

## NOTES TO THE INTERIM FINANCIAL STATEMENTS

### 1. Basis of preparation

The interim consolidated financial statements are prepared in accordance with Hong Kong Statement of Standard Accounting Practice (“SSAP”) No. 25, “Interim Financial Reporting”, issued by the Hong Kong Society of Accountants (as applicable to condensed interim financial statements) and Appendix 16 of the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited (the “Listing Rules”) issued by The Stock Exchange of Hong Kong Limited.

These condensed interim financial statements should be read in conjunction with the financial statements for the year ended 30th June, 2001.

### 2. Principal Accounting Policies

The accounting policies and methods of computation used in the preparation of these condensed interim financial statements are consistent with those used in the annual financial statements for the year ended 30th June, 2001 apart from the following:

- (a) The Group adopted SSAP No. 10 “Accounting for investments in associates” following its acquisition of an associated company during the period.
- (b) The Group changed certain of its accounting policies following its adoption of the following new SSAPs which are effective for accounting periods commencing on or after 1st January, 2001:

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

The major changes to the accounting policies and the effect of adopting such policies are summarized below:

### **Investment in associated company**

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

The consolidated profit and loss account includes the Group's share of the results of an associated company for the period, and the investment in an associated company in the consolidated balance sheet includes the Group's share of the net assets of the associated company.

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

### **Events after balance sheet date**

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

As set out in Note 13, opening retained earnings of the Group as at 1st July, 2000 and 2001 have respectively increased by RMB20 million and RMB123.8 million, being the reversal of the provision of the proposed final dividend for the respective year which were previously recorded as a liability on the balance sheet date.

### **Segment reporting**

The Group discloses segment revenue and results as defined under SSAP 26 in Note 3 to these condensed interim financial statements. The Group has determined that business segmental information is the primary reporting format and geographical information is the secondary reporting format.

### 3. Principal activities of operations

The Group is principally engaged in the growing and sale of crops, breeding and sale of livestock and sale of ancillary food products. The results of the major business activities for the six months ended 31st December, 2000 and 2001 are summarised below:

#### Six months ended 31st December, 2001

	<b>Growing and sale of crops RMB'000</b>	<b>Breeding and sale of livestock RMB'000</b>	<b>Sale of ancillary food products RMB'000</b>	<b>Total RMB'000</b>
Turnover	452,067	8,240	1,094	461,401
Cost of sales	<u>(110,875)</u>	<u>(4,123)</u>	<u>(817)</u>	<u>(115,815)</u>
Gross profit	341,192	4,117	277	345,586
<b>Unallocated items:-</b>				
Other revenues				9,424
Selling and distribution expenses				(40,673)
General and administrative expenses				(24,608)
Net other operating income				<u>1,056</u>
Operating profit				290,785
Finance costs				(920)
Share of results of an associated company				<u>619</u>
Profit before taxation				290,484
Taxation				<u>—</u>
Profit for the period				<u><u>290,484</u></u>

**Six months ended 31st December, 2000**

	<b>Growing and sale of crops RMB'000</b>	<b>Breeding and sale of livestock RMB'000</b>	<b>Sale of ancillary food products RMB'000</b>	<b>Total RMB'000</b>
Turnover	275,671	6,718	2,177	284,566
Cost of sales	(66,319)	(1,422)	(1,847)	(69,588)
Gross profit	209,352	5,296	330	214,978
<b><i>Unallocated items:-</i></b>				
Other revenues				2,579
Selling and distribution expenses				(20,902)
General and administrative expenses				(8,853)
Net other operating expenses				(60)
Operating profit				187,742
Finance costs				(313)
Profit before taxation				187,429
Taxation				(1,652)
Profit for the period				<u>185,777</u>

There are no sales transactions between the business segments.

Growing and sale of crops is the Group's primary business segment. The turnover, operating profit and total assets attributable to this business segment accounted for over 90% of the Group's consolidated totals for the periods ended 31st December, 2000 and 2001. Consequently, no other segment analysis by business activities is presented.

The Group's operations are primarily in the People's Republic of China ("PRC") and the Group's sales, gross profit and total assets attributable to other geographical areas are both less than 10% of the Group's consolidated totals. Consequently, no geographical segment analysis is presented.

#### 4. Operating profit

Operating profit is stated after crediting and charging the following:

	<b>Six months ended 31st December,</b>	
	<b>2001</b>	<b>2000</b>
	<i>RMB'000</i>	<i>RMB'000</i>
<b>Crediting</b>		
Amortisation of negative goodwill	4,068	—
Interest income	9,424	2,579
<b>Charging</b>		
Depreciation of owned fixed assets	6,242	1,242
Operating lease expenses		
— land and buildings	13,749	7,067
— motor vehicles	194	242
Staff costs	40,169	24,847
Amortisation of deferred development costs	1,187	300
Amortisation of long-term prepaid rental	3,291	1,721

#### 5. Taxation

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

		<b>Six months ended 31st December,</b>	
		<b>2001</b>	<b>2000</b>
	<i>Note</i>	<i>RMB'000</i>	<i>RMB'000</i>
PRC income tax	(i)	—	1,652
Hong Kong profits tax	(ii)	—	—

- (i) No provision for PRC income tax has been made, as there are no estimated assessable profits for the subsidiaries operated in the PRC during the period. PRC income tax for the period ended 31st December, 2000 represented tax charges on the assessable profits of the PRC subsidiaries of the Group.
- (ii) No provision for Hong Kong profits tax has been made as there are no estimated assessable profits for the subsidiary operated in Hong Kong during the period.
- (iii) No taxation attributable to the associated company is shared by the Group as there is no estimated assessable profit for the associated company during the period.

#### 6. Earnings per share

The calculation of the earnings per share is based on the profit for the period of RMB290,484,000 (2000: RMB185,777,000) and the weighted average number of 1,669,565,217 (2000: 1,236,956,522) shares in issue during the period.

7. **Dividends**

	<b>Six months ended 31st December,</b>	
	<b>2001</b>	<b>2000</b>
	<i>RMB'000</i>	<i>RMB'000</i>
2000/2001 final, declared, of HK\$0.073 per share (1999/2000 final, paid)	148,654	20,000

The directors do not recommend a payment of dividends for the six months ended 31st December, 2001 (2000: nil).

8. **Interest in an associated company**

	<b>As at 31st December, 2001</b>	<b>As at 30th June, 2001</b>
	<i>RMB'000</i>	<i>RMB'000</i>
Share of net assets	270,492	—
Negative goodwill on acquisition less accumulated amortisation	(158,649)	—
	111,843	—
Deposit paid for subscription of new shares in associated company	7,350	—
	119,193	—

Pursuant to a share purchase Agreement (the “Agreement”), the Group acquired 49% interest in Newasia Global Limited (“Newasia”) from an independent third party at a consideration of RMB107.2 million at 26th July, 2001. Newasia holds a PRC wholly-foreign-owned enterprise which operates a citrus farm in Guangxi Province, the PRC. The acquisition was completed on 26th July, 2001. In addition, pursuant to the Agreement, the Group and the majority shareholder of Newasia have also undertaken to invest further funds in the aggregate amount of RMB15 million in Newasia by way of subscription for new shares in proportion to their respective shareholdings in Newasia on or before 30th June, 2002. Accordingly, the Group paid a deposit of RMB7.35 million for its 49% share of the subscription during the period.

9. **Accounts receivable**

The Group grants a credit term of 30 days (2000: 30 days) to the majority of its customers and all the Group’s accounts receivable as at 31st December and 30th June, 2001 are within such credit term.

## 10. Bank balances and cash

Included in the last year bank balances and cash is a foreign currency bank deposit of HK\$49,999,790 (equivalent to RMB53,070,000) which was previously pledged as security for the Group's short term banking facilities amounting to RMB50,000,000. The bank loan was fully repaid during the period and the deposit was returned accordingly.

## 11. Amount due to a related company

The amount due to a related company arose from purchases of agricultural materials. Such company is majority owned by Mr. Kwok Ho, a director and controlling shareholder of the Company. They are trading nature and aged within 3 months.

## 12. Share capital

	<b>Authorised</b>		
	<b>Ordinary shares of HK\$0.1 each</b>		
	<i>No. of shares'000</i>	<i>HK\$'000</i>	<i>RMB'000</i>
As at 30th June, 2001 and 31st December, 2001	5,000,000	500,000	527,515
	<hr/>	<hr/>	<hr/>
	<b>Issued and fully paid</b>		
	<b>Ordinary shares of HK\$0.1 each</b>		
	<i>No. of shares'000</i>	<i>HK\$'000</i>	<i>RMB'000</i>
As at 30th June, 2001	1,600,000	160,000	169,824
Issue and fully paid ( <i>Note</i> )	320,000	32,000	33,965
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As at 31st December, 2001	1,920,000	192,000	203,789
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*Note:* By way of a top-up placing in November 2001 as described in the announcement issued by the Company on 7th November, 2001, Kailey Investment Ltd. ("Kailey") (a company owned as to 90% by Mr. Kwok Ho, the Chairman of the Group) placed 320,000,000 existing shares in the Company at a placing price of HK\$2.30 per share with independent investors. The Company at the same time issued the same number of new shares at a subscription price of HK\$2.30 per share to Kailey. Approximately HK\$711.6 million (equivalent to approximately RMB755.3 million) net of related expenses was raised from this issue of shares.

### 13. Reserves

	Year ended 30th June, 2001					
	Share premium RMB'000	Capital reserve RMB'000	Statutory Common reserve RMB'000	Statutory Welfare reserve RMB'000	Retained profits RMB'000	Total RMB'000
As at 1st July, 2000 as previously reported	—	63,283	—	566	13,766	77,615
Adoption of SSAP 9 (Revised) (Note 2)	—	—	—	—	20,000	20,000
As at 1st July, 2000 as restated	—	63,283	—	566	33,766	97,615
Acquisition of subsidiaries	—	15,044	—	—	—	15,044
Contributed surplus arising from group reconstruction	—	16,567	—	—	—	16,567
Issue of shares upon listing	602,875	—	—	—	—	602,875
Issuing expenses	(63,843)	—	—	—	—	(63,843)
Capitalisation issue	(127,368)	—	—	—	—	(127,368)
Profit for the year 1999/2000	—	—	—	—	440,821	440,821
Final Dividend paid	—	—	—	—	(20,000)	(20,000)
Appropriation	—	—	26,881	165	(27,046)	—
As at 30th June, 2001	<u>411,664</u>	<u>94,894</u>	<u>26,881</u>	<u>731</u>	<u>427,541</u>	<u>961,711</u>
	Six months ended 31st December, 2001					
	Share premium RMB'000	Capital reserve RMB'000	Statutory Common reserve RMB'000	Statutory Welfare reserve RMB'000	Retained profits RMB'000	Total RMB'000
As at 1st July, 2001 as previously reported	411,664	94,894	26,881	731	303,733	837,903
Adoption of SSAP 9 (Revised) (Note 2)	—	—	—	—	123,808	123,808
As at 1st July, 2001 as restated	411,664	94,894	26,881	731	427,541	961,711
Issue of shares (Note 12)	747,226	—	—	—	—	747,226
Issuing expenses	(25,850)	—	—	—	—	(25,850)
Profit for the period 2000/2001	—	—	—	—	290,484	290,484
Final Dividend declared	—	—	—	—	(148,654)	(148,654)
As at 31st December, 2001	<u>1,133,040</u>	<u>94,894</u>	<u>26,881</u>	<u>731</u>	<u>569,371</u>	<u>1,824,917</u>



## 14. Commitment

### (a) Capital commitments

At the end of the period, the Group had the following capital commitments:

	<b>As at 31st December, 2001 RMB'000</b>	<b>As at 30th June, 2001 RMB'000</b>
Contracted but not provided for		
— Research and development expenditure	64,000	74,000
— Purchase of fixed assets	309,244	351,859
	<u>373,244</u>	<u>425,859</u>
Authorised but not contracted for		
— Purchase of fixed assets	759,214	—
	<u>759,214</u>	<u>—</u>
<b>Total</b>	<b><u><u>1,132,458</u></u></b>	<b><u><u>425,859</u></u></b>

### (b) Operating lease commitments

As at 31st December, 2001, the Group had total future aggregate minimum lease payments under non-cancellable operating leases as follows:

	<b>Within one year RMB'000</b>	<b>In the second to fifth year inclusive RMB'000</b>	<b>After the fifth year RMB'000</b>	<b>Total RMB'000</b>
Land and buildings	43,230	160,632	897,856	1,101,718
Others	398	352	—	750
	<u>43,628</u>	<u>160,984</u>	<u>897,856</u>	<u>1,102,468</u>

## 15. Related party transactions

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

	<b>Six months ended</b>	
	<b>31st December,</b>	
	<b>2001</b>	<b>2000</b>
	<i>RMB'000</i>	<i>RMB'000</i>
<b>Fujian Chaoda Agriculture Produce Trading Company Limited</b>		
— Purchase of fertilizers	40,037	21,364
— Purchase of plant growth regulators	1,250	749
<b>Beijing Chaoda Yingjin Bio-tech Company Limited</b>		
— Purchase of seeds	—	270

- (i) The above related parties are companies in which Mr. Kwok Ho is a beneficial major shareholder.
- (ii) The directors are of the opinion that these transactions were conducted in the normal course of business at prices and terms no less than those charged to or contracted with other third parties.

## 16. Subsequent event

At 16th January, 2002, the Company obtained a long-term loan facility of up to US\$50 million from a syndicate of banks. The facility has not been utilized up to the date of the interim report. The loan facility is secured by the Group's interests in certain subsidiaries.