

## Consolidated Statement of Recognised Gains and Losses

	Nine months ended 31st March,	
	2002	2001
	HK\$'000	HK\$'000
Net gains not recognised in the consolidated income statements		
— Translation adjustments	—	158
Profit attributable to shareholders	<u>47,604</u>	<u>46,515</u>
Total recognised gains	47,604	46,673
Adjustment/(elimination) of goodwill	<u>1,980</u>	<u>(13,203)</u>
	<u><u>49,584</u></u>	<u><u>33,470</u></u>

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 third quarter 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 third quarter 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:

	<b>Three months ended</b>		<b>Nine months ended</b>	
	<b>31st March,</b>		<b>31st March,</b>	
	<b>2002</b>	<b>2001</b>	<b>2002</b>	<b>2001</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Turnover				
— manufacturing unit	42,658	32,258	127,828	111,264
— trading unit	35,447	5,525	73,363	5,525
	<u>78,105</u>	<u>37,783</u>	<u>201,191</u>	<u>116,789</u>
Profit (Loss) attributable to shareholders				
— manufacturing unit	11,746	12,270	48,792	46,500
— trading unit	(124)	15	(1,188)	15
	<u>11,622</u>	<u>12,285</u>	<u>47,604</u>	<u>46,515</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:

	Three months ended		Nine months ended	
	31st March, 2002	2001	31st March, 2002	2001
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
<i>After charging:—</i>				
Staff costs (including directors' emoluments)	2,316	1,416	5,519	4,151
Research and development costs	227	479	2,417	3,200
Amortisation of development expenditures	546	289	1,480	968
Advertising and promotion expenses	4,144	2,591	10,211	7,971
Operating lease rentals of premises and motor vehicles	977	514	3,257	1,301
Finance costs				
— arrangement fee for a bank loan	—	1,500	2,500	3,000
— interest on bank borrowings wholly repayable within one year	115	1,505	1,233	3,625
Depreciation of property, plant and equipment	2,244	1,545	6,779	4,470
Net exchange loss	—	124	—	58
Mainboard listing expenses	6,456	—	6,456	—
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>
<i>After crediting:—</i>				
Interest income from bank deposits	129	1,208	1,601	3,729
Net exchange gain	—	—	8	—
	<u>          </u>	<u>          </u>	<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. No provision for Mainland China enterprise income tax was made for Mainland China subsidiaries as they were either in tax loss position or exempted from enterprise income tax during the nine months ended 31st March, 2002 (2001: enterprise income tax of approximately HK\$587,000 was provided).

#### 6. Earnings per share

The calculations of basic earnings per share for the three months ended 31st March, 2002 is based on the unaudited consolidated profit attributable to shareholders of approximately HK\$11,622,000 (2001: HK\$12,285,000) and the weighted average number of approximately 270,435,000 (2001: 250,000,000) shares in issue during the period.

The calculation of basic earnings per share for the nine months ended 31st March, 2002 is based on the unaudited consolidated profit attributable to shareholders of approximately HK\$47,604,000 (2001: HK\$46,515,000) and the weighted average number of approximately 261,261,000 (2001: 250,000,000) shares in issue during the period.

The calculation of diluted earnings per share for the three months ended 31st March, 2002 and 31st March, 2001 is the same as that of basic earnings per share for the respective periods because there were no dilutive potential ordinary shares in existence during the periods.

The calculation of diluted earnings per share for the nine months ended 31st March, 2002 is based on the unaudited consolidated profit attributable to shareholders of approximately HK\$47,604,000 (2001: HK\$46,515,000) and the weighted average number of approximately 261,426,000 (2001: 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 165,000 (2001: nil) shares, 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 March, 2002 HK\$'000	At 30th June, 2001 HK\$'000
0 to 30 days	17,698	13,551
31 to 60 days	4,204	4,863
	<u>21,902</u>	<u>18,414</u>
Less: Provision for bad and doubtful debts	(948)	(948)
	<u><u>20,954</u></u>	<u><u>17,466</u></u>

## 8. Short-term bank borrowings

Short-term bank borrowings consisted of:

	At 31st March, 2002 HK\$'000	At 30th June, 2001 HK\$'000
Short-term bank borrowings, denominated in		
— Hong Kong dollars	—	47,000
— Chinese Renminbi	15,221	1,593
	<u>15,221</u>	<u>48,593</u>

As at 31st March, 2002, 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 March, 2002 HK\$'000	At 30th June, 2001 HK\$'000
0 to 30 days	4,992	3,635
31 to 60 days	3	366
61 to 90 days	46	—
91 to 180 days	485	19
181 to 365 days	—	37
	<u>5,526</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, 2001 and 31st March, 2002	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 March, 2002	270,435	27,043

*Note:* During the nine months ended 31st March, 2002, 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 nine months ended 31st March, 2002 are summarised as follows:

	Nine months ended 31st March, 2002					Nine months ended 31st March, 2001	
	Cumulative					Total HK\$'000	Total HK\$'000
	Share premium HK\$'000	Statutory reserves HK\$'000	Capital reserve HK\$'000	translation adjustments HK\$'000	Retained earnings HK\$'000		
At beginning of period	53,424	8,006	1,188	477	58,544	121,639	74,037
Adjustment/(elimination) of goodwill	—	—	—	—	1,980	1,980	(13,203)
Issue of new shares	26,157	—	—	—	—	26,157	—
Translation adjustments	—	—	—	—	—	—	158
Profit attributable to shareholders	—	—	—	—	47,604	47,604	46,515
At end of period	79,581	8,006	1,188	477	108,128	197,380	107,507

## 12. Commitments

### a. Capital commitments:

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

	At 31st March, 2002 HK\$'000	At 30th June, 2001 HK\$'000
Authorised and contracted for		
— purchase of property, plant and equipment	2,546	11,066
Authorised but not contracted for		
— purchase of property, plant and equipment	—	13,203

### b. Operating lease commitments:

At 31st March, 2002, 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 March, 2002 HK\$'000	At 30th June, 2001 HK\$'000
Within one year	658	2,988
In the second to fifth year inclusive	198	500
	856	3,488

## 13. Related party transactions

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

	Nine months ended 31st March,	
	2002 HK\$'000	2001 HK\$'000
福建錦溪集團有限公司 (Fujian Jinxi)		
—Sale of agricultural resources products	1,420	—

- (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.