Corporate Information

Executive Directors
Mr. Yang Bin *(Chairman of the Board)*
Mr. Yan Chuang *(Vice Chairman of the Board)*
Mr. Chen Jun
Mr. Li Gang
Professor Gu Zhuping
Ms. Liu Gui Fen
Ms. Sang Shu Hua
Mr. Sun Jian
Mr. Chiu Wing Chor
Ms. Lam Pui Man

Non-Executive Director
Mr. Wong Hon Sum

Independent Non-Executive Directors
Mr. Li Weibin
Mr. Wang Xiaojun

Audit Committee
Mr. Li Weibin
Mr. Wang Xiaojun

Company Secretary
Mr. Lai Yang Chau Eugene

Principal Place of Business in Hong Kong
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Website
www.euroasia.com.hk

Auditors
PricewaterhouseCoopers
Certified Public Accountants
22nd Floor,
Prince's Building,
Central,
Hong Kong

Legal Advisers
Boughton Peterson Yang Anderson
(Hong Kong)
4009 Gloucester Tower,
The Landmark,
11 Pedder Street,
Central,
Hong Kong

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Room 609-611, Office Tower 1,
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Registered Office
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Bermuda

Hong Kong Branch Share Registrar and Transfer Office
Computershare Hong Kong Investor
Services Limited
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Hong Kong

Listing Information
The Stock Exchange of Hong Kong Limited
Code: 0932

Euro-Asia Agricultural (Holdings) Company Limited

The Board of Directors (the "Board") of Euro-Asia Agricultural (Holdings) Company Limited (the "Company") is pleased to present the interim results and condensed accounts for the six months ended 30 June 2002 (the "Period") of the Company and its subsidiaries (collectively the "Group"). The consolidated results, consolidated cash flow statements and consolidated statement of changes in equity for the Group for the six months ended 30 June 2002, and the consolidated balance sheet as at 30 June 2002 of the Group, all of which are unaudited and condensed, along with selected explanatory notes, are set out on pages 17 to 34 of this report, and have been reviewed by the Company's audit committee.

Financial Highlights

Half-Year Results to 30 June 2002 as compared to the corresponding six months ended 30 June 2001

• Turnover	+57%	to	RMB796 million
• Gross Profit	+22%	to	RMB350 million
• Profit attributable to shareholders	+9%	to	RMB291 million
• Operating Margin	38%		down from 53% in 2001

MANAGEMENT DISCUSSIONS & ANALYSES

The Group engages in Dutch technology-based greenhouse cultivation and integrated processing of Orchid seedlings and other flowers and vegetables for sale to wholesalers, growers, export agents and importers. Geographical sales have been mainly biased to export markets. Historically and same for the Period, domestic sales made up approximately 40% of total turnover.

Business Review

(i) Segmental Information

Product mix

Sales turnover in the Period grew by approximately 57% to approximately RMB796 million. By product mix, Orchid seedlings of Phalaenopsis and Cymbidium dominated approximately 60% of total turnover. Among these, sales of young plants made up approximately 46% of total turnover. Sales growth rates of the young plants of Phalaenopsis and Cymbidium was 35% and 21% respectively, reflecting strong demand and rising popularity of Orchids as ornamental flowers. Sales of other flowers edged up to approximately 23% of total turnover, and reported growth of 150% over the same period in 2001. Overall gross profit margin on sales of seedlings and flowers was 49%. Operating margin for the Period was 38%.

During the Period, export processing and trading of vegetables (mainly broccoli, pod peas and hairy beans) to the Japanese market continued to grow. Contribution from the sale of vegetables is expanding, which commanding 17% of total turnover. By division, the gross profit margins of outsourced regetables and self-grown regetables were 19% and 28% respectively. On average, the gross profit margin from the sale of vegetables amounted to 20%. Breakdown of sales by produce is shown below:

	Unaudited Six months ended 30 June 2002	**2001**	**Growth rate %**
	% of Total Turnover		
Floriculture			
Phalaenopsis			
Test-tube seedlings	2	4	(1)
Young plants	26	30	35
Medium plants	2	6	(57)
Adult plants	3	1	598
Sub-total	33	41	26
Cymbidium			
Test-tube seedlings	1	1	165
Young plants	20	26	21
Medium plants	2	2	47
Adult plants	4	16	(58)
Sub-total	27	45	(4)
Other Flowers	23	14	150
Vegetables	17	—	NA
Total	100	100	57

Geographical mix

Domestic sales and export sales accounted for 41% and 59% of total turnover respectively, principally the same as the six months ended 30 June 2001.

By destination, domestic sales of young plants of Orchids were concentrated in the provinces located in the Northeastern part of China, however, there was increasing demand from provinces in the Southern part of China, mainly from Yunan and Suzhou. With respect to export sales, the most significant changes were: (1) exports to Japan increased by 14 percentage points to 26% of total turnover fuelled by the export of processed vegetables, whereas exports to the Netherlands fell slightly accounting for 33% of total turnover, and (2) exports to South Korea came to a halt due to a change in a sales tactic to eliminate potential competition for the same export markets. Gross profit margins on domestic sales and export sales were 26% and 56% respectively. Breakdown of sales by destination in geographical distribution is shown below:

	Unaudited Six months ended 30 June		
	2002	**2001**	**Growth rate %**
	% of Total Turnover		
By destination in geographical distribution			
Domestic Sales			
Northern Provinces	26	39	(3)
Southern Provinces	15	2	1,016
Sub-total	41	41	49
Export Sales			
Japan	26	12	250
South Korea	—	11	(100)
The Netherlands	33	36	46
Sub-total	59	59	60
Total	100	100	57

By products distribution, floricultural produce reported 49% and 16% growth to account for 39% and 44% of total turnover for domestic and export sales respectively, whereas sale of vegetables recorded 2% and 15% of total turnover for domestic sales and export sales respectively. Breakdown of sales by destination by products is shown below:

	Unaudited Six months ended 30 June		
	2002	**2001**	**Growth rate %**
	% of Total Turnover		
By destination by products			
Domestic Sales			
Floriculture	39	41	49
Vegetables	2	—	NA
Sub-total	41	41	49
Export Sales			
Floriculture	44	59	16
Vegetables	15	—	NA
Sub-total	59	59	60
Total	100	100	57

Activity mix

By activity, greenhouse cultivation of floricultural produces and vegetables accounted for 31% of total turnover, and resulted in sales growth of 55% over the same period in 2001. The newly acquired 10-hectares of greenhouses were put into operation in March 2002 which further expanded the greenhouse production capacity. Gross profit margin of processing and trading was 26%, whereas that of greenhouse cultivation was 82%. Breakdown of sales by activities is shown below:

	Unaudited Six months ended 30 June		
	2002	**2001**	**Growth rate %**
	% of Total Turnover		
Processing and Trading			
Floriculture	54	69	21
Vegetables	15	—	NA
Sub-total	69	69	56
Greenhouse Cultivation			
Floriculture	30	31	48
Vegetables	1	—	NA
Sub-total	31	31	55
Total	100	100	57

(ii) Operating Expenses

Cost of sales for the six months ended 30 June 2002 grew by 13 percentage points to 56% of total turnover, when compared to the six months ended 30 June 2001.

Cost of inventories accounted for approximately 92% of total cost of sales, among which three-quarters of the cost was attributable by cost of Orchid seedlings. Production costs for the six months ended 30 June 2002 increased by approximately 20% over the same period in 2001, contributed by additional cost of labour, utility, depreciation and rental expenses arising from the newly start up of the 10-hectares of greenhouses in March 2002. On the other hand, the economies of scale gained from the operation of the existing 27-hectares of greenhouses led to lower direct expenses and raw materials consumed in laboratory by 25% when compared to the respective period in 2001.

Distribution expenses stayed at approximately 3% of turnover, while the general and administrative expenses edged up 1.7 percentage point to 3.1% of turnover due particularly to professional fees incurred after the listing of the Company on the Main Board of The Stock Exchange of Hong Kong Limited on 19 July 2001.

Finance costs accounted for 1.3% of total turnover arising from the interest bearing bank borrowings arranged to facilitate working capital requirements and the acquisition of fixed assets.

	Unaudited Six months ended 30 June 2002	2001	Growth rate %
	% of Total Cost of Sales		
Raw Materials - Processing and Trading	91.8	86.0	117
Floral seedlings	68.8	86.0	63
Vegetables	23.0	—	NA
Raw Materials - Greenhouse Cultivation	4.5	8.6	6
Direct expense and raw materials consumed in laboratory	3.2	8.6	(25)
Raw materials of vegetables	1.3	—	NA
Labour cost	0.6	0.6	91
Utility cost	0.5	0.4	239
Depreciation	2.1	3.6	17
Rental expense	0.5	0.8	19
Total	100	100.0	103
	% of Turnover		**Growth rate %**
Cost of Sales*	56.0	43.2	103
Distribution Expenses	2.6	2.5	62
General and Administrative Expenses	3.1	1.4	251
Finance costs	1.3	—	NA

* Adjustment to take into account the concessionary treatment of agricultural tax effective from 1 January 2001

(iii) Profitability

Gross profit margin was 44% for the six months ended 30 June 2002, compared with 57% for the six months ended 30 June 2001, and 53% for the full year ended 31 December 2001.

The reduction in gross profit margin is principally attributable to the expansion in processing and the trading of floricultural products and vegetables to Japan.

By geographical breakdown, sale of floricultural products to domestic China dampened overall gross margin slightly more than the export of vegetables to Japan. Domestic floricultural prices of Euro-Asia's produces fell by an average of 18% in the first half of the year, which contributed to the cut in overall gross margin. The increased sale of other flowers also explained the lower overall gross profit margin due to its lower gross profit margin as compared to that of sale of seedlings of Phalaenopsis and Cymbidium.

In summary, the momentum in the growth of export trading of processed floricultural produce and the diversification into other flowers and vegetables have, as expected, normalized overall gross margin of Euro-Asia's horticultural produces. The Board believes that the risk and return of Euro-Asia's current portfolio of horticultural produces should represent a more optimized and sustainable profit mix than the previous two-product portfolio in the seedling and young plants of Phalaenopsis and Cymbidium.

(iv) Productivity

Measured by annualized sales per staff, productivity gained by approximately 2% to RMB4.3 million in the Period. This is consistent with the planning of the management to consolidate the scale of operation in 2002 as the greenhouse capacity is building up. Asset turnover remained static at 1.2 times.

In terms of greenhouse productivity, gross profit per hectare for floricultural produce remained approximately the same at RMB20.0 million, whereas gross profit per hectare of greenhouse for vegetables was RMB1.8 million. Per hectare greenhouse production yield is shown below:

	Unaudited (annualized) Six months ended 30 June		
	2002	**2001**	**% change**
	RMB mn	**RMB mn**	
Sales			
Floriculture	23.2	23.1	0
Vegetables	7.0	NA	NA
Cost			
Floriculture	3.5	3.1	13
Vegetables	5.2	NA	NA
Yield			
Floriculture	19.7	20	(2)
Vegetables	1.8	NA	NA

Data on productivity is shown below:

	Unit	Unaudited (annualized) Six months ended 30 June 2002	2001
Number of Staff at period-end		371	322
Staff Productivity	RMB mn	4.3	4.2
Greenhouse area at period-end	hectare	27	17
Weighted average greenhouse area			
- flower & flower seedlings	hectare	20.3	17
- vegetables	hectare	3.3	—
Annualized Output (sales volumes)			
- flower & flower seedlings	pieces	80,836,926	46,507,803
- vegetables	tons	3,713,792	NA
Annualized Output per weighted average greenhouse area			
- flower & flower seedlings	pieces	3,982,115	2,735,753
- vegetables	tons	1,125,392	NA

(v) Investment

As explained in the Annual Report of the Company for the year ended 31 December 2001, the Group established a subsidiary (the "Subsidiary") in the PRC as a wholly foreign-owned enterprise in December 2001, with registered capital of USD28.9 million (RMB239.9 million). According to its Article of Association, the capital has to be paid up within 2 years from the date of incorporation by three instalments. The principal activity of the Subsidiary is the cultivation of floricultural and agricultural produces. The Subsidiary plans to own the newly constructed 40-hectares of greenhouses after paid up of capital for tax planning purpose.

During the first six months ended 30 June 2002, the Group identified an investment opportunity to acquire two agricultural projects through two companies in Yunan province of the PRC, namely 屏邊民生資源有限公司 ("Bing Bian Co.") and 思茅市雨林谷生態食品有限公司 ("Si Mao Co.").

Pursuant to an agreement dated 30 March 2002, Shenyang Euro-Asia Agriculture Development Co., Ltd. ("SEAA") will take over Bing Bian Co.'s tangible and intangible assets at a consideration of RMB40 million. A deposit of RMB30 million was paid by SEAA in June 2002 according to the agreement. The acquisition of Bing Bian Co. will benefit the Group in extending the variety of Orchid seedlings and enhancing the nurturing quality of floricultural produces.

Pursuant to a separate agreement dated 4 April 2002, SEAA will also take over the production equipment, cold storage facilities, production bases, production techniques and clienteles of Si Mao Co., in order to complement its processing capacity in tropical vegetables and fruit. The purchase consideration of Si Mao Co. is RMB50 million, of which RMB30 million is for the acquisition of production equipment and factory, RMB10 million is for the acquisition of plantation sites, and RMB10 million is for the acquisition of production techniques and clienteles. A payment of RMB30 million as part of purchase consideration of Si Mao Co. was made in June 2002. A further advance of RMB8 million has been made to Si Mao Co., the repayment of which will be deducted from the balance of the consideration payable on completion. The acquisition of Si Mao Co. will benefit the Group in the processing of vegetables and fruits, leading to a more optimized and sustainable product mix over the long run.

Prospects

The first six months of 2002 has been both a positive half-year and a difficult half-year.

On the positive side, sales turnover by volume was robust, with export sales to Japan, the Group's major target market, advancing nicely in all respects, including floricultural products and processed vegetables. Acquisition of new customers has also been progressing well.

On the negative side, the brief decline, and subsequent surge in Japanese yen affected gross margin in terms of lower export prices despite limited foreign exchange translation risk due to price quotation substantially in US dollar. Competition in the domestic Chinese market also hit gross margins as retail prices decreased.

Going forward, the business development with respect to the export sale of floricultural produces and processed vegetables is expected to remain robust in the second half of 2002. Processing and trading of vegetables will continue to do well apart from the contribution from the 10-hectares of new greenhouses. Meanwhile, the 40-hectares of greenhouses under construction is expected to contribute revenue in 2003 as the first crop is harvested. This will have a temporary negative impact on gross margin as depreciation charges and input costs are not matched by corresponding revenues in 2002.

As China accedes to the World Trade Organisation, the Board believes that Chinese horticultural produces and processed agricultural produces have huge cost advantages when compared with the prices of similar produces around the world. The Board is aware of and also determines to invest in processing, particularly packaging, to reduce perishability and increase food safety in such produces. The household consumer market is also highlighted by the Board as high margin horticultural segment, with relatively smaller risk when compared with the business segment of the market which is ornamental and hence very elastic characteristically.

In regard of business risk, the Board recognizes that market information management and knowledge management as the two major aspects of risk management to upgrade as the Group penetrates deeper into the Japanese market on the one hand, and integrates further into the purchasing logistic systems of major Japanese and European hyper-market chain stores on the other hand. In addition, the Board realizes that the Group's current skills in contract negotiation within the sales management department need to be strengthened in order to cope with the growing competitiveness resulted from globalisation. Centralised procurement function is also an area that calls for closer attention as the scale of operation expands. In the long run, the Board endeavours to pursue a mix between different varieties of greenhouse horticultural produces and the nurturing of their seedlings such that the long term aggregate net profit margin is stablised and sustainable after the current tax holiday and tax concession lapse from 2003 and onwards. (Tax savings together accounted for 25 percentage points of net profit margin in 2001).

Liquidity, Financial Resources, and Capital Structure

(i) Liquidity ratio

The cycle of working capital in the Group is still doing well with current ratio stayed high at 3.1 times (31 December 2001: 7.2 times) due to the strong cash generated from the underlying business to support the receivables and prepayments to procure produce for processing and exports. The quick ratio of the Group was 2.0 times (31 December 2001: 3.7 times). As at 30 June 2002, the Group remained in net cash position on the period-end date.

The drop in liquidity ratio was due mainly to the increae in bank borrowings for the acquisition of fixed assets and utilization for working capital. The expansion of trading of vegetables to the Japanese market has enthralled. The trade receivable turnover lengthened by an average of 4.5 days to 16.5 days, as the new customers are granted a longer credit period for their orders. However, 95% of total trade receivables ages within 1 month. The shortening of inventory turnover to 24.5 days from 29 days evidenced a higher operation efficiency of the Group.

The key financial ratios are shown below:

	As at 30 June 2002	**As at 31 December 2001**
Current Ratio (x)	**3.1**	7.2
*Quick Ratio (x)	**2.0**	3.7
Trade Receivable Turnover (days)	**16.5**	12.0
Inventory Turnover (days)	**24.5**	29.0
Trade Payable Turnover (days)	**4.7**	7.0
Asset Turnover (x)	**1.2**	1.2
Net Debt to Equity (%)	**—**	—

* Excluding inventory and deposits and other receivables in the computation.

(ii) Internal cash resources

Internal cash resources include cash and bank balances as well as standby general banking facilities. As at 30 June 2002, the Group's cash and bank balances were recorded at RMB397.8 million, while the Group's short-term bank borrowing was RMB109.2 million and non-current bank borrowings was RMB124 million. Net cash position was therefore RMB164.6 million. As at 30 June 2002, net current assets were RMB647.1 million, down by 7.4%. Total assets less current liabilities were RMB1,732.2 million, up by 20.6%.

During the Period, the Group did not use any financial instrument for hedging purposes and did not have any hedging instrument outstanding as at 30 June 2002.

Capital Structure and Charges on Group Assets

As at 30 June 2002, the shareholders' funds after distribution of final dividends of 2001 were approximately RMB1,608 million, up 12% from approximately RMB1,437 million at the end of 2001.

The Group was granted a bilateral 3-year revolving credit facility of HK$30 million from a commercial bank in Hong Kong in December 2001, and another bilateral 3-year short-term money market revolving credit facility of HK$30 million from another commercial bank in Hong Kong in February 2002. The three-year borrowing cost for both credit facilities is HIBOR plus 1.875% per annum. In the first quarter of 2002, the Group obtained a 50-months RMB159 million term loan from a PRC bank. The borrowing cost was fixed at 6.534% per annum. The principal of the loan will be repaid by RMB35 million in April 2003, with the second payment of RMB40 million in April 2004, and the third and final repayment of RMB42 million in April 2005 and April 2006 respectively. In May 2002, the Group was granted by another commercial bank in Hong Kong a short term loan facility of HK$140 million of which HK$10.03 million was outstanding as at 30 June 2002. The loan was fully repaid in mid-August 2002 and the loan facility lapses accordingly.

The gearing ratio of the Group remained low at approximately 14% (31 December 2001: 2%) as calculated based on the aggregate amount of interest bearing borrowings of approximately RMB233 million (31 December 2001: RMB32 million) and the shareholders funds of approximately RMB1,608 million (31 December 2001: RMB1,437 million) at the end of 30 June 2002. There is no asset pledge for all the Group's borrowings.

Use of IPO Proceeds

The unused proceeds from IPO amounted to approximately RMB130 million as at 31 December 2001. During the Period, approximately RMB49 million, RMB3.5 million and RMB0.8 million have been applied towards the construction of new greenhouses and auxiliary equipments, research and development activities, and the setting up of an office in the United States respectively. The remaining proceeds of approximately RMB77 million are placed as deposits with commercial banks in the PRC.

Number and Remuneration of Employees, Remuneration Policies and Share Option Scheme

Number and remuneration of employees, remuneration policies

As at 30 June 2002, the total number of employees was 371, up from 322 at end of 2001. There were 50 management staff and 321 workers at 30 June 2002, up from 32 management staff and 290 workers at end of 2001 respectively.

Personnel expenses for the six months ended 30 June 2002 amounted to RMB2.5 million, or 0.6% (2001: 0.6%) of cost of sales. The Group recognizes the importance of its human resources to its success. Therefore, salaries and wages are determined based on employees' talents and experience, with discretionary bonuses awarded to outstanding employees on a merit basis. Other staff benefits provided by the Group include mandatory provident fund in Hong Kong, insurance schemes, training programs and share option scheme. The Group has taken out Directors and Officers Insurance for all directors and senior management with supervisory role to protect the Group from any contingent liability that might arise from the wrongful acts in the course of normal business operations.

Share Option Scheme

Under the Share Option Scheme (the "Scheme") as approved for adoption by shareholders at the Special General Meeting on 5 August 2002 which became unconditional on 8 August 2002, the directors of the Company may grant options to the eligible participants to subscribe for shares of the Company.

Details of the Scheme:

(i) Purpose

The purpose of the Scheme is to provide reward to selected participants as incentives to recognize past contributions and to contribute further to the Group.

(ii) Participants

Share options may be granted to any employee or officers, executive directors, non-executive directors (including independent non-executive directors), of the Group or any of its invested entity, suppliers of goods or service, customers, persons or entity providing research, development or other technological support to, or holder of any securities or securities convertible into securities issued by any member of the Group or any of its invested entity.

(iii) Maximum number of shares

Under the Scheme, the total number of shares which may be issued upon exercise of all options under the Scheme shall not in any event exceed (a) where upon the exercise of all the aggregate options to be granted, 10% of the shares in issue as at the date of approval of the Scheme, and (b) where upon the exercise of all outstanding aggregate options already granted and yet to be exercised, 30% of total shares in issue from time to time.

(iv) Maximum entitlement of each eligible participant

Unless approved by the shareholders, the total number of shares issued and to be issued upon exercise of all the options granted to any eligible participant under the Scheme in any 12-month period shall not exceed 1% of the total number of shares in issue for the time being.

(v) Acceptance and exercise of options

An offer for the grant of an option shall be deemed to have been accepted when the duplicate letter of the offer is duly completed, signed and returned with the payment of HK$1.00 as consideration within 21 days from the date of offer. No option shall be exercised by any grantee unless and until such grantee has already held such option to be exercised for a minimum period of 14 days from and including the relevant date of grant of such option or such any other period as the Company may determine from time to time and in any event shall end on the earlier of the date on which such option lapses and 10 years from the date of grant of that option.

(vi) Exercise price for shares

The price per share payable on the exercise of an option under the Scheme shall be a price determined at the discretion of the directors of the Company and shall be a price not less than the highest of (a) the closing price of the shares on The Stock Exchange of Hong Kong Limited for trades in one or more board lots of shares on the relevant grant date, (b) the average of the closing price for the five business days immediately preceding the relevant grant date, and (c) the nominal value of one share.

As at the date of the report, no share options have been granted under the Scheme.

Major Customers and Suppliers

The concentration of customers for the first six months of 2002 was not significantly different from that in 2001, with top customers and top five customers making up 26% (2001:25%) and 59% (2001: 59%) of total turnover respectively. All the top five customers are from export sales to Japan and the Netherlands. Resulting from the expanding trading of vegetables, customer from Japan overtook the previous top customer from the Netherlands. The concentration risk of the Group had in fact been mitigated in the Period as there were also new customers from the Netherlands.

The largest supplier for the six months ended 30 June 2002 accounted for approximately 16% (2001: 23%) of the Group's total purchases (not including purchases of a capital nature). The combined total of the five largest suppliers accounted for approximately 44% (2001: 68%) of the Group's total purchases of the Period. The lower concentration ratio is an indication of extended number of suppliers. The concentration of top customers and suppliers is shown below:

Top customers % of Total Turnover	**Unaudited Six months ended 30 June 2002**	**2001**
Top	**26%**	25%
Top 3	**44%**	46%
Top 5	**59%**	59%
Top 10	**75%**	72%

Top suppliers % of Total Purchase	**Unaudited Six months ended 30 June 2002**	**2001**
Top	**16%**	23%
Top 3	**31%**	50%
Top 5	**44%**	68%
Top 10	**71%**	100%

Contingent Liabilities

The Group had no material contingent liability as at 30 June 2002.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

The Company has not redeemed any of its securities during the Period. Neither the Company nor any of its subsidiaries has purchased or sold any of the Company's listed securities during the Period.

DIRECTORS' INTERESTS IN SECURITIES

As at 30 June 2002, the interests of the directors and the chief executive of the Company in the securities of the Company and its associated corporations (within the meaning of the Securities (Disclosure of Interests) Ordinance (the "SDI Ordinance")) as recorded in the register required to be kept pursuant to Section 29 of the SDI Ordinance or as otherwise notified to the Company and The Stock Exchange of Hong Kong Limited pursuant to Section 28 of the SDI Ordinance and the Model Code for Securities Transactions by Directors of Listed Companies (the "Model Code") were as follows:

Interests in the Company

	Number of ordinary shares				
Name of Director/ Chief Executive	**Personal interests**	**Family interests**	**Corporate interests**	**Other interests**	**Number of share options**
Mr. Yang Bin	—	—	1,196,242,000 *(Note)*	—	—

Note: The shares of Mr. Yang Bin are held through Wise Capital Investments Limited ("Wise Capital"), a company incorporated in Mauritius with limited liability which is legally and wholly-owned by Mr. Yang Bin who is entitled to exercise 100% of the voting powers at general meetings of Wise Capital. On 6 August 2002, Wise Capital disposed of 300 million shares in the Company, details of which have been disclosed by an announcement dated 7 August 2002.

Other than as disclosed above, none of the directors, the chief executive or their associates had any personal, family, corporate or other interests in the securities of the Company or any of its associated corporation as defined in the SDI Ordinance as at 30 June 2002. None of the directors (including their spouse and children under 18 year of age) have been granted, or have exercised, any right to subscribe for shares (or warrants or debentures, if applicable) of the Company.

SUBSTANTIAL SHAREHOLDERS

As at 30 June 2002, the register of substantial shareholders maintained under Section 16(1) of the SDI Ordinance showed that, other than the interests disclosed above in respect of certain directors, the following shareholders had a beneficial interest of 10 per cent or more in the issued share capital of the Company:

Name of shareholder	**Number of shares**	**%**
Wise Capital Investments Limited *(Note)*	1,196,242,000	72.06

Note: Wise Capital Investments Limited is a company incorporated in Mauritius with limited liability which is legally and wholly-owned by Mr. Yang Bin.

On 6 August 2002, Wise Capital Investments Limited disposed of 300 million shares in the Company, thereby reducing its shareholding percentage in the Company to approximately 54%.

INTERIM DIVIDEND

At a meeting held on 12 September 2002, the directors declared an interim dividend of HK$0.02 (equivalent to RMB0.0212) (2001: Nil) per share for the year ending 31 December 2002 totalling HK$33,200,000 (equivalent to RMB35,192,000) to the shareholders whose names appear on the register of members of the Company at 4:00 p.m. on 30 September 2002. This proposed dividend is not reflected as a dividend payable in these condensed accounts, but will be reflected as an appropriation of retained earnings for the year ending 31 December 2002.

In order to qualify for entitlement of the interim dividends declared, the shareholders should lodge all completed transfer forms, accompanied by the relevant share certificates, with the Company's Hong Kong Branch Share Registrars, Computershare Hong Kong Investor Services Limited at Rooms 1901-5, 19th Floor, Hopewell Centre, 183 Queen's Road East, Hong Kong for registration not later than 4:00 p.m. on 30 September 2002. Dividend will be despatched to shareholders on or about 15 November 2002 in the form of cheques.

SUBSEQUENT EVENTS

Details of the significant subsequent events are set out in Note 18 to the financial statements.

AUDIT COMMITTEE

The audit committee comprising of Mr. Li Weibin and Mr. Wang Xiaojun, the two independent non-executive directors of the Company, has reviewed with the management the accounting principles and practices adopted by the Group and discussed internal controls and financial reporting matters including a review of the unaudited condensed accounts for the Period with the directors.

COMPLIANCE WITH THE CODE OF BEST PRACTICE

The Company has complied with the Code of Best Practice as set out in Appendix 14 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited at any time during the Period.

CONDENSED CONSOLIDATED PROFIT AND LOSS ACCOUNT

For the six months ended 30 June 2002

		Unaudited Six months ended 30 June	
			As restated
	Notes	2002	2001
		RMB'000	RMB'000
			(Note 1 (b))
Turnover	2	**795,934**	507,119
Agricultural tax	6(c)	**(768)**	(638)
Net sales		**795,166**	506,481
Cost of sales	4(b)	**(445,510)**	(219,262)
Gross profit		**349,656**	287,219
Other revenue	3	**1,984**	103
Research and development expenses	4(c)	**(3,450)**	—
Distribution expenses		**(20,819)**	(12,812)
General and administrative expenses		**(26,732)**	(7,005)
Operating profit	4	**300,639**	267,505
Finance costs	5	**(10,014)**	—
Profit before taxation		**290,625**	267,505
Taxation	6	**—**	—
Profit attributable to shareholders		**290,625**	267,505
Transfer to statutory reserve fund	14	**(30,585)**	(21,940)
		260,040	245,565
Dividends			
- 2001 proposed final dividend	7(b)	**119,852**	—
- 2002 proposed interim dividend	7(a)	**35,192**	—
Earnings per share	8	**RMB17.51 cents**	RMB22.29 cents

Condensed Consolidated Balance Sheet

As at 30 June 2002 and 31 December 2001

	Note	Unaudited 30 June 2002 RMB'000	Audited 31 December 2001 RMB'000
ASSETS			
Non-current assets			
Fixed assets		**1,010,633**	731,840
Long-term prepaid rental		**6,448**	6,716
Deposits for investments	9	**68,000**	—
		1,085,081	738,556
Current assets			
Inventories		**123,554**	125,078
Trade receivables	10	**135,727**	55,785
Amount due from an executive director	17(d)	**86,143**	—
Amount due from holding company		**—**	196
Amount due from a related company		**—**	405
Deposits and other receivables		**208,346**	266,417
Restricted bank deposits		**1,440**	5,501
Cash and bank balances		**397,767**	358,426
		952,977	811,808
Current liabilities			
Trade payables	11	**31,039**	17,931
Accruals and other payables		**61,217**	56,560
Bank borrowings	12	**109,230**	31,800
Amount due to an executive director	17(d)	**80,379**	1,735
Amount due to holding company	17(c)	**12,833**	—
Amount due to a related company	17(b)	**785**	—
Taxation payable		**10,424**	4,835
		305,907	112,861
Net current assets		**647,070**	698,947
Total assets less current liabilities		**1,732,151**	1,437,503
Financed by:			
Share capital	13	**175,960**	175,960
Reserves	14	**824,432**	794,033
Retained earnings	14	**572,384**	347,536
2001 proposed final dividend	7(b)	**—**	119,852
2002 proposed interim dividend	7(a)	**35,192**	—
Shareholders' funds		**1,607,968**	1,437,381
Non-current liabilities			
Bank borrowings	12	**124,000**	—
Long-term rental payable		**183**	122
		1,732,151	1,437,503

Condensed Consolidated Cash Flow Statement

For the six months ended 30 June 2002

	Unaudited Six months ended 30 June	
	2002	**2001**
	RMB'000	**RMB'000**
Net cash inflow from operating activities	**313,499**	152,709
Net cash used in investing activities	**(359,797)**	(58)
Net cash inflow from financing activities	**81,578**	—
Increase in cash and cash equivalents	**35,280**	152,651
Cash and cash equivalents at 1 January	**363,927**	13,487
Cash and cash equivalents at 30 June	**399,207**	166,138
Analysis of balances of cash and cash equivalents:		
Restricted bank deposits	**1,440**	—
Cash and bank balances	**397,767**	166,138
	399,207	166,138

Condensed Consolidated Statement of Changes in Equity

For the six months ended 30 June 2002

	Unaudited Six months ended 30 June	
	2002	**2001**
	RMB'000	**RMB'000**
Total shareholders' equity at 1 January	**1,437,381**	264,919
Exchange differences arising on translation of the financial statements of foreign entities	**(186)**	—
Net loss not recognised in the profit and loss account	**(186)**	—
Profit attributable to shareholders	**290,625**	267,505
Dividends paid	**(119,852)**	—
Total shareholders' equity at 30 June	**1,607,968**	532,424

Notes to the Interim Financial Statements

1. Basis of preparation and accounting policies

These unaudited consolidated condensed accounts are prepared in accordance with Hong Kong Statement of Standard Accounting Practice ("SSAP") 25, Interim Financial Reporting, issued by the Hong Kong Society of Accountants.

These condensed accounts should be read in conjunction with the 2001 annual financial statements.

(a) **Change of accounting policies**

The accounting policies and methods of computation used in the preparation of these condensed accounts are consistent with those used in the annual accounts for the year ended 31 December 2001 except that the Group has changed certain of its accounting policies following its adoption of the following Statements of Standard Accounting Practice (SSAPs) issued by the Hong Kong Society of Accountants which are effective for accounting periods commencing on or after 1st January 2002:

SSAP 1 (revised)	:	Presentation of financial statements
SSAP 11 (revised)	:	Foreign currency translation
SSAP 15 (revised)	:	Cash flow statements
SSAP 25 (revised)	:	Interim financial reporting
SSAP 34	:	Employee benefits

The changes to the Group's accounting policies and the effect of adopting these new policies are set out below:

(1) *SSAP 11 (revised): Foreign currency translation*

The balance sheet of subsidiaries expressed in foreign currencies are translated at the rates of exchange ruling at the balance sheet date whilst the profit and loss is translated at an average rate. Exchange differences are dealt with as a movement in reserves.

In prior periods, the profit and loss of foreign enterprises was translated at closing rate. This is a change in accounting policy, however, the translation of the profit and loss of foreign enterprises in prior periods has not been restated as the effect of this change is not material to the current and prior periods.

(2) *SSAP 34: Employee benefits*

(i) Employee leave entitlements

Employee entitlements to annual leave and long service leave are recognised when they accrue to employees. A provision is made for the estimated liability for annual leave and long-service leave as a result of services rendered by employees up to the balance sheet date.

Employee entitlements to sick leave and maternity or paternity leave are not recognised until the time of leave.

In prior periods, no provision was made for employee annual and long service leave entitlements. The adoption of SSAP 34 has meant that adjustments on provision for employee annual and long service leave entitlements have been made retrospectively so that the comparatives presented have been restated.

(ii) Pension obligations

The Group contributes to a defined contribution retirement scheme which is available to all employees. Contributions to the scheme by the Group and employees are calculated as a percentage of employees' basic salaries. The retirement benefit scheme cost charged to the profit and loss account represents contributions payable by the company to the fund.

The Group's contributions to the defined contribution retirement scheme are expensed as incurred and are not reduced by contributions forfeited by those employees who leave the scheme prior to vesting fully in the contributions. When the contributions do not fall due wholly within twelve months after the end of period in which the employees render the related service, the contributions should be discounted using the discount rate determined by reference to market yields at the balance sheet date on high quality investments.

The assets of the scheme are held separately from those of the Group in an independently administered fund.

(iii) Equity compensation benefits

Share options are granted to directors and to employees at the discretion of the directors. If the options are granted at the market price of the shares on the date of the grant and are exercisable at that price, no compensation cost is recognised. If the options are granted at a discount on the market price, a compensation cost is recognised in the profit and loss account based on that discount. When the options are exercised, the proceeds received net of any transaction costs are credited to share capital (nominal value) and share premium.

There is no material impact to the financial results and the financial position of the Group by the adoption SSAP 34.

(b) **Grant of concessionary treatment for agricultural tax**

As mentioned in Note 6(c) below, the Group received a notice dated 12 December 2001 from the Shenyang Yu Hong District Finance Bureau that a concessionary treatment in respect of agricultural tax was granted to the Group for a tentative period of 3 years with effect from 1 January 2001 to 31 December 2003.

Taking into consideration that this concessionary treatment was retrospectively effective since 1 January 2001, the unaudited consolidated net profit for the six months ended 30 June 2001 has been revised from RMB217 million to RMB267 million, as a result of the decrease of agricultural tax of about RMB50 million, based on the turnover for the six months ended 30 June 2001 of RMB507 million as reported in the interim report of the Company published on 7 September 2001.

2. *Segmental information*

The Group is principally engaged in the hybridisation, propagation, cultivation, production and sale of floricultural and agricultural produce.

(a) An analysis of the Group's revenue and results for the period by business segments is as follows:

	Unaudited Six months ended 30 June 2002				Six months ended 30 June 2001
	Sales of seedlings and flowers RMB'000	**Sales of trading vegetables RMB'000**	**Sales of self-grown vegetables RMB'000**	**Total RMB'000**	**Sales of seedlings and flowers RMB'000**
Turnover	**657,801**	**126,532**	**11,601**	**795,934**	507,119
Agricultural tax	**(763)**	**—**	**(5)**	**(768)**	(638)
Net sales	**657,038**	**126,532**	**11,596**	**795,166**	506,481
Cost of sales	**(335,006)**	**(102,167)**	**(8,337)**	**(445,510)**	(219,262)
Gross profit	**322,032**	**24,365**	**3,259**	**349,656**	287,219
Unallocated items:					
Other revenue				**1,984**	103
Research and development expenses				**(3,450)**	—
Distribution expenses				**(20,819)**	(12,812)
General and administrative expenses				**(26,732)**	(7,005)
Operating profit				**300,639**	267,505
Finance costs				**(10,014)**	—
Profit before taxation				**290,625**	267,505
Taxation				**—**	—
Profit attributable to shareholders				**290,625**	267,505

During the six months ended 30 June 2002, there were no sales or other transactions between the business segments.

(b) An analysis of the Group's revenue and results for the period by geographical segments is as follows:

(1)

	Unaudited Six months ended 30 June 2002			
	Japan RMB'000	The Netherlands RMB'000	The PRC RMB'000	Total RMB'000
Turnover	221,302	263,637	310,995	795,934
Agricultural tax	(66)	(175)	(527)	(768)
Net sales	221,236	263,462	310,468	795,166
Cost of sales	(137,841)	(76,646)	(231,023)	(445,510)
Gross profit	83,395	186,816	79,445	349,656
Unallocated items:				
Other revenue				1,984
Research and development expenses				(3,450)
Distribution expenses				(20,819)
General and administrative expenses				(26,732)
Operating profit				300,639
Finance costs				(10,014)
Profit before taxation				290,625
Taxation				—
Profit attributable to shareholders				290,625

(2)

	Unaudited Six months ended 30 June 2001				
	Japan RMB'000	Korea RMB'000	The Netherlands RMB'000	The PRC RMB'000	Total RMB'000
Turnover	61,512	56,897	180,541	208,169	507,119
Agricultural tax	(47)	(40)	(176)	(375)	(638)
Net sales	61,465	56,857	180,365	207,794	506,481
Cost of sales	(13,630)	(16,292)	(60,415)	(128,925)	(219,262)
Gross profit	47,835	40,565	119,950	78,869	287,219
Unallocated items:					
Other revenue					103
Research and development expenses					—
Distribution expenses					(12,812)
General and administrative expenses					(7,005)
Operating profit					267,505
Finance costs					—
Profit before taxation					267,505
Taxation					—
Profit attributable to shareholders					267,505

(c) The Group's operations are primarily performed in the PRC, where substantially all of its consolidated assets and liabilities are located.

Each of the business activities of trading vegetables and self-grown vegetables accounted for less than 10% of the Group's consolidated assets and liabilities. Therefore, an analysis of consolidated assets and liabilities by business activity is not considered necessary.

3. *Other revenue*

	Unaudited Six months ended 30 June	
	2002	**2001**
Interest income on bank deposits	**1,680**	103
Others	**304**	—
	1,984	103

4. *Operating profit*

(a) Operating profit is stated after crediting and charging the following:

	Unaudited Six months ended 30 June	
	2002 RMB'000	**2001 RMB'000**
Crediting		
Interest income on bank deposits	**1,680**	103
Charging		
Staff costs (including directors' emoluments)	**11,063**	4,158
Cost of sales (Note (b) below)	**445,510**	219,262
Interest expense	**10,014**	—
Exchange loss, net	**806**	97
Transport agency fees	**4,945**	3,131
Export agency fees	**14,003**	11,716
Rental expense	**1,369**	—
Professional fees	**3,446**	102
Depreciation of leasehold improvements, computer equipment, motor vehicles, furniture and office equipment	**2,581**	751
Research and development expenses (Note (c) below)	**3,450**	—

(b) Details of cost of sales of the Group are set out below:

	Unaudited Six months ended 30 June	
	2002	**2001**
	RMB'000	**RMB'000**
Cost of inventories	**408,800**	188,558
Production costs		
- Depreciation of		
• Owned greenhouses and auxiliary facilities	**8,021**	6,835
• Owned production machinery and equipment	**86**	86
- Operating lease rental of land	**1,029**	840
- Amortisation of prepaid rental	**269**	185
- Greenhouse management fees	**738**	661
- Utility expenses	**2,681**	636
- Raw materials	**5,837**	—
- Labour costs	**1,769**	708
- Laboratory costs		
• Depreciation of owned greenhouse laboratory	**884**	973
• Depreciation of owned production machinery and equipment	**214**	—
• Greenhouse laboratory management fees	**12**	24
• Labour	**707**	590
• Rental expense	**31**	31
• Direct expenses and raw materials consumed	**14,248**	18,926
• Utility expenses	**184**	209
	36,710	30,704
	445,510	219,262

(c) Details of research and development expenses of the Group are set out below:

	Unaudited Six months ended 30 June	
	2002	**2001**
	RMB'000	**RMB'000**
Depreciation of owned greenhouse laboratory, production machinery and equipment	**1,218**	—
Labour	**735**	—
Rental expense	**420**	—
Raw materials consumed	**185**	—
Utility expenses	**876**	—
Others	**16**	—
	3,450	—

5. *Finance costs*

Finance costs represent interest on the bank loan and are charged to the profit and loss account in the period in which they are incurred.

6. *Taxation*

The Group is subject to income taxes on an entity basis on income arising in or derived from the tax jurisdiction in which they operate.

(a) The Company is exempted from taxation in Bermuda until 28 March 2016. No provision for Hong Kong profits tax has been made as there are no estimated assessable profits (2001: Nil) generated from the operations in Hong Kong during the six months ended 30 June 2002.

(b) **Enterprise Income Tax ("EIT")**

In accordance with the relevant tax rules and regulations applicable to foreign investment enterprises in the PRC, Shenyang Euro-Asia Agriculture Development Co., Ltd. ("SEAA"), being a wholly foreign-owned enterprise established by the Group in the PRC with an operating period of more than ten years, is entitled to full exemption from state income tax and local income tax for two years and five years respectively commencing from the first profit-making year after offsetting prior year's losses (being the year ended 31 December 2001), followed by a 50% reduction of both state income tax and local income tax for the next three years. The rates of state income tax and local income tax applicable to SEAA are 30% and 3% respectively.

(c) **Agricultural tax**

Before 2001, the agricultural tax liability was calculated at a rate of 10% on the sales revenue of the floricultural produce sold by the Group. Under a notice dated 12 December 2001 issued by Shenyang Yu Hong District Finance Bureau, a special concessionary treatment was granted to the Group under which the agricultural tax was calculated at an annual rate of RMB5,000 and RMB200 per mu of farmland occupied by the Group for the growth of flowers and vegetables respectively. The concessionary treatment was granted by the local district finance bureau for a tentative period of 3 years with effect from 1 January 2001 to 31 December 2003.

Taking into consideration that this concessionary treatment was retrospectively effective since 1 January 2001, the unaudited consolidated net profit for the six months ended 30 June 2001 has been revised from RMB217 million to RMB267 million, as a result of the decrease of agricultural tax of about RMB50 million, based on the turnover for the six months ended 30 June 2001 of RMB507 million as reported in the interim report of the Company published on 7 September 2001.

(d) **Value-added tax**

Value-added tax was calculated at a rate of 4% of the total sales of trading vegetables.

(e) **Deferred taxation**

There was no material deferred taxation for the Group and the Company as at 30 June 2002 or for the Group for the period then ended (2001: Nil).

(f) Taxation payable represents PRC agricultural tax and value-added tax payable as at 30 June 2002.

7. *Dividends*

(a) At a meeting held on 12 September 2002, the directors declared an interim dividend of HK$0.02 (equivalent to RMB0.0212) (2001: Nil) per share for the year ending 31 December 2002. This proposed dividend is not reflected as a dividend payable in these condensed accounts, but will be reflected as an appropriation of retained earnings for the year ending 31 December 2002.

(b) At a meeting held on 10 April 2002, the directors proposed a final dividend of HK$0.0681 equivalent to RMB0.0722) per share for the year ended 31 December 2001, which was paid on 31 May 2002 and has been reflected as an appropriation of retained earnings for the six months ended 30 June 2002.

8. *Earnings per share*

Basic earnings per share is calculated based on the profit attributable to shareholders of approximately RMB290,625,000 and on the weighted average number of 1,660,000,000 shares in issue during the six months ended 30 June 2002.

The comparative earnings per share is calculated based on the profit attributable to shareholders of RMB267,505,000 and the 1,200,000,000 shares deemed to be in issue throughout the six months ended 30 June 2001. As explained in Note 6(c), due to the concessionary treatment for agricultural tax, the profit figure is different from previously reported in the interim report of the Company published on 7 September 2001.

There were no potential dilutive shares in existence for the six months ended 30 June 2002 and 2001; therefore, no diluted earnings per share is presented.

9. *Deposits for investments*

	Unaudited 30 June 2002 RMB'000	Audited 31 December 2001 RMB'000
Deposits for acquisition of two agricultural companies in the PRC	60,000	—
Interest-free advance to one of the agricultural companies	8,000	—
	68,000	—

Total capital commitments in respect of acquisition of the two agricultural companies are detailed in Note 16(a)(2) below.

10. *Trade receivables*

An ageing analysis of trade receivables is as follows:

	Unaudited 30 June 2002 RMB'000	Audited 31 December 2001 RMB'000
Within 30 days	**129,058**	55,785
Between 30 to 60 days	**5,010**	—
Between 61 to 90 days	**—**	—
Above 90 days	**1,659**	—
	135,727	55,785

The general credit terms granted to customers are from 0 to 30 days during the six months ended 30 June 2002.

No provision was made against trade receivables for the six months ended 30 June 2002 and 2001.

11. *Trade payables*

Generally, the credit terms on the Group's accounts payable are from 7 to 90 days. An ageing analysis of trade payables is as follows:

	Unaudited 30 June 2002 RMB'000	Audited 31 December 2001 RMB'000
Within 30 days	**18,736**	17,894
Between 30 to 60 days	**12,256**	—
Between 61 to 90 days	**3**	—
Above 90 days	**44**	37
	31,039	17,931

12. *Bank borrowings*

Bank borrowings consist of the following:

	Unaudited 30 June 2002 RMB'000	Audited 31 December 2001 RMB'000
Short-term bank borrowings	**74,230**	31,800
Long-term bank borrowing	**159,000**	—
	233,230	31,800

The repayment schedules of the above bank loans are analysed as below:

	Unaudited 30 June 2002 RMB'000	Audited 31 December 2001 RMB'000
Repayable within one year		
Unsecured bank loan included under current liabilities	**109,230**	31,800
Repayable in the second year		
Unsecured bank borrowings	**40,000**	—
Repayable in the third to fifth year		
Unsecured bank borrowings	**84,000**	—
Included under non-current liabilities	**124,000**	—
	233,230	31,800

Subsequent to 30 June 2002, one of the short-term bank borrowings amounted to approximately RMB11 million was fully repaid.

13. *Share capital*

	Unaudited 30 June 2002 RMB'000	Audited 31 December 2001 RMB'000
Authorised:		
5,000,000,000 shares of HK$0.10 each	**530,000**	530,000
Issued and fully paid:		
1,660,000,000 (2001: 1,660,000,000) shares of HK$0.10 each	**175,960**	175,960

14. *Reserves*

	Share premium RMB'000	Capital reserve RMB'000	Unaudited Statutory reserve fund RMB'000	Exchange fluctuation reserve RMB'000	Retained earnings RMB'000	Total RMB'000
At 1 January 2002	602,609	137,719	53,705	—	467,388	1,261,421
Exchange realignments	—	—	—	(186)	—	(186)
Profit attributable to shareholders	—	—	—	—	290,625	290,625
Dividends paid	—	—	—	—	(119,852)	(119,852)
Transfer to statutory reserve fund	—	—	30,585	—	(30,585)	—
As at 30 June 2002	**602,609**	**137,719**	**84,290**	**(186)**	**607,576**	**1,432,008**

15. *Contingent liabilities*

The Group had no material contingent liability as at 30 June 2002.

16. *Commitments*

(a) Capital commitments

(1) As at 30 June 2002, the Group had the following capital commitments which were authorised and contracted for:

	Unaudited 30 June 2002 RMB'000	Audited 31 December 2001 RMB'000
Greenhouse construction	**138,274**	213,274
Refrigeration construction	**136,600**	136,600
Workstation construction	**8,968**	8,968
Infrastructure construction	**6,220**	6,220
	290,062	365,062

(2) As at 30 June 2002, the Group had capital commitments of RMB22,000,000 (2001: nil) for the investment in the two agricultural companies in the PRC which were authorised but not contracted for.

(3) On 10 December 2001, the Group established a subsidiary in the PRC as a wholly foreign-owned enterprise with registered capital of USD28,900,000 (RMB239,870,000). As at 31 December 2001, the Group has not yet injected any capital contribution to this subsidiary. According to its articles of association, the capital contribution has to be fully injected within 2 years from the incorporation date by three instalments of USD10,000,000 (RMB83,000,000), USD10,000,000 (RMB83,000,000) and USD8,900,000 (RMB73,870,000) respectively. No capital had been injected in such subsidiary during the six months ended 30 June 2002.

(b) Operating lease commitments

The Group had commitments in respect of rental of land and offices under various non-cancellable operating lease agreements amounting to approximately RMB32,744,000 and RMB66,961,000 as at 31 December 2001 and 30 June 2002 respectively.

Total future minimum lease payments payable:

	Unaudited 30 June 2002 RMB'000	Audited 31 December 2001 RMB'000
Within 1 year	**5,370**	3,556
After 1 year but within 5 years	**14,165**	7,977
After 5 years	**47,426**	21,211
	66,961	32,744

(c) Greenhouse management service contracts

The Group had service contracts with a third party which is controlled by the Provincial Government of Liaoning concerning the management of the greenhouses located in Dalian, Changchun, Guan, Shijazhuang and Shouguang (the "Production Bases") for a period of 10 years.

The total commitments in respect of the greenhouse management service contracts were approximately RMB14,092,000 and RMB13,342,000 as at 31 December 2001 and 30 June 2002 respectively.

Total greenhouse management service fees payable:

	Unaudited 30 June 2002 RMB'000	Audited 31 December 2001 RMB
Within 1 year	**1,500**	1,500
After 1 year but within 5 years	**6,000**	6,000
After 5 years	**5,842**	6,592
	13,342	14,092

17. Related party transactions

(a) During the six months ended 30 June 2002, the Group was charged rental of about RMB860,000 (2001: RMB250,000) by a related company, Shenyang Euro-Asia Industrial Company Limited ("SEAI"), a company wholly owned by Mr. Yang Bin, the controlling shareholder, for two parcels of land where two greenhouses are situated.

(b) The balance with the related company, SEAI, as at 30 June 2002 was mainly related to certain administrative expenses paid on behalf of the Group by the related company.

Balances with SEAI are unsecured, non-interest bearing and have no fixed repayment terms.

(c) The balances with the holding company, Wise Capital Investments Limited, a company wholly-owned by Mr. Yang Bin, the controlling shareholder, was related to the interest-free advance to the Company for its working capital requirements.

(d) As at 30 June 2002, there were an amount of approximately RMB86 million due from an executive director, Mr. Yang Bin, and an amount of approximately RMB 80 million due to him. The balances with him are unsecured, non-interest bearing and have no fixed repayment terms.

The amounts due from and due to Mr. Yang Bin as at 30 June 2002 arose as follows,

(1) At 3 June 2002, Mr. Yang Bin advanced approximately HK$81.5 million (equivalent to approximately RMB86.4 million) to the Company as an interest-free loan to facilitate the working capital requirement of the Company arising from the non-timely arrangement of remittance of necessary funds from SEAA, the operating subsidiary of the Company in the PRC, to the Company between end of May and early of June 2002, and

(2) The amount due from Mr. Yang Bin was resulted from the repayment to him of the above mentioned interest-free loan by SEAA on behalf of the Company in June 2002.

As at 30 June 2002, the Group had net amount of approximately RMB7 million due to Mr. Yang Bin, after taking into account of the amounts due from and due to Mr. Yang Bin, as well as the amount due to Wise Capital Investments Limited mentioned in Note 17(c) above.

The Company has started to apply to the State Administration of Foreign Exchange Bureau in the PRC for the remittance of the foreign exchange involved with a view to settling the relevant amounts due from and due to Mr. Yang Bin as soon as practicable.

(e) As disclosed in the Company's Prospectus dated 9 July 2001, pursuant to the trademark licence agreement entered between the Company and Euro Asia International Import en Export Trade Company B.V., a company incorporated in the Netherlands and wholly owned by Mr. Yang Bin, the Group has been granted an exclusive right, at no consideration, to use the "Euro-Asia" trademark worldwide in connection with the purchase, propagation, cultivation, production, research and development and sales of floricultural and agricultural produce for a term of 15 years commencing from 22 June 2001, subject to a further extension of another 10 years thereof.

(f) On 21 December 2001, SEAA entered into several asset acquisition agreements and a lease agreement with SEAI, the details of which are set out below:

(1) A lease of a parcel of land owned by SEAI with an aggregate area of approximately 14.6 hectares situated in Shenyang for a term of 20 years at a rent of RMB125,000 per hectare per annum.

(2) A greenhouse acquisition agreement in relation to the acquisition of SEAI's entire interest, right and title in the greenhouse and all other facilities and equipment situated on the land referred to in Note (1) above for a consideration of RMB107,348,100.

(3) An office building acquisition agreement in relation to the acquisition of SEAI's entire interest, right and title in two office buildings comprised of (i) basement and ground floor and (ii) an office building and the ancillary structure situated in Shenyang for a consideration of RMB70,000,000.

On 9 February 2002, the above agreements were approved by a general meeting of the Company's shareholders.

In the opinion of the directors, the related party transactions were carried out in the ordinary course of business and on normal commercial terms.

18. Subsequent events

(a) On 5 August 2002, an ordinary resolution for the adoption of a share option scheme was duly passed by the shareholders. The share option scheme became unconditional on 8 August 2002.

Details of the share option scheme are disclosed in the circular dated 19 July 2002 issued by the Company.

No share option had been granted since the adoption of the share option scheme.

(b) On 6 August 2002, Mr. Yang Bin, the Company's Chairman and controlling shareholder, had reduced his shareholding in the Company by a sale of 300 million shares. Before the sale, Mr. Yang Bin held 1,196,242,000 shares representing approximately 72.06% of the entire issued share capital of the Company. After the sale, Mr. Yang Bin holds 896,242,000 shares representing approximately 54% of the entire issued share capital of the Company. The shares of Mr. Yang Bin are held through Wise Capital Investments Limited, a company wholly-owned by My. Yang Bin.

On behalf of the Board

Yang Bin
Chairman
Hong Kong, 12 September 2002