

Notes:

1. Background of the Company

The Company was incorporated in the Cayman Islands on 9th September, 1999. The Company's shares had been listed on The Growth Enterprise Market of The Stock Exchange of Hong Kong Limited (the "Stock Exchange") (the "GEM") since 25th November, 1999. On 14th January, 2002, the Company withdrew the listing of its shares on GEM and on the same date, the Company's shares were listed on the Main Board of the Stock Exchange by way of introduction.

2. Basis of presentation and principal accounting policies

The interim 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 (the "Listing Rules").

The principal accounting policies and methods of computation used in the preparation of these interim financial statements are consistent with those used in the accountants' report as set out in the Company's listing document dated 14th December, 2001.

3. Segment information

a. Primary segment

The Group is organised into two major operating units- (i) manufacturing and selling of plant growth regulatory products ("the manufacturing unit"); and (ii) trading of fertilisers, pesticides and other agricultural products ("the trading unit").

Turnover by principal activity and their respective contributions to profit (loss) attributable to shareholders are:

	Six months ended	
	31st December,	
	2001	2000
	<i>HK\$'000</i>	<i>HK\$'000</i>
Turnover		
— manufacturing unit	85,170	79,006
— trading unit	37,916	—
	<u>123,086</u>	<u>79,006</u>
Profit (Loss) attributable to shareholders		
— manufacturing unit	37,046	34,230
— trading unit	(1,064)	—
	<u>35,982</u>	<u>34,230</u>

b. Secondary segment

No geographical analysis of the Group's turnover and their respective contributions to profit (loss) attributable to shareholders is presented as all of the Group's turnover is attributable to business conducted in Mainland China.

4. Profit before taxation

Profit before taxation is determined after charging and crediting the following items:

	Six months ended	
	31st December,	
	2001	2000
	HK\$'000	HK\$'000
<i>After charging:—</i>		
Staff costs (including directors' emoluments)	3,203	2,735
Research and development costs	2,190	2,721
Amortisation of development expenditures	934	679
Advertising and promotion expenses	6,067	5,380
Operating lease rentals of premises and motor vehicles	2,280	787
Finance costs		
— arrangement fee for a bank loan	2,500	1,500
— interest on bank borrowings wholly repayable within one year	1,118	2,120
Depreciation of property, plant and equipment	4,535	2,925
	<u> </u>	<u> </u>
<i>After crediting:—</i>		
Interest income from bank deposits	1,472	2,521
Net exchange gain	8	66
	<u> </u>	<u> </u>

5. Taxation

The Company is exempted from taxation in the Cayman Islands until 2019. No provision for Hong Kong profits tax was made as the Group had no assessable profit in Hong Kong.

Xiamen Genben Fine Chemical Industry Co., Ltd. ("Xiamen Genben"), a wholly-owned subsidiary established and operated in Xiamen, Fujian Province, Mainland China, a special economic region of Mainland China, is subject to Mainland China enterprise income tax at a rate of 15%. However, it is exempted from enterprise income tax for two years starting from the first year of profitable operations after offsetting prior year losses, followed by a 50% reduction for the next three years. Xiamen Genben was exempted from Mainland China enterprise income tax up to 31st December, 1998 and it is subject to Mainland China enterprise income tax at a rate of 7.5% from 1st January, 1999 to 31st December, 2001. During the six months ended 31st December, 2001, no provision for Mainland China enterprise income tax was recorded by Xiamen Genben as it had no taxable profit (2000: enterprise income tax of approximately HK\$587,000 was provided).

Fuzhou Topmart Plant Growth Co., Ltd. ("Fuzhou Topmart") and Fujian Chaoda Topmart Plant Growth Co., Ltd. ("Fujian Chaoda Topmart"), wholly-owned subsidiaries established and operated in Fuzhou, Fujian Province, Mainland China, are subject to Mainland China enterprise income tax at a rate of 24%. However, they are exempted from enterprise income tax for two years starting from the first year of profitable operations after offsetting prior year losses, followed by a 50% reduction for the next three years. Fuzhou Topmart was exempted from Mainland China enterprise income tax up to 31st December, 2000 and it is subject to Mainland China enterprise income tax at a rate of 12% from 1st January, 2001 to 31st December, 2003. Fuzhou Topmart recorded no provision for Mainland China enterprise income tax as it had no taxable profit for the six months ended 31st December, 2001 (2000: nil). Fujian Chaoda Topmart was in its first year of profitable operations during the six months ended 31st December, 2001 and, accordingly, no Mainland China enterprise income tax was payable.

平和縣超大浩倫錦溪生產資料有限公司(“平和超大浩倫”), a 90% owned subsidiary established and operated in Zhangzhou, Fujian Province, Mainland China, is subject to Mainland China enterprise income tax at a rate of 33%. 平和超大浩倫 recorded no provision for Mainland China enterprise income tax as it had no taxable profit during the six months ended 31st December, 2001 (2000: nil).

No provision for Mainland China enterprise income tax was made for the other Mainland China subsidiaries as they have not yet commenced operations up to 31st December, 2001.

6. Earnings per share

The calculations of basic earnings per share for the six months ended 31st December, 2001 is based on the unaudited consolidated profit attributable to shareholders of approximately HK\$35,982,000 (2000: HK\$34,230,000) and the weighted average number of approximately 256,775,000 shares in issue during the six months ended 31st December, 2001 (2000: 250,000,000 shares).

The calculation of diluted earnings per share for the six months ended 31st December, 2001 is based on the unaudited consolidated profit attributable to shareholders of approximately HK\$35,982,000 (2000: HK\$34,230,000) and the weighted average number of approximately 257,020,000 shares (2000: 250,000,000 shares) in issue, after adjusting for the effect of all dilutive potential shares. The effect of the dilutive potential shares resulting from the exercise of the outstanding warrants on the average number of shares in issue during the period was approximately 245,000 shares (2000: nil), which were deemed to have been issued at no consideration as if all the outstanding warrants had been exercised on the date when the warrants were granted.

7. Accounts receivable

The Group generally requires its customers to pay a deposit shortly before delivery of merchandise, with the balance of the sales amount payable within credit periods ranging from 30 to 60 days. Aging analysis of accounts receivable is as follows:

	At 31st December, 2001	At 30th June, 2001
	<i>HK\$'000</i>	<i>HK\$'000</i>
0 to 30 days	10,834	13,551
31 to 60 days	4,665	4,863
	<hr/>	<hr/>
	15,499	18,414
Less: Provision for bad and doubtful debts	(948)	(948)
	<hr/>	<hr/>
	<u>14,551</u>	<u>17,466</u>

8. Short-term bank borrowings

Short-term bank borrowings consisted of:

	At 31st December, 2001 <i>HK\$'000</i>	At 30th June, 2001 <i>HK\$'000</i>
Short-term bank borrowings, denominated in		
— Hong Kong dollars	—	47,000
— Chinese Renminbi	2,728	1,593
	<u>2,728</u>	<u>1,593</u>
	<u>2,728</u>	<u>48,593</u>

As at 31st December, 2001, the short-term bank borrowings bear interest at rate of approximately 6% per annum.

9. Accounts payable

Aging analysis of accounts payable is as follows:

	At 31st December, 2001 <i>HK\$'000</i>	At 30th June, 2001 <i>HK\$'000</i>
0 to 30 days	—	3,635
31 to 60 days	—	366
61 to 90 days	77	—
91 to 180 days	436	19
181 to 365 days	—	37
	<u>513</u>	<u>4,057</u>

10. Share capital

	Number of shares '000	Nominal value HK\$'000
Ordinary shares of HK\$0.10 each		
Authorised:		
At 30th June, and 31st December, 2001	500,000	50,000
Issued and fully paid:		
At 30th June, 2001	250,000	25,000
Exercise of warrants (<i>note</i>)	20,435	2,043
At 31st December, 2001	270,435	27,043

Note: During the six months ended 31st December, 2001, 20,434,782 shares of HK\$0.10 each of the Company were issued at a subscription price of HK\$1.38 per share to the warrant holders on the exercise of their subscription rights at a total consideration of HK\$28,200,000. On 7th November, 2001, all outstanding warrants were expired.

11. Reserves

Movements of reserves during the six months ended 31st December, 2001 are summarised as follows:

	Six months ended 31st December, 2001						Six months ended 31st December, 2000
	Share premium	Statutory reserves	Cumulative		Retained earnings	Total	Total
			reserve	adjustments			
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
At beginning of period	53,424	8,006	1,188	477	58,544	121,639	99,037
Adjustment of goodwill	—	—	—	—	1,980	1,980	—
Issue of new shares	26,157	—	—	—	—	26,157	—
Translation adjustments	—	—	—	(49)	—	(49)	33
Profit attributable to shareholders	—	—	—	—	35,982	35,982	34,230
At end of period	79,581	8,006	1,188	428	96,506	185,709	133,300

12. Commitments

a. Capital commitments:

Capital commitments not provided for in the financial statements are analysed as follows:

	At 31st December, 2001	At 30th June, 2001
	<i>HK\$'000</i>	<i>HK\$'000</i>
Authorised and contracted for		
— purchase of property, plant and equipment	4,715	11,066
	<u> </u>	<u> </u>
Authorised but not contracted for		
— purchase of property, plant and equipment	—	13,203
	<u> </u>	<u> </u>

b. Operating lease commitments:

At 31st December, 2001, the Group had total future aggregate minimum lease payments under non-cancellable operating leases in respect of rented premises and motor vehicles are as follows:

	At 31st December, 2001	At 30th June, 2001
	<i>HK\$'000</i>	<i>HK\$'000</i>
Within one year	1,733	2,988
In the second to fifth year inclusive	245	500
	<u> </u>	<u> </u>
	<u>1,978</u>	<u>3,488</u>

13. Related party transactions

The Group entered into the following transactions with a related party during the period:

	Six months ended 31st December	
	2001	2000
	<i>HK\$'000</i>	<i>HK\$'000</i>
福建錦溪集團有限公司 (Fujian Jinxi)		
—Sale of agricultural resources products	1,420	—
	<u> </u>	<u> </u>

- (i) Fujian Jinxi is a substantial shareholder holding 10% of 平和縣超大浩倫錦溪生產資料有限公司, a subsidiary owned as to 90% by the Group.
- (ii) The directors are of the opinion that these transactions were conducted on normal commercial terms in the normal course of business.