 40,000,000 shares when the audited consolidated net profit after tax (excluding amortisation or impairment of technical know-how of pesticides) of Fast Base Group for each of the years ended 30 June 2011 and 2012 shall not be less than RMB13,000,000 and RMB22,000,000 respectively, in accordance with the agreement. In the event that the above profit target is not met, the number of consideration shares to be issued shall be proportionally reduced according to the actual shortfall.

At the date of completion, the fair value of the Company's shares was HK$0.78 each. Based on the directors' assessment of the vendors' estimate of the future profit of Fast Base Group, the fair value of the consideration shares expected to be issued is estimated to be HK$44,530,000.

The Company's obligation to issue a variable number of shares is accounted for as a liability and carried at fair value at the end of each reporting period, with the resulting gain or loss recognised in profit or loss.

As the Fast Base Group achieved an audited consolidated net profit after tax (excluding amortisation or impairment of technical know-how of pesticides) above RMB13,000,000 for the year ended 30 June 2011, the first tranche of 28,000,000 consideration shares has been issued on 12 October 2011 at HK$0.21 each. The total value of the first tranche of consideration shares was approximately HK$5,880,000.

As the Fast Base Group achieved an audited consolidated net profit after tax (excluding amortisation or impairment of technical know-how of pesticides) above RMB22,000,000 for the year ended 30 June 2012, the second tranche of 40,000,000 consideration shares has been issued on 12 October 2012 at HK$0.214 each. The total value of the second tranche of consideration shares was approximately HK$8,560,000.

During the year ended 30 June 2013, the fair value of the contingent consideration was reduced by approximately HK$480,000 (2012: HK$13,340,000) as a result of the reestimation of the fair value of the contingent consideration payable.

31. CONVERTIBLE BONDS

The Group and the Company

(a) On 24 July 2009, the Company issued convertible bonds denominated in Hong Kong dollars with an aggregate maximum principal amount of HK$29,970,000 (the "2011 Convertible Bonds") at 3% interest per annum payable annually. Subject to certain adjustments, the 2011 Convertible Bonds will be convertible into the ordinary shares of the Company at an initial conversion price of HK$0.9 per share within two years commencing from 24 July 2009 (the date of issue) to 23 July 2011, the maturity date on which date the Company shall redeem the 2011 Convertible Bonds at 100% of its outstanding principal amount together with accrued interest.

The 2011 Convertible Bonds or any part(s) thereof may only be assigned or transferred to any party who is not a connected person (as defined in the Listing Rules) of the Company. Any assignment or transfer of the 2011 Convertible Bonds shall be in respect of the whole or any part(s) of the outstanding principal amount of the 2011 Convertible Bonds, provided that such principal amount to be assigned or transferred shall not be less than HK$3,000,000 on each assignment or transfer.

The 2011 Convertible Bonds contained two components, the liability and equity components. The equity component is presented in equity as an "Convertible bonds equity reserve". As at 24 July 2009, the 2011 Convertible Bonds were measured at fair value based on a valuation performed by Ample Appraisal Limited, an independent professional valuer, who has a recognised and relevant professional qualification and experience. Valuation was made on the effective interest method. The effective interest rate of the liability component is approximately 5.87%.

The 2011 Convertible Bonds were redeemed at maturity on 25 July 2011.

(b) On 1 November 2010, the Company issued zero coupon rate convertible bonds with an aggregate principal amount of HK$800,000,000 ("2015 Convertible Bonds") in four tranches, namely, 2015 Convertible Bonds I, II, III and IV for the principal amount of HK$524,000,000, HK$50,000,000, HK$82,000,000 and HK$144,000,000 respectively, upon the completion of the acquisition of Present Sino Limited and its subsidiaries (collectively "Present Sino Group") (as detailed in note 34(a)) to Mr. Wu Shaoning, an executive director, the chairman and controlling shareholder of the Company and eight other vendors (collectively the "Vendors"). Unless previously redeemed, converted or purchased and cancelled, the Company shall redeem the 2015 Convertible Bonds at their principal amount on 1 November 2015.

The 2015 Convertible Bonds I and IV can be converted at any time on or after 2 November 2010 and up to the close of business on 30 October 2015. For 2015 Convertible Bonds II and III, their respective conversion period commences from the date of publication of the annual results of the Company for the financial years ended 30 June 2011 and 30 June 2012, and ending on 30 October 2015.

During the conversion period, the bondholders are entitled to convert the 2015 Convertible Bonds into ordinary shares of the Company of HK$0.1 each at the option of the bondholders at an initial conversion price of HK$1 per share (the "Conversion Price"). The Conversion Price is subject to anti-dilutive adjustments for adjusting events relating to the securities of the Company.

The 2015 Convertible Bonds I, II, III and IV are transferable during their respective conversion period.

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For the year ended 30 June 2013
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31. CONVERTIBLE BONDS *(Continued)*

The Group and the Company *(Continued)*

(b) *(Continued)*

The 2015 Convertible Bonds II, III and IV (all issued to the founder of the principal subsidiary of Present Sino Group who is also one of the Vendors) are subject to a consideration adjustment by way of reduction of the corresponding principal amount of the 2015 Convertible Bonds in the event that the target net profit of Present Sino Group for each of the years ended 30 June 2011 and 30 June 2012 is not attained and that the said founder is unable to settle the shortfall by cash.

The convertible bonds contained two components, the liability and equity components. The equity component is presented in equity as "Convertible bonds equity reserve". As at 1 November 2010, the convertible bonds were measured at fair value based on a valuation performed by Ample Appraisal Limited, an independent professional valuer, who has a recognised and relevant professional qualification and experience. Valuation was made on the effective interest method. The effective interest rate of the liability component is approximately 6.484%.

During the year ended 30 June 2013, the 2015 Convertible Bonds with an aggregate principal amount of HK$6,000,000 (2012: HK$40,000,000) were converted into 6,000,000 (2012: 40,000,000) ordinary shares.

(c) On 26 November 2010, the Company entered into a subscription agreement to issue zero coupon rate convertible bonds for an aggregate principal amount of RMB70 million (equivalent to approximately HK$82,180,000) (the "2016 Convertible bonds"). The issue of the 2016 Convertible Bonds was completed on 28 January 2011. Unless previously redeemed, converted or purchased and cancelled, the Company shall redeem the 2016 Convertible Bonds at 133.82% of its principal amount on 28 January 2016, which is based on an internal rate of return of 6% per annum on a compound basis.

The 2016 Convertible Bonds are convertible at any time on or after 27 February 2011 and up to the close of business on 18 January 2016 by the bondholders into ordinary shares of the Company of HK$0.1 each at the option of the bondholder at an initial conversion price of HK$1 per share (the "Conversion Price"). The conversion price is subject to anti-dilutive adjustments for adjusting events relating to the securities of the Company.

The Conversion Price shall be reset downwards on 28 July 2011, 28 January 2012, 28 July 2012, 28 January 2013, and 28 July 2013 (each, the "Price Reset Date") to an adjusted conversion price equal to the simple average of the closing price per share for the 30 trading days immediately prior to the Price Reset Date (the "Reset Conversion Price"), provided that the Reset Conversion Price shall not be reduced to below HK$0.70. As at 30 June 2012 and 2013, the Reset Conversion Price is HK$0.70.

(Expressed in Hong Kong dollars)

31. CONVERTIBLE BONDS *(Continued)*

The Group and the Company *(Continued)*

(c) *(Continued)*

Both the Company and the bondholders have redemption options on the 2016 Convertible Bonds pursuant to the subscription agreement:

From 28 January 2014 to 28 January 2016, both dates inclusive, the Company has the option (the "Mandatory Conversion Option") to redeem the 2016 Convertible Bonds in the exact principal amount of RMB17,500,000 each time at a redemption price equal to the principal amount plus a yield accrued at 6% per annum on a compound basis on the respective principal amount of the 2016 Convertible Bonds by way of issue and allotment of Conversion Shares to the bondholders subject to fulfilment of the following conditions:

(i) each of the closing prices per share quoted on the main board of the Stock Exchange for the 30 consecutive trading days immediately before the date of exercise of the Mandatory Conversion Option (including the date of exercise if the date will be a trading day) will have exceeded 130% of the Conversion Price in force at that time plus a yield accrued at 6% per annum on a compound basis; and

(ii) the Mandatory Conversion Option will have not been exercised by the Company or more than 45 trading days have been lapsed after the delivery of the conversion shares to the bondholders in respect of the previous exercise of the Mandatory Conversion Option.

On 28 January 2014, the bondholders of the 2016 Convertible Bonds have the option to require the Company to redeem all or part of the 2016 Convertible Bonds at 119.1% of their unpaid principal amount as at 28 January 2014. A written notice to exercise the right must be lodged with the Company at least 60 days before the abovementioned date.

As the 2016 Convertible Bonds will not result in settlement by the exchange of a fixed amount of cash for a fixed number of the Company's shares because of the conversion price reset provision, in accordance with the requirements of HKAS 32, the bonds are separated into two components: a compound derivative component consisting of the conversion option and the redemption option, and a liability component consisting of the straight debt element.

As at 28 January 2011 (issue date), 30 June 2012 and 30 June 2013, the entire 2016 Convertible Bonds were measured at fair value based on a valuation performed by Ample Appraisal Limited, an independent professional valuer, who has a recognised and relevant professional qualification and experience. The valuation was made based on the Binominal Model for the derivative component, with major inputs used in the model as follows:

	2013	2012	Issue date
Stock price	**HK$0.305**	HK$0.226	HK$0.78
Expected volatility	**50.590%**	74.883%	51.791%
Risk free rate	**0.538%**	0.293%	1.76%

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31. CONVERTIBLE BONDS *(Continued)*

The Group and the Company *(Continued)*

(c) *(Continued)*

(ii) *(Continued)*

Any changes in the major inputs into the model will result in changes in the fair value of the derivative components. The change in the fair value of the derivative component during the year ended 30 June 2013 results in a fair value gain of HK$5,611,000 (2012: HK$11,577,000), which has been included in the "Gain from change in fair value of derivative financial liabilities", which includes change in fair value of the conversion options embedded in the 2016 Convertible Bonds and contingent consideration from business combination, in the consolidated income statement for the year ended 30 June 2013.

Interest expenses are calculated using the effective interest method by applying the effective interest rate of 25.628% to the adjusted liability component.

(d) The carrying value of the liability component and derivative components of the above convertible bonds are as follow:

Liability component

	2013 **HK$'000**	2012 HK$'000
At 1 July	**552,375**	574,867
Interest charged	**38,436**	39,640
Conversion	**(5,000)**	(31,400)
Redemption on maturity	**–**	(30,732)
At 30 June	**585,811**	552,375

Derivative component (note 30)

	2013 **HK$'000**	2012 HK$'000
At 1 July	**10,625**	22,202
Change in fair value of derivative financial liabilities	**(5,611)**	(11,577)
At 30 June	**5,014**	10,625

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32. PROMISSORY NOTES

	The Group and the Company	
	2013	2012
	HK$'000	HK$'000
At 1 July	**193,349**	182,016
Interest charged	**6,651**	11,333
Repayment on due date	**(200,000)**	–
At 30 June	**–**	193,349

On 1 November 2010, the Company issued promissory notes for an aggregate principal amounts of HK$200,000,000 in two tranches, First Promissory Note and Second Promissory Note, in the principal amount of HK$132,000,000 and HK$68,000,000 respectively, upon the completion of the acquisition of Present Sino Group (as detailed in note 34(a)) to Mr. Wu Shaoning, (an executive director, the chairman and controlling shareholder of the Company and one of the Vendors of the Present Sino Group) and another Vendor (founder of the principal subsidiary of Present Sino Group) respectively. The promissory notes are due on the business day immediately following the expiry of three months from the date of publication of the annual results of the Company for the financial year ended 30 June 2012.

The principal amount of the Second Promissory Note is subject to a downward adjustment on the due day in the event that the target audited net profit of Present Sino Group for each of the years ended 30 June 2011 and 30 June 2012 is not attained, on a dollar-to-dollar basis and that the said founder is unable to settle the shortfall by cash. During the year ended 30 June 2013, the whole principal amount of the Second Promissory Note was repaid by offsetting against the shortfall receivable from the said founder.

The fair value of promissory notes is approximately HK$174,543,000 as at the issue date, calculated at the effective interest rate of 6.484% per annum. The promissory notes were classified as current liabilities as at 30 June 2012, and were carried at amortised cost until settlement on due date.

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33. CAPITAL AND RESERVES

(a) The Group

		Attributable to owners of the Company											
	Note	Share capital HK$'000	Share premium HK$'000	Capital reserve HK$'000	Exchange reserve HK$'000	Convertible Bond equity reserve HK$'000	Employee Share-based compensation reserve HK$'000	Other reserves HK$'000	Warrant reserve HK$'000	Retained profits HK$'000	Total HK$'000	Non-controlling interests HK$'000	Total equity HK$'000
At 1 July 2011		77,977	362,235	1,188	171,888	180,100	7,925	61,937	1,800	533,005	1,398,055	23,221	1,421,276
Profit for the year		–	–	–	–	–	–	–	–	137,052	137,052	(1,564)	135,488
Exchange difference on translation of the financial statements of subsidiaries in PRC		–	–	–	24,495	–	–	–	–	–	24,495	–	24,495
Disposals of subsidiaries	*34(c)*	–	–	–	(625)	–	–	–	–	–	(625)	–	(625)
Total other comprehensive income		–	–	–	23,870	–	–	–	–	–	23,870	–	23,870
Total comprehensive income for the year		–	–	–	23,870	–	–	–	–	137,052	160,922	(1,564)	159,358
Transactions with owners:													
Issue of unlisted warrants	*33(d)(vi)*	–	–	–	–	–	–	–	893	–	893	–	893
Issue of consideration shares	*33(c)*	2,800	3,080	–	–	–	–	–	–	–	5,880	–	5,880
Exercise of unlisted warrants	*33(c)*	10,000	30,893	–	–	–	–	–	(893)	–	40,000	–	40,000
Issue of shares upon conversion of convertible bonds	*33(c)*	4,000	38,183	–	–	(10,783)	–	–	–	–	31,400	–	31,400
Redemption of convertible bonds	*31(a)*	–	–	–	44	(1,374)	–	–	–	1,330	–	–	–
Lapse of share options	*28*	–	–	–	–	–	(7,925)	–	–	7,925	–	–	–
Acquisition of additional interests in a subsidiary		–	–	–	–	–	–	–	–	–	–	(146)	(146)
Disposal of subsidiaries	*34(c)*	–	–	–	–	–	–	–	–	–	–	(8,538)	(8,538)
Transfers		–	–	–	18	–	–	1,284	–	(1,302)	–	–	–
Total transactions with owners		16,800	72,156	–	62	(12,157)	(7,925)	1,284	–	7,953	78,173	(8,684)	69,489
At 30 June 2012		94,777	434,391	1,188	195,820	167,943	–	63,221	1,800	678,010	1,637,150	12,973	1,650,123
Profit for the year		–	–	–	–	–	–	–	–	154,347	154,347	987	155,334
Exchange difference on translation of the financial statements of subsidiaries in PRC		–	–	–	80,233	–	–	–	–	–	80,233	566	80,799
Total other comprehensive income		–	–	–	80,233	–	–	–	–	–	80,233	566	80,799
Total comprehensive income for the year		–	–	–	80,233	–	–	–	–	154,347	234,580	1,553	236,133
Transactions with owners:													
Issue of consideration shares	*33(c)*	4,000	4,560	–	–	–	–	–	–	–	8,560	–	8,560
Issue of shares upon conversion of convertible bonds	*33(c)*	600	6,017	–	–	(1,617)	–	–	–	–	5,000	–	5,000
Transfers		–	–	–	14	–	–	1,618	–	(1,632)	–	–	–
Total transactions with owners		4,600	10,577	–	14	(1,617)	–	1,618	–	(1,632)	13,560	–	13,560
Capital injection by non-controlling interests		–	–	–	–	–	–	–	–	–	–	7,581	7,581
At 30 June 2013		**99,377**	**444,968**	**1,188**	**276,067**	**166,326**	**–**	**64,839**	**1,800**	**830,725**	**1,885,290**	**22,107**	**1,907,397**

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33. CAPITAL AND RESERVES *(Continued)*

(b) The Company

	Note	Share capital HK$'000	Share premium HK$'000	Contributed surplus HK$'000	Convertible bond equity reserve HK$'000	Employee share-based compensation reserve HK$'000	Warrant reserve HK$'000	(Accumulated losses)/ Retained profits HK$'000	Total HK$'000
At 1 July 2011		77,977	362,235	11,527	180,100	7,925	1,800	(57,279)	584,285
Issue of unlisted warrants	*33(d)(vi)*	–	–	–	–	–	893	–	893
Issue of consideration shares	*33(c)*	2,800	3,080	–	–	–	–	–	5,880
Exercise of unlisted warrants	*33(c)*	10,000	30,893	–	–	–	(893)	–	40,000
Issue of shares upon conversion of convertible bonds	*33(c)*	4,000	38,183	–	(10,783)	–	–	–	31,400
Lapse of share options	*28*	–	–	–	–	(7,925)	–	7,925	–
Redemption of convertible bonds	*31(a)*	–	–	–	(1,374)	–	–	1,330	(44)
Profit for the year		–	–	–	–	–	–	90,505	90,505
At 30 June 2012 and 1 July 2012		94,777	434,391	11,527	167,943	–	1,800	42,481	752,919
Issue of consideration shares	*33(c)*	4,000	4,560	–	–	–	–	–	8,560
Issue of shares upon conversion of convertible bonds	*33(c)*	600	6,017	–	(1,617)	–	–	–	5,000
Profit for the year		–	–	–	–	–	–	106,142	106,142
At 30 June 2013		**99,377**	**444,968**	**11,527**	**166,326**	**–**	**1,800**	**148,623**	**872,621**

(c) Share capital

	Note	**2013 Number of shares '000**	**2013 Amount HK$'000**	2012 Number of shares '000	2012 Amount HK$'000
Authorised:					
Ordinary shares of HK$0.1 each		**3,000,000**	**300,000**	3,000,000	300,000
Ordinary shares, issued and fully paid					
At 1 July and 30 June		**947,767**	**94,777**	779,767	77,977
Issue of shares upon exercise of unlisted warrants	*(i)*	**–**	**–**	100,000	10,000
Issue of consideration shares	*(ii)*	**40,000**	**4,000**	28,000	2,800
Issue of shares upon conversion of convertible bonds	*(iii)*	**6,000**	**600**	40,000	4,000
		993,767	**99,377**	947,767	94,777

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33. CAPITAL AND RESERVES *(Continued)*

(c) Share capital *(Continued)*

The holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at meetings of the Company. All ordinary shares rank equally with regards to the Company's residual assets.

Note:

(i) The Company issued 100,000,000 unlisted warrants ("Unlisted Warrants") to independent third parties on 28 November 2011. During the year ended 30 June 2012, the warrantholders fully exercised the Unlisted Warrants to subscribe for 100,000,000 ordinary shares in the Company, at an exercise price of HK$0.4 each.

(ii) During the year ended 30 June 2013, the Company issued 40,000,000 (2012: 28,000,000) ordinary shares as part of the consideration for the acquisition of the entire interests of Fast Base Holdings Limited and its subsidiaries (note 30).

(iii) During the year ended 30 June 2013, the 2015 Convertible Bonds with an aggregate principal amount of HK$6,000,000 (2012: HK$40,000,000) were converted into 6,000,000 (2012: 40,000,000) ordinary shares of the Company at a conversion price of HK$1 each.

(d) Nature and purpose of reserves

(i) Share premium and contributed surplus

Contributed surplus of the Company represents the difference between the nominal value of the ordinary shares issued by the Company and the net asset value of the subsidiaries acquired through exchange of shares pursuant to the Group reorganisation in 2000.

Under the Companies Law (Revised) of the Cayman Islands, share premium and contributed surplus are distributable to shareholders, subject to the condition that the Company cannot declare or pay a dividend, or make a distribution out of share premium and contributed surplus if (i) it is, or would after the payment be, unable to pay its liabilities as they become due, or (ii) the realisable value of its assets would thereby be less than the aggregate of its liabilities and its issued share capital account.

(ii) Capital reserve

Capital reserve represents (i) capital reserve of the subsidiaries and (ii) the difference between the aggregate nominal value of the share capital issued by the Company and the aggregate nominal amount of the share capital of subsidiaries through an exchange of shares pursuant to the Group reorganisation in 2000.

(iii) Exchange reserve

The exchange reserve comprises all foreign exchange differences arising from the translation of the financial statements of foreign operations. The reserve is dealt with in accordance with the accounting policy set out in note 2(z).

(iv) Convertible bonds equity reserve

Convertible bond equity reserve represents the net proceeds received from the issue of convertible bonds of the Company. The reserve will be transferred to share capital and share premium accounts upon the conversion of convertible bonds.

(v) Employee share-based compensation reserve

Employee share-based compensation reserve represents the fair value of share option granted to employees recognised as an employee cost with a corresponding increase in this reserve within equity.

(Expressed in Hong Kong dollars)

33. CAPITAL AND RESERVES *(Continued)*

(d) Nature and purpose of reserves *(Continued)*

(vi) Warrant reserve

Warrant reserve represents the net proceeds received from the issue of warrants of the Company. The reserve will be transferred to share capital and share premium accounts upon the exercise of the warrants.

On 28 January 2011, the Company issued 30 unlisted warrants each conferring rights to subscribe for 2,000,000 shares of the Company, at an issue price of HK$0.03 per subscription right for one share, pursuant to a subscription agreement dated 26 November 2010. Each warrant entitles the holder to subscribe for 2,000,000 ordinary shares of HK$0.10 each at an initial subscription price of HK$1.2 per share during the period from 28 January 2011 to 28 January 2016. None of the warrant was exercised from the date of issue to the reporting date. Shares to be issued under the warrant will rank pari passu in all respect with the Company's existing shares.

On 28 November 2011, the Company issued 100,000,000 unlisted warrants at an issue price of HK$0.01 per warrant pursuant to a subscription agreement dated 17 November 2011. Each warrant entitles the holder to subscribe for one ordinary share of HK$0.10 each at an initial subscription price of HK$0.4 per share at any time within 18 months commencing from the date of issue of the warrants. The warrants were full exercised during the year ended 30 June 2012. New shares issued rank pari passu in all respects with the Company's existing shares.

Movements in number of underlying shares of the warrants:

Date of issue	At 1 July 2011	Issued during the year	Exercised during the year	Lapsed during the year	30 June 2012
28 January 2011	60,000,000	–	–	–	60,000,000
28 November 2011	–	100,000,000	100,000,000	–	–

Date of issue	**At 1 July 2012**	**Issued during the year**	**Exercised during the year**	**Lapsed during the year**	**30 June 2013**
28 January 2011	60,000,000	–	–	–	**60,000,000**

Terms of unexpired and unexercised warrants at the end of the reporting period:

Date of issue	**Exercisable period**	**Number of underlying shares of the warrants 2013**	2012
28 January 2011	28 January 2011 to 28 January 2016	**60,000,000**	60,000,000

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33. CAPITAL AND RESERVES *(Continued)*

(d) Nature and purpose of reserves *(Continued)*

(vii) Other reserves

In accordance with the relevant rules and regulations in the PRC, except for sino-foreign equity joint venture enterprises, all the PRC companies are required to transfer 10% of their profit after taxation calculated under PRC accounting rules and regulations to the statutory reserve fund, until the accumulated total of the fund reaches 50% of their registered capital. The statutory reserve fund can only be used, upon approval by the relevant authority, to offset previous years' losses or to increase the capital of the respective companies. The appropriation to the enterprise expansion fund is solely determined by the board of directors of the PRC companies. The enterprise expansion fund can only be used to increase the registered capital of the respective companies or to expand their production operations upon approval by the relevant authority.

In accordance with relevant rules and regulations in the PRC applied to sino-foreign equity joint venture enterprises, the appropriation to the statutory reserve fund and enterprise expansion fund is to be determined by the board of directors of the respective companies.

(e) Distributability of reserves

As at 30 June 2013, the aggregate amount of reserves available for distribution to owners of the Company amounted to approximately HK$605,118,000 (2012: HK$488,399,000) computed in accordance with the Companies Law (Revised) of the Cayman Islands and the Company's Articles of Association. This includes the Company's share premium and contributed surplus of approximately HK$444,968,000 (2012: HK$434,391,000) and HK$11,527,000 (2012: HK$11,527,000) respectively, and retained profits of approximately HK$148,623,000 (2012: HK$42,481,000), which is available for distribution provided that immediately following the date on which a dividend is proposed, the Company will be able to pay off its debts as they fall due in the ordinary course of business.

(f) Capital management

The Group's objectives when managing capital are to ensure that entities in the Group will be able to continue as a going concern while maximising the return to shareholders through the optimisation of the debt and equity balance.

The management reviews the capital structure by considering the cost of capital and the risks associated with each class of capital. In view of this, the Group will balance its overall capital structure through the payment of dividends, new share issues as well as the issue of new debts or the redemption of existing debts as it sees fit and appropriate.

The capital structure of the Group consists of debts (which include bank and other loans only), cash and cash equivalents and equity attributable to owners of the Company (which comprises issued share capital and reserves).

The Group monitors capital on the basis of a gearing ratio. The ratio is calculated as net debt divided by total capital. Net debt is calculated as total borrowings less cash and cash equivalents. Total capital is calculated as total equity, as shown in the consolidated statement of financial position, plus net debt. The Group's strategy is to maintain a gearing ratio of not exceeding 40%.

33. CAPITAL AND RESERVES *(Continued)*

(f) Capital management *(Continued)*

During the year ended 30 June 2013, the Group's strategy, which was unchanged from 2012, was to maintain a gearing ratio of within 20% to 40%. The gearing ratios at 30 June 2013 and 2012 were as follows:

	2013 **HK$'000**	2012 HK$'000
Bank and other loans	**1,008,557**	694,911
Less: Cash and cash equivalents	**(98,037)**	(210,640)
Net debt	**910,520**	484,271
Total equity	**1,907,397**	1,650,123
Total capital	**2,817,917**	2,134,394
Gearing ratio	**32%**	23%

Neither the Company nor its subsidiaries are subject to externally imposed capital requirements.

34. BUSINESS COMBINATIONS

(a) Acquisition of Present Sino Limited and its subsidiaries during the year ended 30 June 2011

On 1 November 2010, the Group acquired the control of Present Sino Limited ("Present Sino") and its subsidiaries (together "Present Sino Group") through the acquisition of 100% equity interest in Present Sino from Mr. Wu Shaoning, an executive director as well as, the chairman and controlling shareholder of the Company as a vendor and eight other vendors (collectively the "Vendors") at a total consideration of HK$1,000,000,000.

The consideration was satisfied by the Company in the following manner:

(i) as to HK$800,000,000 by the issue of convertible bonds (see note 31(b)); and

(ii) as to HK$200,000,000 by the issue of promissory notes (see note 32).

The consideration is subject to the following adjustment:

Pursuant to the sales and purchase agreement, Mr. Xue Zhixin ("Mr. Xue"), one of the vendors, has undertaken that the audited consolidated net profit after tax of Present Sino Group for each of the years ended 30 June 2011 and 2012 shall not be less than HK$120,000,000 and HK$150,000,000 respectively. In the event the guaranteed profit is not met, Mr. Xue shall pay to the Company or settle by way of set off against the principal amount of convertible bonds and/or promissory note any shortfall amount on a dollar-to-dollar basis on or before the end of three months from the date of publication of the annual results of the Company for the financial year ended 30 June 2011 and 30 June 2012 respectively.

NOTES TO THE FINANCIAL STATEMENTS

34. BUSINESS COMBINATIONS *(Continued)*

(b) Acquisition of Fast Base Holdings Limited and its subsidiaries during the year ended 30 June 2011

On 2 November 2010, the Group completed the acquisition of 100% equity interest in Fast Base Holdings Limited ("Fast Base") and its subsidiaries (together "Fast Base Group") from an independent third party. The acquisition is satisfied by cash of RMB11,520,000 (equivalent to approximately HK$13,395,000) and 68,000,000 consideration shares at an issue price of HK$1 per consideration share, to be issued in two tranches of 28,000,000 shares and 40,000,000 shares, when the consolidated net profit after tax of Fast Base Group for the years ended 30 June 2011 and 2012 shall not be less than RMB13,000,000 and RMB22,000,000 respectively, in accordance with the agreement. In the event that the above profit is not met, the number of consideration shares to be issued shall be proportionally reduced according to the actual shortfall.

(c) Disposals and deregistration of subsidiaries during the year ended 30 June 2012

During the year ended 30 June 2012, the Group disposed of the entire equity interests of eight subsidiaries of the Group through either deregistration or sale to independent third parties. The deregistered subsidiary was 厦門根本精細化工有限公司. The seven subsidiaries sold were 常德浩農業科技有限公司, 福建中普能源實業發展有限公司, 華容浩倫金穗農業科技有限公司, 大豐市浩倫農資超市有限責任公司, 建湖浩倫農資超市有限責任公司, 山東浩倫興魯農資連鎖有限公司 and 秦皇島市東山沅電力燃料有限公司. All these subsidiaries were engaged in the manufacturing/trading of fertilizers, pesticides and other agricultural resources products, as well as trading of non-agricultural resources products.

34. BUSINESS COMBINATIONS *(Continued)*

(c) Disposals and deregistration of subsidiaries during the year ended 30 June 2012 *(Continued)*

The cash flow and the carrying amount of net assets of the subsidiaries sold or deregistered at the date of disposal were as follows:

	Amounts derecognised HK$'000
Property, plant and equipment	532
Inventories	42,644
Trade and other receivables	91,641
Cash and cash equivalents	8,683
Amount due from the Group	9,593
Trade and other payables	(83,496)
Tax payable	(2,597)
Amount due to the Group	(39,374)
Net assets disposed of	27,626
Non-controlling interests	(9,491)
Attributable goodwill	15,806
Exchange reserve	(625)
	33,316
Less: Consideration of disposals	(26,655)
Loss on disposal of subsidiaries, net	6,661
Cash consideration received	26,655
Cash and cash equivalents disposed of	(8,683)
Net cash inflow arising on disposals	17,972

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35. RETIREMENT BENEFIT SCHEMES

(a) The Group operates a Mandatory Provident Fund Scheme ("MPF Scheme") under the Hong Kong Mandatory Provident Fund Schemes Ordinance for employees employed under the jurisdiction of the Hong Kong Employment Ordinance. The MPF Scheme is a defined contribution retirement scheme managed by an independent approved MPF Scheme trustee. Under the MPF Scheme, the employer and its employees are each required to make contributions to the scheme at 5% of the employees' relevant income, subject to a cap of monthly relevant income of HK$25,000 with effect from 1 June 2012/HK$20,000 prior to 1 June 2012. Contributions to the scheme vest immediately.

(b) Pursuant to the relevant labour rules and regulations in the PRC, the PRC subsidiaries of the Group participate in a defined contribution retirement plan (the "Plan") organised by the local government authorities whereby the subsidiaries are required to contribute to the Plan to fund the retirement benefits of the eligible employees. Contributions made to the Plan are calculated at a certain percentage of the payroll costs of the eligible employees. The local government authorities are responsible for the entire pension obligations payable to the retired employees. The Group is not liable to any retirement benefits payment in the PRC beyond the contributions to the Plan.

The Group does not operate any other scheme for retirement benefits provided to the Group's employees.

36. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The major types of risks inherent in the Group's business operation are credit risk, liquidity risk, interest rate risk, foreign currency risks and operation risk. The Group's risk management objective is to maximise shareholders' value and to reduce volatility in earnings while maintaining risk exposures within acceptable limits.

(a) Credit risk

Credit risk is the risk of financial loss to the Group if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and the Group's credit risk is primarily attributable to the Group's trade and other receivables and deposits with financial institutions.

Management has a credit policy in place and the exposures to these credit risks are monitored on an ongoing basis.

In respect of trade and other receivables, individual credit evaluations are performed for all customers requiring credit over a certain amount. These evaluations focus on the customer's past history of making payments when due and current ability to pay, and take into account information specific to the customer as well as pertaining to the economic environment in which the customer operates. Trade receivables are due within six months from the date of billing. Normally, the Group does not obtain collateral from customers. The impairment losses on bad and doubtful debts are within management's expectation.

36. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES *(Continued)*

(a) Credit risk *(Continued)*

(i) Trade and other receivables

The Group's exposure to credit risk is influenced mainly by the individual characteristics of each customer. The default risk of the industry and country in which customers operate also has an influence on credit risk but to a lesser extent. At the end of the reporting period, the Group had certain concentration risk as 4% (2012: 12%) and 15% (2012: 32%) of the total trade receivables were due from the Group's largest customer and the five largest customers, respectively.

The maximum exposure to credit risk without taking account of any collateral held is represented by the carrying amount of each financial asset in the statement of financial position after deducting any impairment allowance. The Group does not provide any other guarantee which would expose the Group or the Company to credit risk.

Further quantitative disclosures in respect of the Group's exposure to credit risk arising from trade and other receivables are set out in note 22.

(ii) Deposits with financial institutions

The Group limits its exposure to credit risk by placing deposits with financial institutions with no recent history of default and high credit rating. Management does not expect any counterparty to fail to meet its obligations.

(iii) Advance to suppliers

The advances to suppliers are generally utilised by subsequent purchase order placed by the Group within one year from the date of advancements. The Group establishes adequate credit control for determination of limits, approvals and other monitoring procedures to ensure that follow-up actions are taken to recover unutilised advance. In addition, the Group reviews the recoverable amount of the prepayment or deposits paid to suppliers at the end of each reporting period.

(b) Liquidity risk

Liquidity risk is the risk that the Group will not be able to meet its financial obligations as they fall due. The Group's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, without incurring unacceptable losses or risking damage to the Group's reputation.

Individual operating entities within the Group are responsible for their own cash management, including the short-term investment of cash surpluses and the raising of loans to cover expected cash demands, subject to approval by the parent company's board when the borrowings exceed certain predetermined levels of authority. The Group's policy is to regularly monitor its liquidity requirements and its compliance with lending covenants, to ensure that it maintains sufficient reserves of cash and readily realisable marketable securities and adequate committed lines of funding from major financial institutions to meet its liquidity requirements in the short and longer term.

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36. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES *(Continued)*

(b) Liquidity risk *(Continued)*

The following table details the remaining contractual maturities at the end of the reporting period of the Group's and the Company's non-derivative financial liabilities, which are based on the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows (including interest payments computed using contractual rates or, if floating, based on rates current at the end of the reporting period) and the earliest date the Group and the Company can be required to pay:

	2013				
	Carrying amount HK$'000	Total contractual undiscounted cash flow HK$'000	Within 1 year or on demand HK$'000	More than 1 but less than 2 years HK$'000	More than 2 but less than 5 years HK$'000
The Group					
Trade and other payable	2,125,790	2,125,790	2,125,790	–	–
Convertible bonds	585,811	735,352	–	–	735,352
Bank and other loans	1,008,557	1,077,542	1,076,439	400	703
	3,720,158	3,938,684	3,202,229	400	736,055
The Company					
Convertible bonds	585,811	735,352	–	–	735,352
Trade and other payables	1,208	1,208	1,208	–	–
	587,019	736,560	1,208	–	735,352

36. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES *(Continued)*

(b) Liquidity risk *(Continued)*

	2012				
	Carrying amount HK$'000	Total contractual undiscounted cash flow HK$'000	Within 1 year or on demand HK$'000	More than 1 but less than 2 years HK$'000	More than 2 but less than 5 years HK$'000
The Group					
Trade and other payable	2,402,261	2,402,261	2,402,261	–	–
Convertible bonds	552,375	737,406	–	–	737,406
Promissory notes	193,349	200,000	200,000	–	–
Bank loans	694,911	714,299	712,873	372	1,054
	3,842,896	4,053,966	3,315,134	372	738,460
The Company					
Convertible bonds	552,375	737,406	–	–	737,406
Promissory notes	193,349	200,000	200,000	–	–
Trade and other payables	1,186	1,186	1,186	–	–
	746,910	938,592	201,186	–	737,406

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36. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES *(Continued)*

(c) Interest rate risk

The Group's interest rate risk arises primarily from the Group's bank and other loans. Borrowings at variable rates and fixed rates expose the Group to cash flow interest rate risk and fair value interest rate risk respectively. The Group does not use financial derivatives to hedge against the interest rate risk. Borrowings at fixed rate are insensitive to any change in market rates. The Group's interest rate profile as monitored by management is set out in (i) below.

(i) Interest rate profile

The following table details the interest rate profile of the Group's borrowings at the end of the reporting period.

	2013 Effective interest rate %	**HK$'000**	2012 Effective interest rate %	HK$'000
Fixed rate borrowings:				
Bank and other loans	**5.88–11.00**	**749,150**	5.83–10.60	225,256
Variable rate borrowings:				
Bank loans	**1.07–11.81**	**259,407**	2.77–11.81	469,655
Total borrowings		**1,008,557**		694,911
Fixed rate borrowings as a percentage of total borrowings		**74.3%**		32.4%

(ii) Sensitivity analysis

At 30 June 2013, it is estimated that a general increase/decrease of 100 basis points in interest rates, with all other variables held constant, would decrease/increase the Group's profit after tax and retained profits by approximately HK$2,594,000 (2012: HK$4,697,000).

The sensitivity analysis above has been determined assuming that the change in interest rates had occurred at the end of the reporting period and had been applied to the exposure to interest rate risk for non-derivative financial instruments in existence at that date. The 100 basis point increase or decrease represents management's assessment of a reasonably possible change in interest rates over the period until the next annual reporting period. The analysis is performed on the same basis for 2012.

36. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES *(Continued)*

(d) Currency risk

The Group is exposed to currency risk as certain cash and cash equivalents, trade and other receivables, trade and other payables primarily through sales and purchases are denominated in a currency other than the functional currency of the operations to which they relate. The currencies giving rise to this risk are primarily Euro and US dollars.

The Group ensures that the exposure on recognised assets and liabilities that are denominated in a currency other than the functional currency of the operations to which they relate is kept to an acceptable level.

(i) Exposure to currency risk

The following table details the Group's significant exposure at the end of the reporting period to currency risk arising from recognised assets or liabilities denominated in foreign currencies.

The Group

	2013		2012	
	EUR '000	USD '000	EUR '000	USD '000
Trade and other receivables	–	1,517	–	3,800
Cash and cash equivalents	411	2,351	–	963
Trade and other payables	(19)	(3,186)	–	–
Bank loans	(133)	(12,967)	(252)	(14,763)
Overall net exposure	259	(12,285)	(252)	(10,000)

(ii) Sensitivity analysis

The following table indicates the approximate change in the Group's profit after tax (and retained profits) and other components of equity in response to reasonably possible changes in the foreign exchange rates to which the Group has significant exposure at the end of the reporting period.

The Group

	2013			2012		
	Increase/ (decrease) in foreign exchange rates %	Effect on profit after tax and retained profits HK$'000	Effect on other components of equity HK$'000	Increase/ (decrease) in foreign exchange rates %	Effect on profit after tax and retained profits HK$'000	Effect on other components of equity HK$'000
USD	1	972	–	1	772	–
	(1)	(972)	–	(1)	(772)	–
EUR	1	26	–	1	24	–
	(1)	(26)	–	(1)	(24)	–

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36. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES *(Continued)*

(d) Currency risk *(Continued)*

(ii) Sensitivity analysis *(Continued)*

The sensitivity analysis has been determined assuming that the change in foreign exchange rates had occurred at the end of the reporting period and had been applied to the each of the Group entities' exposure to currency risk for recognised assets and liabilities in existence at that date, and that all other variables, in particular interest rates, remain constant.

The stated changes represent management's assessment of reasonably possible changes in foreign exchange rates over the period until the next annual reporting period. In this respect, it is assumed that the pegged rate between the Hong Kong dollar and the United States dollar would be materially unaffected by any changes in movement in value of the United States dollar against other currencies. The analysis is performed on the same basis for 2012.

(e) Operation risk

The Group's operations may be adversely affected by significant political, economic and social uncertainties in the PRC. Although the PRC government has been pursuing economic reform policies for the past years, no assurance can be given that the PRC government will continue to pursue such policies or that such policies may not be significantly altered.

(f) Fair value

The estimate of fair values of biological assets is disclosed in note 15.

All financial assets and liabilities are carried at fair value or at amounts not materially different from their fair values as at end of the reporting period. The fair value of the trading securities is determined by reference to published price quotations in active markets.

The following table provides an analysis of financial instruments that are measured at fair value at the end of the reporting period, grouped into Levels 1 to 3 based on the degree to which the fair value is observable.

- Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active markets for identical assets or liabilities.

- Level 2 fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e., as prices) or indirectly (i.e., derived from prices).

- Level 3 fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

The level in the fair value hierarchy within which the fair value measurement is categorised in its entirety is determined on the basis of the lowest level input that is significant to the fair value measurement in this entirety.

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36. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES *(Continued)*

(f) Fair value *(Continued)*

	The Group and the Company							
	2013				2012			
	Level 1 HK$'000	Level 2 HK$'000	Level 3 HK$'000	Total HK$'000	Level 1 HK$'000	Level 2 HK$'000	Level 3 HK$'000	Total HK$'000
Financial assets at fair value through profit or loss								
Trading securities	–	3,677	–	3,677	–	3,596	–	3,596
Available-for-sale financial assets	–	–	39,207	39,207	–	–	37,917	37,917
	–	3,677	39,207	42,884	–	3,596	37,917	41,513
Financial liabilities at fair value through profit or loss								
Derivative component of convertible bonds	–	5,014	–	5,014	–	10,625	–	10,625
Contingent consideration from business combination	–	–	–	–	–	–	9,040	9,040
	–	5,014	–	5,014	–	10,625	9,040	19,665

There were no transfers between instruments in Level 1 and Level 2 during the year.

There were no movement during the year in the balance of financial asset of Level 3 fair value measurements.

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36. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES *(Continued)*

(f) Fair value *(Continued)*

The movement during the year in the balance of financial liability of Level 3 fair value measurements is as follows:

	The Group and the Company	
	2013	2012
	HK$'000	HK$'000
Contingent consideration for business combination *(note 30)*:		
At 1 July	**9,040**	28,260
Issue of consideration shares *(notes 34(b))*	**(8,560)**	(5,880)
Gain from change in fair value	**(480)**	(13,340)
At 30 June	**–**	9,040
Total gain included in profit or loss for the year	**480**	13,340
Total gain for the year included in profit or loss for financial liability held at the end of reporting period	**–**	5,360

(g) Equity price risk

The Group is exposed to price changes arising from the trading securities. Given the insignificant portfolio of trading securities, the management believes that the Group's equity price risk is minimal.

(h) Natural risk

The Group's revenue from seedling operation depends significantly on the ability to harvest at adequate levels. The ability to harvest and the growth of the trees in the forests may be affected by unfavourable local weather conditions and natural disasters. Weather conditions such as floods, droughts, cyclones and windstorms and natural disasters such as earthquakes, fire, disease, insect infestation and pests are examples of such events. The occurrence of severe weather conditions or natural disasters may diminish the supply of seedlings available for harvesting or the growth of the seedlings in the plantation bases.

(i) Regulatory and environmental risks

The Group's biological assets are subject to laws and regulations in the PRC in which it operates. The Group has established environmental policies and procedures aimed at compliance with local environmental and other laws. Management performs regular reviews to identify environmental risks and to ensure that the systems in place are adequate to manage those risks. The directors are not aware of any environmental liabilities as at 30 June 2013.

Certain of the Group's biological assets are located in plantation areas which the Group hold under Forest Right Certificates, which are subject to renewal in the future and the Group may not be able to renew or extend its Forest Right Certificates under any unforeseeable circumstances. In the event that the Group fails to renew the Forest Right Certificates upon expiration, the operation and financial performance may be adversely affected.

(j) Supply and demand risk

The Group's biological assets are exposed to risks arising from fluctuations in prices and sales quantity of seedling species. When possible the Group manages this risk by controlling its harvest quantity, according to market conditions. Management performs regular industry trend analysis to ensure the Group's pricing policy is comparable to the market and the projected harvesting quantities are consistent with the expected demand.

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37. FINANCIAL GUARANTEES ISSUED

For the year ended 30 June 2013, the Group issued certain financial guarantees to reimburse certain bankers for losses they might incur as a result of granting banking facilities to independent third parties without charge. The carrying amount of the financial guarantees issued were approximately HK$2,307,000 (2012: HK$689,000).

The financial guarantees issued were measured at fair value based on valuations performed by Ample Appraisal Limited, an independent professional valuer, who has a recognised and relevant professional qualification and experience.

38. COMMITMENTS

(a) At 30 June 2013, there was no significant capital commitments not provided for in the consolidated financial statements (2012: Nil).

(b) At 30 June 2013, the total future minimum lease payments under non-cancellable operating leases are payable as follows:

	The Group	
	2013	2012
	HK$'000	HK$'000
Within 1 year	**11,699**	10,809
After 1 year but within 5 years	**34,365**	30,971
After 5 years	**57,855**	81,175
	103,919	122,955

The leases typically run for an initial period of one to fifty years, with an option to renew the lease when all terms are renegotiated. Lease payments are usually increased annually to reflect market rentals. None of the leases includes contingent rentals.

39. MATERIAL RELATED PARTY TRANSACTIONS

In addition to the transactions and balances disclosed elsewhere in these financial statements, the Group had the following transactions with related parties.

(a) Guarantee given by a director of the Company

At 30 June 2013, Mr. Wu Shaoning, a director of the Company, gave personal guarantees to the extent of HK$919,267,000 (2012: HK$1,169,822,000) in favour of banks for banking facilities granted to the Group.

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39. MATERIAL RELATED PARTY TRANSACTIONS *(Continued)*

(b) Key management personnel remuneration

Remuneration for key management personnel of the Group, including amounts paid to the Company's executive directors as disclosed in note 8 and the highest paid employees as disclosed in note 9, is as follows:

	The Group	
	2013	2012
	HK$'000	HK$'000
Short-term employee benefits	**2,808**	2,942
Post-employment benefits	**77**	91
	2,885	3,033

Total remuneration is included in "staff costs" (note 6(b)).

(c) Financing arrangements

(i) Amount due (to)/from a director — Mr. Wu Shaoning

	The Group	
	2013	2012
	HK$'000	HK$'000
At 1 July	**654**	(447)
Advances from a director	**(20,580)**	(13,602)
Repayments to a director	**12,441**	14,256
Exchange difference	**(180)**	447
At 30 June	**(7,665)**	654

The amount due is included in trade and other payables (note 26). The amount due (to)/from a director is unsecured, interest-free and receivable/payable on demand.

(ii) Amount due to a director — Ms. Chen Xiaofang

	The Group	
	2013	2012
	HK$'000	HK$'000
At 1 July	**7,030**	–
Advances from a director	**–**	7,030
Repayments to a director	**(7,161)**	–
Exchange difference	**131**	–
At 30 June	**–**	7,030

The amount due is included in trade and other payables (note 26). The amount due to a director is unsecured, interest-free and repayable on demand.

39. MATERIAL RELATED PARTY TRANSACTIONS *(Continued)*

(c) Financing arrangements *(Continued)*

(iii) Convertible bonds held by Mr. Wu Shaoning (note 31(b))

	The Group and the Company	
	2013	2012
	HK$'000	HK$'000
At 1 July	**276,130**	264,005
Interest charged	**12,125**	12,125
At 30 June	**288,255**	276,130

(iv) Promissory notes held by Mr. Wu Shaoning (note 32)

	The Group and the Company	
	2013	2012
	HK$'000	HK$'000
At 1 July	**127,610**	120,130
Interest charged	**4,390**	7,480
Repayment on due date	**(132,000)**	–
At 30 June	**–**	127,610

40. ACCOUNTING ESTIMATES AND JUDGEMENTS

(a) Key sources of estimation uncertainty

In the process of applying the Group's accounting policies which are described in note 2, management has made certain key assumptions concerning the future, and other key sources of estimation uncertainty at the end of the reporting period, that may have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, as discussed below.

(i) Fair values of biological assets

Management estimates that at the end of the reporting date, the fair values less costs to sell of biological assets were referenced to market prices and professional valuations. Management considers that there are presently no effective financial instruments for hedging against the pricing risks with the underlying agricultural produce. Unanticipated volatile changes in market prices of the underlying agricultural produce could significantly affect the fair values of these biological assets and result in fair value re-measurement losses in future accounting periods.

The biological assets are valued on the market value basis on the assumption of ready for sale and as part of a going-concern business, any changes in future business plan and pricing strategy could result changes in valuation approach which could significantly affect the fair value measurement of the biological assets.

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40. ACCOUNTING ESTIMATES AND JUDGEMENTS *(Continued)*

(a) Key sources of estimation uncertainty *(Continued)*

(ii) Depreciation and amortisation

Property, plant and equipment are depreciated on a straight-line basis over the estimated useful lives, after taking into account the estimated residual value. The Group reviews annually the useful life of an asset and its residual value, if any. Intangible assets are amortised on a straight-line basis over the estimated useful lives. Both the period and method of amortisation are reviewed annually. The depreciation and amortisation expense for future periods is adjusted if there are significant changes from previous estimates.

(iii) Assessment of impairment of non-current assets

Management assesses the recoverable amount of each asset based on its value-in-use (using relevant rates) or on its net selling price (by reference to market prices), depending upon the anticipated future plans for the asset. Estimating the value-in-use of an asset involves estimating the future cash inflows and outflows to be derived from continuing use of the asset and from its ultimate disposal and applying the appropriate discount rate to these future cash flows. Cash flow projections for remaining useful life of the asset and the most recent financial budgets/forecasts are approved by management.

Internal and external sources of information are reviewed by the Group at each of the reporting period to assess whether there is any indication that goodwill may be impaired. If any such indication exists, the recoverable amount of the goodwill is estimated. Changes in facts and circumstances may result in revisions to the conclusion of whether an indication of impairment exists and revised estimates of recoverable amounts, which would affect the income statement in future years.

(iv) Capitalisation of product development costs

Costs incurred on product development projects relating to the design and testing of new or improved technology on manufacturing pesticides and fertilizers are recognised as intangible assets when it is probable that the projects will be a success considering its commercial and technological feasibility, and only if the costs can be measured reliably. It is normally referred to when the Group can demonstrate the existence of a market for the pesticides and fertilizers under development, costs are identifiable and there is an ability to sell or use the pesticides and fertilizers that will generate probable future economic benefits. The determination of the commercial and technological feasibility of the project and the ability to sell or use the pesticides and fertilizers involves management's judgment and estimation. If there are significant changes from previous estimates, any write off of capitalised product development costs would affect the income statement in future periods.

(v) Write down of inventories

If the costs of inventories fall below their net realisable values, write down in value of inventories is recognised. Net realisable value represents 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. These estimates require judgement as to the marketing costs and the expected costs to completion, the legal and regulatory framework and general market conditions.

(vi) Impairment for bad and doubtful debts

The Group provides impairment loss for bad and doubtful debts based upon evaluation of the recoverability of the trade and other receivables at each of the reporting period. The impairment are based on the ageing of the trade and other receivables balances, the creditworthiness of debtors and the historical write-off experience, net of recoveries. If the financial condition of the debtors were to deteriorate, additional impairment may be required.

40. ACCOUNTING ESTIMATES AND JUDGEMENTS *(Continued)*

(a) Key sources of estimation uncertainty *(Continued)*

(vii) Tax provision

The Group's taxation provision is based on management's assessment of the estimated assessable profits for the year taking into consideration the Hong Kong and those relevant tax legislations.

(viii) Recognition of deferred tax assets

The recognition of deferred tax assets requires formal assessment by the Group of the future profitability of related operations. In making this judgment, the Group evaluates, amongst other factors, the forecast financial performance, changes in technology and operational and financing cash flows.

(b) Critical accounting judgement in applying the Group's accounting policies

In determining the carrying amounts of some assets and liabilities, the Group makes assumptions for the effects of uncertain future events on those assets and liabilities at the end of the reporting period. These estimates involve assumptions about such items as cash flows and discount rates used. The Group's estimates and assumptions are based on historical experience and expectations of future events and are reviewed periodically. In addition to assumptions and estimations of future events, judgements are also made during the process of applying the Group's accounting policies.

41. NON-ADJUSTING EVENTS AFTER THE REPORTING PERIOD

On 18 June 2013, China Ecotech Limited, an indirect wholly-owned subsidiary of the Company, as the Purchaser and the vendors entered into an equity transfer agreement (the "Agreement") in relation to the acquisition of 32% equity interest (the "Sale Equity Interest") of Guangdong Jiuhua Potatoes Industry Company Limited ("Guangdong Jiuhua"). Pursuant to the Agreement, China Ecotech Limited agreed to acquire from the vendors the Sale Equity Interest at a cash consideration of RMB25 million. Upon completion, the Group will be interested in the Sale Equity Interest, representing 32% of the equity interest of Guangdong Jiuhua which will be treated as a joint venture and accounted for using equity method by the Group. Guangdong Jiuhua and its subsidiaries are principally engaged in the propagation and sale of seed potatoes and trading of fresh potatoes in the PRC.

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42. POSSIBLE IMPACT OF AMENDMENTS, NEW STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE FOR THE YEAR ENDED 30 JUNE 2013

Up to the date of issue of these financial statements, the HKICPA has issued the following amendments, new standards and Interpretations which are not yet effective for the year ended 30 June 2013.

The Group has not early applied the following new and revised Standards, Amendments or Interpretations that have been issued but are not yet effective.

HKFRSs (Amendments)	Annual Improvements to HKFRSs 2009–2011 Cycle except for HKAS 1 (Amendments)[1]
HKAS 19 (2011)	Employee Benefits[1]
HKAS 27 (2011)	Separate Financial Statements[1]
HKAS 28 (2011)	Investments in Associates and Joint Ventures[1]
HKAS 32 (Amendments)	Financial Instruments: Presentation — Offsetting Financial Assets and Financial Liabilities[2]
HKAS 36 (Amendments)	Recoverable Amount Disclosures for Non-Financial Assets[2]
HKAS 39 (Amendments)	Novation of Derivatives and Continuation of Hedge Accounting[2]
HKFRS 1 (Amendments)	Government Loans[1]
HKFRS 7 (Amendments)	Financial Instruments: Disclosures — Offsetting Financial Assets and Financial Liabilities[1]
HKFRS 9	Financial Instruments[3]
HKFRS 10	Consolidated Financial Statements[1]
HKFRS 11	Joint Arrangements[1]
HKFRS 12	Disclosure of Interests in Other Entities[1]
HKFRS 13	Fair Value Measurement[1]
HKFRS 9 and HKFRS 7 (Amendments)	Mandatory Effective Date of HKFRS 9 and Transition Disclosures[3]
HKFRS 10, HKFRS 11 and HKFRS 12 (Amendments)	Consolidated Financial Statements, Joint Arrangements and Disclosure of Interests in Other Entities: Transition Guidance[1]
HKFRS 10, HKFRS 12 and HKAS 27 (2011) (Amendments)	Investment Entities[2]
HK(IFRIC)-Int 20	Stripping Costs in the Production Phase of a Surface Mine[1]
HK(IFRIC)-Int 21	Levies[2]

1. Effective for annual periods beginning on or after 1 January 2013
2. Effective for annual periods beginning on or after 1 January 2014
3. Effective for annual periods beginning on or after 1 January 2015

The Group is in the process of assessing the impact of these new and revised standards, amendments to standards and interpretations to existing standards and does not expect there will be a material impact on the consolidated financial statements of the Group.

43. AUTHORISATION FOR ISSUANCE OF FINANCIAL STATEMENTS

The financial statements were approved and authorised for issued by the Board on 26 September 2013.