1. BASIS OF PREPARATION

(A) Principal activities

The principal activities of the Company is investment holding.

(B) Consolidated financial statements

The consolidated financial statements include the financial statements of the Company and its subsidiaries made up to 30 June.

As subsidiaries established in Mainland China adopt 31 December as their year end date, the management financial statements of the subsidiaries as at and for the twelve months ended 30 June have been incorporated in the consolidated financial statements after making adjustments as considered appropriate by the directors for compliance with accounting principles generally accepted in Hong Kong.

The results of subsidiaries acquired or disposed of during the year are included in the consolidated income statement from the effective date of acquisition or up to the effective date of disposal, as appropriate.

All significant intercompany transactions and balances within the Group are eliminated on consolidation.

The gain or loss on disposal of a subsidiary represents the difference between the proceeds of the sale and the Group's share of its net assets together with any unamortised goodwill or negative goodwill or goodwill/negative goodwill taken to reserves and which was not previously charged or recognised in the consolidated income statement.

Minority interests represent the interests of outside shareholders in the operating results and net assets of subsidiaries.

2. PRINCIPAL ACCOUNTING POLICIES

The financial statements have been prepared in accordance with generally accepted accounting principles in Hong Kong comply with Statements of Standard Accounting Practice ("SSAP") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and the disclosure requirements of the Hong Kong Companies Ordinance. The financial statements are prepared under the historical cost convention as modified by the revaluation of certain properties, plant and equipment, investment properties and investments in securities. These financial statements also comply with the applicable disclosure provisions of the Rules Governing the Listing of securities on The Stock Exchange of Hong Kong Limited.

The Group has adopted the SSAP 12 (revised): Income tax issued by the HKICPA which became effective during the current financial year. The adoption of this SSAP has not had any significant impact on the results for the current or prior accounting periods. Accordingly, no prior period adjustment has been required.

2. PRINCIPAL ACCOUNTING POLICIES *(continued)*

A summary of the significant accounting policies adopted by the Group is set out below.

(a) Revenue recognition

(i) Revenue from the sale of goods is recognised on the transfer of risks and rewards of ownership, which generally coincides with the time when the goods are delivered to customers and title has passed.

(ii) Commission income and plant protection support services income are recognised when the services are rendered.

(iii) Interest income is recognised on a time proportion basis, taking into account the principal amounts outstanding and the interest rates applicable.

(iv) Advance payments received from customers prior to the delivery of merchandise or provision of services are recorded as receipts in advances.

(b) System development cost

Expenditure on development of computer system for the Group's own use is capitalised and amortised using the straight-line method over the useful life of 5 years from the date when the computer system is available for use.

(c) Intangible assets

(i) Goodwill

Goodwill represents the excess of the cost of an acquisition over the fair value of the Group's share of the net assets of the acquired subsidiary/operation at the date of acquisition.

Goodwill on acquisitions occurring on or after 1 July 2001 is included in intangible assets and is amortised using the straight-line method over its estimated useful life. Goodwill arising on major strategic acquisitions of the Group to expand its product or geographical market coverage is amortised over a maximum period of 5 years.

Goodwill on acquisitions that occurred prior to 1 July 2001 was eliminated against reserves. The Group has taken advantage of the transitional provision 1(a) in SSAP 30 and goodwill previously eliminated against reserves has not been restated. However any impairment loss arising on such goodwill is accounted for in the income statement.

2. PRINCIPAL ACCOUNTING POLICIES *(continued)*

(c) Intangible assets *(continued)*

(i) Goodwill (continued)

The gain or loss on disposal of an entity includes the unamortised balance of goodwill relating to the entity disposed of or, for acquisitions prior to 1 July 2001, the related goodwill is eliminated against reserves to the extent it has not previously been realised in the income statement.

(ii) Research and development costs

Research costs are expensed as incurred. Costs incurred on development projects relating to the design and testing of new or improved products are recognised as intangible asset where the technical feasibility and intention of completing the product under development has been demonstrated and the resources are available to do so, costs are identifiable and there is an ability to sell or use the asset that will generate probable future economic benefits. Such development costs are recognised as an asset and amortised on a straight-line basis over a period of not more than 5 years from the date when the product is available for sale to reflect the pattern in which the related economic benefits are recognised. Development costs that do not meet the above criteria are expensed as incurred. Development costs previously recognised as an expense are not recognised as an asset in a subsequent period.

(iii) Technical know-how

Expenditure on acquired technical know-how is capitalised and amortised using the straight-line method over the useful life of 5 years, from the date when the technical know-how is available for use.

(iv) Impairment of intangible assets

Where an indication of impairment exists, the carrying amount of any intangible asset, including goodwill previously written off against reserves, is assessed and written down immediately to its recoverable amount.

2. PRINCIPAL ACCOUNTING POLICIES *(continued)*

(d) Property, plant and equipment

Property, plant and equipment other than investment properties and other properties are stated at cost less accumulated depreciation and impairment losses.

Other properties are interests in land and buildings other than investment properties and are stated at valuation. Independent valuations are performed every year. In the intervening years, the directors review the carrying amount of the other properties and adjustment is made where there has been a material change. Increases in valuation are credited to the other properties revaluation reserve. Decrease in valuation are first set off against increases on earlier valuations in respect of the same property and are thereafter debited to operating profit. Any subsequent increases are credited to operating profit up to the amount previously debited.

Major costs incurred in restoring property, plant and equipment to their normal working condition are charged to the income statement. Improvements are capitalised and depreciated over their expected useful lives to the Company.

The gain or loss on disposal of property, plant and equipment other than investment properties is the difference between the net sales proceeds and the carrying amount of the relevant asset, and is recognised in the income statement. Any revaluation reserve balance remaining attributable to the relevant asset is transferred to retained earnings and is shown as a movement in reserves.

(e) Assets under leases

(i) Operating leases

Leases where substantially all the rewards and risks of ownership of assets remain with the leasing company are accounted for as operating leases. Rentals payables under such operating leases are accounted for in the income statement on a straight-line basis over the periods of the respective lease.

(ii) Operating leases charges

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

2. PRINCIPAL ACCOUNTING POLICIES *(continued)*

(f) Amortisation and depreciation

Depreciation is not provided for freehold land. Property, plant and equipment are depreciated at rates sufficient to write off their cost less accumulated impairment loss over their estimated useful lives on a straight-line basis. The principal annual rates are as follows:

Buildings	5%
Machinery	20%
Furniture and office equipment	20%
Motor vehicles	20%

(g) Impairment of assets

Internal and external sources of information are reviewed at each balance sheet date to identify indications that the following assets may be impaired or an impairment loss previously recognised no longer exists or may have decreased:

– property, plant and equipment;

– investments in subsidiaries and associates (except for those accounted for at fair value);

– system development cost; and

– positive goodwill (whether taken initially to reserves or recognised as an asset).

If any such indication exists, the asset's recoverable amount is estimated. For intangible assets that are not yet available for use, or are amortised over more than 20 years from the date when the asset is available for use or goodwill that is amortised over 20 years from initial recognition, the recoverable amount is estimated at each balance sheet date. An impairment loss is recognised whenever the carrying amount of an asset exceeds its recoverable amount.

(i) Calculation of recoverable amount

The recoverable amount of an asset is the greater of its net selling price and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of time value of money and the risks specific to the asset. Where an asset does not generate cash inflows largely independent of those from other assets, the recoverable amount is determined for the smallest group of assets that generates cash inflows independently (i.e. a cash-generating unit).

2. PRINCIPAL ACCOUNTING POLICIES *(continued)*

(g) Impairment of assets *(continued)*

(ii) Reversals of impairment losses

In respect of assets other than goodwill, an impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss in respect of goodwill is reversed only if the loss was caused by a specific external event of an exceptional nature that is not expected to recur, and the increase in recoverable amount relates clearly to the reversal of the effect of that specific event.

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

(h) Subsidiaries

A subsidiary is a company in which the group or company, directly or indirectly, controls more than half of its voting power or issued share capital or controls the composition of its board of directors. Subsidiaries are considered to be controlled if the company has the power, directly or indirectly, to govern the financial and operating policies, so as to obtain benefits from their activities.

Interests in subsidiaries in the balance sheet are stated at cost less identified impairment loss. The results of subsidiaries are accounted to the extent of dividends received and receivable.

(i) Inventories

Inventories comprise stocks and work in progress are stated at the lower of cost and net realisable value. Cost, calculated on a first-in, first-out basis, comprises all costs of purchases, costs of conversion and other costs incurred in bringing the inventories to their present location and condition.

Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.

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

2. PRINCIPAL ACCOUNTING POLICIES *(continued)*

(j) Trade receivable

Provision is made against trade receivable to the extent that they are considered to be doubtful. Trade receivable in the balance sheet is stated net of such provision.

(k) Cash equivalents

Cash equivalents are short-term, highly liquid investments which are readily convertible into known amounts of cash without notice and which were within three months of maturity when acquired. Cash equivalents include investments and advances denominated in foreign currencies provided that they fulfil the above criteria.

For the purposes of the cash flow statement, cash equivalents would also include bank overdrafts and advances from banks repayable within three months from the date of the advance.

(l) Provisions and contingent liabilities

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

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

(m) Income tax

(i) Income tax for the period comprises current tax and movements in deferred tax assets and liabilities. Current tax and movements in deferred tax assets and liabilities are recognised in the income statement except to the extent that they relate to items recognised directly in reserves, in which case they are recognised in reserves.

(ii) Current tax is the expected tax payable on the taxable income for the period, using tax rates enacted or substantively enacted at the balance sheet date, and any adjustment to tax payable in respect of previous periods.

2. PRINCIPAL ACCOUNTING POLICIES *(continued)*

(m) Income tax *(continued)*

(iii) Deferred tax assets and liabilities arise from deductible and taxable temporary differences between the carrying amounts of assets and liabilities for financial reporting purpose and the tax bases respectively. Deferred tax assets also arise from unused tax losses and unused tax credits.

Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised.

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised. Deferred tax assets and liabilities are not discounted. The carrying amount of deferred tax assets/liabilities is reviewed at each balance sheet date and is reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow the related tax benefit to be utilised.

(iv) Current tax balances and deferred tax balances, and movements therein, are presented separately from each other and are not offset. Current tax assets are offset against current tax liabilities, and deferred tax assets against deferred tax liabilities if, and only if, the Group and the Company has the legally enforceable right to set off current tax assets against current tax liabilities. The principle of offsetting usually applies to income tax levied by the same tax authority on same taxable entity.

(n) Contingent liabilities and contingent assets

A contingent liability is a possible obligation that arises from past events and whose existence will only be confirmed by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Group. It can also be a present obligation arising from past events that is not recognised because it is not probable that outflow of economic resources will be required or the amount of obligation cannot be measured reliably.

A contingent liability is not recognised but is disclosed in the notes to the financial statements. When a change in the probability of an outflow occurs so that outflow is probable, they will then be recognised as a provision.

A contingent asset is a possible asset that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain events not wholly within the control of the Group.

Contingent assets are not recognised but are disclosed in the notes to the financial statements when an inflow of economic benefits is probable. When inflow is virtually certain, an asset is recognised.

2. PRINCIPAL ACCOUNTING POLICIES *(continued)*

(o) 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.

(ii) Bonus plan

The expected cost of bonus payments are recognised as a liability when the Group has a present legal or constructive obligation as a result of services rendered by employees and a reliable estimate of the obligation can be made.

Liabilities for bonus plan are expected to be settled within twelve months and are measured at the amounts expected to be paid when they are settled.

(iii) Pension obligations

The Group operates a number of defined contribution plans, the assets of which are generally held in separate trustee-administered funds. The pension plans are generally funded by payments from employees and by the relevant group companies.

The Group's contributions to the defined contribution retirement scheme are expensed as incurred.

(p) Translation of foreign currencies

Transactions in foreign currencies during the year are translated at exchange rates ruling at the transaction dates. Monetary assets and liabilities expressed in foreign currencies at the balance sheet date are translated at rates of exchange ruling at the balance sheet date. Exchange differences arising in these cases are dealt with in the income statement.

The results of foreign enterprises are translated into Hong Kong dollars at the average exchange rate for the year; balance sheet items are translated into Hong Kong dollars at the rates of exchange ruling at the balance sheet date. The resulting exchange differences are dealt with as a movement in reserves.

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

2. PRINCIPAL ACCOUNTING POLICIES *(continued)*

(q) Borrowing costs

Borrowing costs are interests and other costs incurred in connection with the borrowings of funds. The borrowing costs that are directly attributable to the acquisition, construction or production of an asset that necessarily takes a substantial period of time to get ready for its intended use or sale are capitalised as part of the cost of that asset. All other borrowing costs are charged to the income statement in the year in which they are incurred.

(r) Advertising and promotion costs

Costs of advertising and promotion are expensed as incurred.

(s) Segment reporting

A segment is a distinguishable component of the Group that is engaged either in providing products or services (business segment), or in providing products or services within a particular economic environment (geographical segment), which is subject to risks and rewards that are different from those of other segments.

In accordance with the Group's internal financial reporting the Group has determined that business segments be presented as the primary reporting format. The Group's operations are primarily in Mainland China and all of the Group's turnover is attributable to business conducted in Mainland China. Consequently, no geographical segment analysis is presented.

Segment assets consist primarily of intangible assets, fixed assets, inventories, receivables and operating cash. Segment liabilities comprise operating liabilities and exclude items such as taxation. Capital expenditure comprises additions to system development cost (Note 14), intangible assets (Note 15) and property, plant and equipment (Note 16), prepayment for purchase of consultancy database; prepayment for purchase of businesses and prepayment for registered capital of a subsidiary (Note 17).

Segment capital expenditure is the total cost incurred during the period to acquire segment assets (both tangible and intangible) that are expected to be used for more than one period.

Unallocated items mainly comprise financial and corporate assets, interest-bearing loans, borrowings, corporate and financing expenses and minority interests.

3. TURNOVER AND REVENUE

The Group is principally engaged in (i) the manufacturing and selling of plant growth regulatory products, pesticides and fertilisers; (ii) the trading of pesticides, fertilisers and other agricultural products; and (iii) the provision of plant protection technical services in Mainland China. Revenues recognised during the year are as follows:

	2004	2003
	HK$'000	*HK$'000*
Turnover		
Sales of plant growth regulatory products, pesticides and fertilisers	**187,846**	155,703
Trading of pesticides, fertilisers and other agricultural products	**631,537**	507,905
Provision of plant protection technical services	**2,644**	484
	822,027	664,092
Other revenue		
Commission income	**79**	296
Interest income from bank	**551**	816
	630	1,112
Total revenue	**822,657**	665,204

4. SEGMENT INFORMATION

(a) Business segments

In accordance with the Group's internal financial reporting and management purposes, the Group has determined that business segments are its primary reporting format and geographical segments are its secondary reporting format, with each segment organised and managed separately.

Principal activities are as follows:

Manufacturing operation	–	Manufacturing and selling of plant growth regulatory products, pesticides and fertilisers
Trading operation	–	Trading of pesticides, fertilisers and other agricultural products
Consultancy operation	–	Provision of plant protection technical services

Other operation of the Group mainly comprises investment holding which is not of a sufficient size to be reported separately.

4. SEGMENT INFORMATION *(continued)*

(a) Business segments *(continued)*

Segment information about these business is presented at below:

(i) 2004:

	Manufacturing operating HK$'000	Trading operation HK$'000	Consultancy operation HK$'000	Other operation HK$'000	Elimination HK$'000	Group HK$'000
Turnover						
External sales	187,846	631,537	2,644	–		822,027
Inter-segment sales	1,611	299	–	–	(1,910)	–
	189,457	631,836	2,644	–		822,027
Segment results	41,059	(19,323)	1,225	(4,740)		18,221
Interest income						551
Finance costs						(2,337)
Taxation						114
Minority interest						(1,667)
Net profit attributable to shareholders						14,882
Segment assets	82,764	296,775	110,265	115,680		605,484
Segment liabilities	(7,326)	(268,952)	(1,365)	(919)		(278,562)
Unallocated liabilities						(5,693)
Total liabilities						(284,255)
Capital expenditure	38,523	225	150	–		38,898
Depreciation and amortisation charge	22,303	17,762	2,700	135		42,900
Impairment losses	–	–	–	–		–
Other major non-cash expenses	–	–	–	–		–

4. SEGMENT INFORMATION *(continued)*

(a) Business segments *(continued)*

(ii) *2003 (restated):*

	Manufacturing operating HK$'000	Trading operation HK$'000	Consultancy operation HK$'000	Other operation HK$'000	Elimination HK$'000	Group HK$'000
Turnover						
External sales	155,703	507,905	484	–	–	664,092
Inter-segment sales	4,855	–	–	–	(4,855)	–
	160,558	507,905	484	–		664,092
Segment results	51,944	(15,377)	(1,510)	(6,310)		28,747
Interest income						816
Finance costs						(1,478)
Taxation						(1,562)
Minority interest						626
Net profit attributable to shareholders						27,149
Segment assets	204,073	237,903	9,489	13,462		464,927
Segment liabilities	(78,808)	(101,648)	(5,498)	(3,625)		(189,579)
Unallocated liabilities						(5,807)
Total liabilities						(195,386)
Capital expenditure	40,524	10,853	13,207	–		64,584
Depreciation and amortisation charge	14,559	13,118	198	134		28,009
Impairment losses	3,582	–	–	–		3,582
Other major non-cash expense	–	3,635	–	433		4,068

4. SEGMENT INFORMATION *(continued)*

(b) Geographical segments

The Group's operations are primarily in Mainland China and all of the Group's turnover is attributable to business conducted in Mainland China. Consequently, no geographical segment analysis is presented.

5. PROFIT FROM OPERATIONS

Profit from operations has been arrived at charging and crediting:

	2004	2003
	HK$'000	*HK$'000*
Charging		
Advertising and promotion expenses	**11,071**	14,050
Amortisation of intangible assets		
– System development costs	**8,669**	5,781
– Goodwill	**9,830**	7,329
– Product development costs	**1,696**	2,234
– Technical knowhow	**9,925**	3,016
Auditors' remuneration	**650**	1,050
Depreciation of property, plant and equipment	**12,780**	9,649
Net exchange loss	**48**	–
Operating leases		
– Land and buildings	**3,394**	2,322
– Motor vehicles	**217**	217
Provision for bad and doubtful debts	**–**	2,595
Provision for impairment losses of intangible assets	**–**	3,582
Provision for obsolete and slow-moving inventories	**–**	1,375
Research and development expenses	**801**	7,727
Staff costs, including directors' emoluments *(Note 9)*	**10,414**	10,376
Crediting		
Net exchange gain	**–**	(74)
Net provision for bad and doubtful debts written back	**(808)**	–
Net provision for obsolete and slow-moving inventories written back	**(717)**	–

6. FINANCE COSTS

	2004	2003
	HK$'000	*HK$'000*
Interest expense on:		
Bank loans and overdrafts	**1,166**	–
Bills payable	**1,171**	1,178
Amounts due to minority shareholders of subsidiaries	**–**	300
	2,337	1,478

7. DIRECTORS' EMOLUMENTS

The aggregate amounts of emoluments payable to directors of the Company during the year are as follows:

	2004	2003
	HK$'000	*HK$'000*
Executive directors:		
Fees	**–**	–
Salaries and other benefits	**1,440**	770
Contribution to retirement schemes	**12**	12
Independent non-executive directors:		
Fees	**120**	120
Discretionary bonus	**40**	40
	1,612	942

The emolument of each of the above directors is less than HK$1,000,000.

During the year, no emoluments were paid by the Group to the directors as a discretionary bonus or any inducement to join on upon joining the Group or as compensation for loss of office. None of the directors has waived or agreed to waive any remuneration for the current or prior years.

8. INDIVIDUALS WITH HIGHEST EMOLUMENTS

During the year, the five highest paid individuals included two (2003: two) directors of the Company, details of whose emoluments are set out above. The emoluments of the remaining three (2003: three) individuals during the year are as follows:

	2004	2003
	HK$'000	*HK$'000*
Salaries and other benefits	**820**	1,204
Contribution to retirement schemes	**29**	35
	849	1,239

The emoluments of each of these three (2003: three) individuals are less than HK$1,000,000.

During the year, no emoluments were paid by the Group to the individual as a discretionary bonus on an inducement to join or upon joining the Group or as compensation for loss of office.

9. STAFF COSTS (INCLUDING DIRECTORS' EMOLUMENTS)

	2004	2003
	HK$'000	*HK$'000*
Salaries and staff welfare	**9,803**	9,272
Pensions *(Note 10)*	**611**	1,104
	10,414	10,376

10. RETIREMENT BENEFIT SCHEME CONTRIBUTIONS

The Group operates a defined contribution MPF scheme for its Hong Kong employees. The Group contributes 5% of the employees' relevant income each month as defined in the MPF Schemes Ordinance, subject to a maximum of HK$1,000 per person.

The Group also participates in the employee pension schemes of the respective municipal governments in various places in Mainland China where the Group operates. The Group makes monthly contributions calculating based on a percentage of the monthly payroll costs and the respective municipal governments undertake to assume the retirement benefit obligations of all existing and future retired employees of the Group in Mainland China. The Group's contributions to the schemes are expensed as incurred.

During the year, the aggregate amount of employer's contribution made by the Group was approximately HK$611,000 (2003: HK$1,104,000) (Note 9).

11. TAXATION

	2004 HK$'000	2003 HK$'000
Mainland China enterprise income tax		
– Current year provision	**–**	1,656
– Over-provision in prior year	**(114)**	(94)
	(114)	1,562

(a) Reconciliation of the taxation charge and accounting profit at applicable tax rate:

	2004 HK$'000	2003 HK$'000
Profit before taxation	**16,435**	28,085
Notional tax on profit before tax of 33% (2003: 33%)	**5,424**	9,268
Tax effect of:		
– non-deductible expenses	**15,228**	–
– tax losses arised in current year	**(20,766)**	(7,706)
	(114)	1,562

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

No Hong Kong profits tax has been provided for in the financial statements as the Group has accumulated tax losses brought forward which exceed the estimated assessable profits for the year. Taxation on overseas profits has been calculated on the estimated assessable profits for the year at the rates of taxation prevailing in the relevant jurisdictions.

11. TAXATION *(continued)*

(c) Mainland China Enterprise Income Tax represents tax charges on the estimated assessable profits of the Mainland China Subsidiaries of the Group. Domestic enterprises of Mainland China are subject to a Enterprise Income Tax rates from 18% to 33%. Productive foreign investment enterprises established in the special economic zones of Fujian, Mainland China, are subject to preferential Enterprise Income Tax rates ranging from 15% to 24%.

From 1998, the Group established certain productive foreign investment enterprises which were/are entitled to full exemption from Mainland China enterprise income tax for two years starting from its first profit-making year followed by a 50% reduction for the next consecutive three years in accordance with the relevant tax rules and regulations applicable to foreign investment enterprises in Mainland China. No provision for Mainland China Enterprise Income Tax was made in respect of the operations of these productive foreign investment enterprises during the year ended 30 June 2004 (2003: Nil) since these enterprises were either at tax loss position or enjoying the full tax exemption treatment during the year.

Other subsidiaries in Mainland China, being domestic enterprises of Mainland China engaging in the trading of agricultural resource products ("trading subsidiaries"), are eligible to apply for reduction or exemption from Mainland China Enterprise Income Tax, subject to the approval of local tax bureaux. Certain of these trading subsidiaries had obtained approvals for granting exemption in Mainland China Enterprise Income Tax for their operations during the year ended 30 June 2003. Other trading subsidiaries which did not obtain the approvals were subject to Mainland China Enterprise Income Tax at rates ranging from 18% to 33%.

Majority of the Group's sales of plant growth regulatory products and bio-pesticides were carried out by Fujian Agrotech Bio-Engineering Co., Ltd, which are exempted from Mainland China value-added tax ("VAT") according to written approvals from the relevant Mainland China tax bureau. The Group's sales of pesticides, fertilisers and other agricultural products are exempted from VAT under Mainland China tax regulations.

(d) There was no material unprovided deferred taxation for the year.

12. NET PROFIT ATTRIBUTABLE TO SHAREHOLDERS

The consolidated net profit attributable to shareholders includes a loss of approximately HK$1,015,000 (2003: loss of approximately HK$2,881,000) dealt with in the financial statements of the Company.

13. EARNINGS PER SHARE

(a) Basic earnings per share

The calculation of basic earnings per share is based on the Group's net profit attributable to shareholders of HK$14,882,000 (2003: HK$27,149,000) and on the weighted average number of 386,757,000 (2003: 351,565,000) shares in issue during the year as adjusted for the bonus issue of three shares for every ten shares on 20 December 2002.

(b) Diluted earnings per share

The calculation of diluted earnings per share is based on the Group's net profit attributable to shareholders of HK$14,882,000 (2003: HK$27,149,000) and the weighted average number of ordinary shares of 389,101,000 shares (2003: 351,565,000 shares) as adjusted for the effect of all dilutive potential shares under the Company's share options scheme. The effect of the dilutive potential shares on the average number of shares in issue during the year was approximately 2,344,000 shares (2003: Nil), which were deemed to have been issued at no consideration as if all the outstanding options had been exercised on the date when the options were becoming exercisable.

(c) Reconciliations

	2004 Number of ordinary shares	2003 Number of ordinary shares
Weighted average number of ordinary shares used in calculating basic earnings per share	**386,757,000**	351,565,000
Deemed issue of ordinary shares for no consideration	**2,344,000**	–
Weighted average number of ordinary shares used in calculating diluted earnings per share	**389,101,000**	351,565,000

14. SYSTEM DEVELOPMENT COSTS

	Total
	HK$'000
Cost:	
At 1 July 2003	43,348
Exchange alignment	15
At 30 June 2004	43,363
Accumulated amortisation:	
At 1 July 2003	5,780
Charge for the year	8,669
Exchange alignment	5
At 30 June 2004	14,454
Net book value:	
At 30 June 2004	28,909
At 30 June 2003	37,568

15. INTANGIBLE ASSETS

	The Group			
	Goodwill (a)	Product development costs	Technical know-how (b)	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Cost:				
At 1 July 2003	45,703	22,637	59,932	128,272
Goodwill on acquisition *(a)*	3,769	–	–	3,769
Development costs recognised as assets	–	5,185	–	5,185
Acquisition of technical know-how of pesticides and medical system	–	–	13,198	13,198
Exchange alignment	19	9	22	50
At 30 June 2004	49,491	27,831	73,152	150,474
Accumulated amortisation and impairment losses:				
At 1 July 2003	8,930	7,076	6,596	22,602
Charge for the year	9,830	1,696	9,925	21,451
Exchange alignment	7	4	7	18
At 30 June 2004	18,767	8,776	16,528	44,071
Net book value:				
At 30 June 2004	30,724	19,055	56,624	106,403
At 30 June 2003	36,773	15,561	53,336	105,670

(a) Goodwill

In last year, the Group had entered into an arrangement with an agricultural resources trading company whereby the agricultural resources trading company agreed to form joint venture with the Group in carrying out trading operation of pesticides, fertilisers and other agricultural products, and provision of plant protection technical support services. In connection with the arrangement, the agricultural resources trading company transferred its business, which primarily consisted of customer base and management expertise, into the joint venture for a consideration of HK$3,769,000. The consideration was recorded as goodwill.

15. INTANGIBLE ASSETS *(continued)*

(b) Technical know-how

In May 2004, the Group entered into three separate agreements with three agricultural bio-technology research centres whereby the bio-technology research centres agreed to exclusively transfer the intellectual property rights relating to the 28 species of pesticides for an aggregate consideration of approximately HK$18,854,000. Up to June 2004, the Group paid an amount of approximate HK$13,198,000 which was recorded as technical knowhow as at 30 June 2004, the remaining unpaid amount of approximately HK$5,656,000 (Note 31) which was due within one year.

(c) The Company's directors and the Group's management reviewed and evaluated the recoverability of the carrying value of the intangible assets at 30 June 2004 and they are of the opinion that the underlying value of the intangible asset is not less than the carrying value at 30 June 2004.

16. PROPERTY, PLANT AND EQUIPMENT

	The Group				
	Land and buildings	Machinery	Furniture and office equipment	Motor vehicles	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Cost					
At 1 July 2003	23,814	56,614	724	2,409	83,561
Additions	9,256	7,314	538	969	18,077
Disposals	–	(10)	(14)	(767)	(791)
Exchange adjustment	9	12	(9)	–	12
At 30 June 2004	33,079	63,930	1,239	2,611	100,859
Accumulated depreciation					
At 1 July 2003	2,404	22,855	249	1,148	26,656
Charge for the year	843	11,486	31	420	12,780
Disposals on written back	–	(1)	(3)	(607)	(611)
Exchange adjustment	1	11	–	–	12
At 30 June 2004	3,248	34,351	277	961	38,837
Net book value:					
At 30 June 2004	29,831	29,579	962	1,650	62,022
At 30 June 2003	21,410	33,759	475	1,261	56,905

All land and buildings represent the Group's factory premises which are located the Mainland China on medium-term lease.

17. PREPAYMENTS AND DEPOSITS

	2004 HK$'000	2003 HK$'000
Deposit for lease of production lines	–	10,366
Prepayment for consultancy database	7,541	3,769
Prepayment for purchase of businesses	11,312	3,769
Prepayment for registered capital of a subsidiary *(a)*	1,188	–
	20,041	17,904

(a) Prepayment for registered capital of a subsidiary

At the balance sheet date, the Group injected 70% registered capital in a subsidiary amounting to approximately HK$1,188,000 which is incorporated in the Mainland China. Since the formal document in respect of capital examination report is still in processing, the amount is then included in "Prepayments and deposits".

18. INTERESTS IN SUBSIDIARIES

	The company	
	2004 HK$'000	2003 HK$'000
Unlisted investments, at cost	11,727	11,727
Due from subsidiaries	121,874	90,123
	133,601	101,850

The amounts due from subsidiaries are unsecured and interest-free. In the opinion of the directors, the amounts will not be repaid in the next twelve months. The Company had agreed not to demand repayment from the subsidiaries until the subsidiaries are financially capable to do so.

18. INTERESTS IN SUBSIDIARIES *(continued)*

Details of the principal subsidiaries at the balance sheet date are as follows:

Name	Country of incorporation/ registration and operations	Class of issued/ registered paid up capital	Percentage of interest held in issued/ registered capital	Principal activities
Held directly:				
Yut Yat Company Limited	British Virgin Islands	US$60,000	100%	Investment holding
Held indirectly:				
Fujian Agrotech Holding Co., Ltd.*	Mainland China	RMB50,000,000	100%	Investment holding
Fuzhou Agrotech Crop Science Co., Ltd.*	Mainland China	HK$40,000,000	100%	Selling of plant growth regulatory products and provision of agricultural technical support services
Fujian Agrotech Bio-Engineering Co., Ltd.*	Mainland China	US$1,000,000	100%	Manufacturing and selling of plant growth regulatory products and bio-pesticides
Loyal Faith International Industrial Limited	Hong Kong	HK$1,000,000	100%	Investment holding
Topmart Limited	Hong Kong	HK$2	100%	Investment holding
Xiamen Genben Fine Chemical Industry Co., Ltd.**	Mainland China	RMB1,915,000	100%	Selling of plant growth regulatory products
福建南平市浩倫作物科學有限公司***	Mainland China	RMB10,000,000	90%	Trading of pesticides, fertilisers and other agricultural products

18. INTERESTS IN SUBSIDIARIES *(continued)*

Name	Country of incorporation/ registration and operations	Class of issued/ registered paid up capital	Percentage of interest held in issued/ registered capital	Principal activities
Held indirectly: *(continued)*				
平和縣超大浩倫錦溪生產資料有限公司***	Mainland China	RMB1,000,000	90%	Trading of pesticides, fertilisers and other agricultural products
山西超大浩倫農業科技有限公司***	Mainland China	RMB3,000,000	95.5%	Trading of pesticides, fertilisers and other agricultural products
江西浩倫農業科技有限公司***	Mainland China	RMB3,000,000	95.5%	Trading of pesticides, fertilisers and other agricultural products
湖南浩倫農業科技有限公司***	Mainland China	RMB15,000,000	100%	Trading of pesticides, fertilisers and other agricultural products
江蘇浩倫農業科技有限公司***	Mainland China	RMB3,000,000	95.5%	Trading of pesticides, fertilisers and other agricultural products
海南浩倫農業科技有限公司***	Mainland China	RMB2,000,000	95.5%	Trading of pesticides, fertilisers and other agricultural products
大豐市浩倫農資超市有限責任公司***	Mainland China	RMB5,000,000	70%	Trading of pesticides, fertilisers and other agricultural products
建湖縣浩倫農資超市有限責任公司***	Mainland China	RMB1,000,000	70%	Trading of pesticides, fertilisers and other agricultural products
漳州市浩倫農業科技有限公司***	Mainland China	RMB1,000,000	70%	Trading of pesticides, fertilisers and other agricultural products

18. INTERESTS IN SUBSIDIARIES *(continued)*

Name	Country of incorporation/ registration and operations	Class of issued/ registered paid up capital	Percentage of interest held in issued/ registered capital	Principal activities
Held indirectly: *(continued)*				
福建省邵武市浩倫農資有限公司***	Mainland China	RMB500,000	70%	Trading of pesticides, fertilisers and other agricultural products
吉安市浩倫農業科技有限公司***	Mainland China	RMB1,000,000	70%	Trading of pesticides, fertilisers and other agricultural products
福建省三明市浩倫園藝植保有限公司***	Mainland China	RMB3,000,000	70%	Trading of pesticides, fertilisers and other agricultural products
太原市浩倫科力農業科技有限公司***	Mainland China	RMB1,000,000	66.85%	Trading of pesticides, fertilisers and other agricultural products
臨汾市超大浩倫農業科技有限公司***	Mainland China	RMB500,000	66.85%	Trading of pesticides, fertilisers and other agricultural products
常德浩倫農業科技有限公司***	Mainland China	RMB500,000	70%	Trading of pesticides, fertilisers and other agricultural products
華容浩倫金穗農業科技有限公司***	Mainland China	RMB500,000	85%	Trading of pesticides, fertilisers and other agricultural products
婁底市浩倫農資有限公司***	Mainland China	RMB600,000	95%	Trading of pesticides, fertilisers and other agricultural products

18. INTERESTS IN SUBSIDIARIES *(continued)*

Name	Country of incorporation/ registration and operations	Class of issued/ registered paid up capital	Percentage of interest held in issued/ registered capital	Principal activities
Held indirectly: *(continued)*				
荊門市浩淪農科磷化有限公司***	Mainland China	RMB3,000,000	100%	Manufacturing and selling of fertilisers
安溪浩淪茶葉作物科學有限公司***	Mainland China	RMB3,000,000	90%	Trading of pesticides, fertilisers and other agricultural products
福州浩倫東方貿易有限公司***	Mainland China	RMB3,000,000	100%	Not yet commenced business

* Sino-foreign owned equity joint venture
** Wholly foreign owned enterprises
*** Limited liability companies

19. INVENTORIES

	The Group	
	2004	2003
	HK$'000	*HK$'000*
Raw materials	**2,054**	2,455
Work in progress	**300**	2,038
Finished goods	**58,821**	54,108
	61,175	58,601
Less: Provision for obsolete and slow-moving inventories	**(1,561)**	(1,796)
	59,614	56,805

At 30 June 2004, the carrying amount of inventories that are carried at net realisable value amounted to HK$57,260,000 (2003: HK$47,973,000).

20. OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS

	The Group		The Company	
	2004	2003	**2004**	2003
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Deposits for purchase of inventories	**106,988**	38,683	**–**	–
Due from minority shareholders of subsidiaries	**–**	1,147	**–**	–
Prepayments for testing of the Group's agricultural products in Mainland China	**838**	942	**–**	–
Prepayments for promotion of the Group's agricultural products	**2,662**	1,178	**–**	–
Others	**25,606**	4,278	**72**	72
	136,094	46,228	**72**	72

21. TRADE RECEIVABLES

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 90 to 180 days. The ageing analysis of trade receivables is as follows:

	The Group	
	2004	2003
	HK$'000	*HK$'000*
0-30 days	**32,933**	48,937
31-60 days	**15,535**	20,737
61-90 days	**13,140**	8,349
91-180 days	**16,492**	12,583
Over 180 days	**4,545**	2,393
	82,645	92,999
Less: Provision for bad and doubtful debts	**(2,815)**	(5,088)
	79,830	87,911

22. DUE FROM/(TO) DIRECTORS

Executive directors	Due from at end of the year	Due from beginning of the year	Maximum outstanding balance during the year 2004	2003
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Wu Shaoning	**142**	–	**142**	–
Yang Zhuoya	**471**	–	**471**	–
	613	–	**613**	–

The amounts due from/(to) directors are unsecured, interest-free and repayable within twelve months.

23. CASH AND BANK BALANCES AND RESTRICTED BANK DEPOSITS

	The Group 2004	2003
	HK$'000	*HK$'000*
Cash and bank balances	**46,066**	28,086
Restricted bank deposits	**65,892**	27,850
	111,958	55,936

Restricted bank deposits are pledged as security for the Group's bank loans and bills payable.

At 30 June 2004, approximately HK$84 million (2003: HK$56 million) of the Group's cash and bank balances and restricted bank deposits were denominated in Renminbi and kept in Mainland China. The conversion of these Renminbi denominated balances into foreign currencies is subject to the rules and regulations of foreign exchange control promulgated by the government of the Mainland China.

24. INTEREST-BEARING BANK LOANS, SECURED

	The Group	
	2004	2003
	HK$'000	*HK$'000*
Interest-bearing bank loans		
– secured	**47,794**	–
The analysis of the above balance is as follows:		
Bank loans		
After 1 year but within 5 years	**1,885**	–
Current portion of bank loans	**45,909**	–
	47,794	–

The interest-bearing bank loans are payable within five years. Interest is charged on the outstanding balance at the range of 4.5% to 7.5% per annum.

25. TRADE AND BILLS PAYABLE

The ageing analysis of the trade and bills payables is as follows:

	The Group	
	2004	2003
	HK$'000	*HK$'000*
0-30 days	**33,200**	43,498
31-60 days	**21,862**	22,220
61-90 days	**30,504**	11,449
91-180 days	**113,978**	57,671
	199,544	134,838

26. ACCRUALS AND OTHER PAYABLES

	The Group		The Company	
	2004	2003	**2004**	2003
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Accrued operating expenses	**5,312**	5,530	**789**	2,226
Accrued advertising and promotion expenses	**453**	3,273	**–**	–
Accrued pension cost	**10**	3,325	**–**	–
Receipts in advance	**10,519**	11,496	**–**	–
Due to minority shareholders of subsidiaries (a)	**484**	12,738	**–**	–
Others	**14,326**	9,069	**–**	–
	31,104	45,431	**789**	2,226

(a) As at 30 June 2004, approximately HK$484,000 of the amounts due to minority shareholders of subsidiaries (2003: HK$12,738,000) are unsecured, interest-free and with repayable within twelve months.

27. CONSIDERATION PAYABLE FOR ACQUISITION OF BUSINESSES

	The Group	
	2004	2003
	HK$'000	*HK$'000*
Consideration payable for:		
Acquisition of businesses	**–**	8,010

28. SHARE CAPITAL

	Number of ordinary shares (in thousands)	HK$'000
Authorised:		
At 1 July 2002, 30 June 2003 and 30 June 2004, ordinary shares of HK$0.10 each	500,000	50,000
Issued and fully paid:		
At 1 July 2002, ordinary shares of HK$0.10 each	270,435	27,043
Bonus issue (a)	81,130	8,113
At 30 June 2003, ordinary shares of HK$0.10 each	351,565	35,156
Placing (b)	70,000	7,001
At 30 June 2004, ordinary shares of HK$0.10 each	421,565	42,157

(a) On 28 October 2002, the directors of the Company recommended a bonus issue of new shares of HK$0.10 each in the share capital of the Company by capitalisation of the share premium account. The bonus issue was made on the basis of three bonus shares for every ten existing shares as at 20 December 2002. The bonus shares were credited as fully paid at par and ranked pari passu with the existing shares in all respects when issued.

(b) On 18 December 2003, Mr. Wu Shaoning ("Mr. Wu"), a director and a substantial shareholder of the Company, entered into an unconditional placing agreement with the Company and ICEA Capital Limited, a placing agent, in respect of the placing of up to 70,000,000 existing shares of the Company by Mr. Wu through ICEA Capital Limited to independent placees on a best efforts basis at a placing price of HK$0.50 per share (the "Placing").

On the same date, Mr. Wu entered into a conditional subscription agreement with the Company in respect of the subscription of up to 70,000,000 new shares of the Company by Mr. Wu at a price of HK$0.50 per share (the "Subscription").

The Placing was completed on 23 December 2003 and a total of 70,000,000 existing shares were placed to independent placees. The subscription was completed on 30 December 2003 and a total of 70,000,000 new shares were subscribed by Mr. Wu. The net proceeds of approximately HK$34 million (including share premium of HK$27 million) would be used as general working capital of the Company in respect of its trading operations in Mainland China.

29. RESERVES

	Share premium (a) HK$'000	Statutory reserves (b) HK$'000	Capital reserve (c) HK$'000	Contributed surplus (d) HK$'000	Exchange reserve HK$'000	Retained earnings/ (accumulated losses) HK$'000	Total HK$'000
Group							
At 1 July 2002	79,581	8,006	1,188	–	447	122,784	212,006
Bonus issue *(Note 28(a))*	(8,113)	–	–	–	–	–	(8,113)
Exchange adjustment on translation of the financial statements of subsidiaries	–	–	–	–	(165)	–	(165)
Net profit attributable to shareholders	–	–	–	–	–	27,149	27,149
At 30 June 2003	71,468	8,006	1,188	–	282	149,933	230,877
At 1 July 2003	71,468	8,006	1,188	–	282	149,933	230,877
Placing *(Note 28(b))*	27,082	–	–	–	–	–	27,082
Exchange adjustment on translation of the financial statements of subsidiaries	–	–	–	–	(160)	–	(160)
Net profit attributable to shareholders	–	–	–	–	–	14,882	14,882
At 30 June 2004	98,550	8,006	1,188	–	122	164,815	272,681
Company							
At 1 July 2002	79,581	–	–	11,527	–	(15,574)	75,534
Bonus issue *(Note 28(a))*	(8,113)	–	–	–	–	–	(8,113)
Loss attributable to shareholders	–	–	–	–	–	(2,881)	(2,881)
At 30 June 2003	71,468	–	–	11,527	–	(18,455)	64,540
At 1 July 2003	71,468	–	–	11,527	–	(18,455)	64,540
Placing *(Note 28(b))*	27,082	–	–	–	–	–	27,082
Net loss attributable to shareholders	–	–	–	–	–	(1,015)	(1,015)
At 30 June 2004	98,550	–	–	11,527	–	(19,470)	90,607

29. RESERVES *(continued)*

(a) Under the Companies Law of the Cayman Islands, share premium account is distributable to shareholders subject to the provisions of the Company's Memorandum and Articles of Association, and provided that immediately following the distribution or payment of dividend, the Company is able to pay its debts as they fall due in the ordinary course of business.

(b) Statutory reserves represent amounts set aside from the profit of Mainland China subsidiaries in accordance with the local statutory requirements, which can be utilised to offset prior year losses, or be utilised for issuance of bonus shares.

(c) Capital reserve represents:

(i) Capital reserve of the subsidiaries; and

(ii) The difference between the aggregate nominal value of the share capital issued by the Company and the aggregate nominal amount of the share capital of subsidiaries through an exchange of shares.

(d) Contributed surplus of the Company represents the difference between the nominal value of the Company's shares issued in exchange for the issued ordinary shares of Yut Yat Company Limited and the value of net assets of the underlying subsidiaries acquired. At Group level, the amount is reclassified into its components of reserves of the underlying subsidiaries.

30. OPERATING LEASE COMMITMENTS

At 30 June 2004, the Group had total outstanding commitments for future minimum lease payable under non-cancellable operating leases in respect of property, plant and equipment as follows:

	The Group	
	2004	2003
	HK$'000	*HK$'000*
Within one year	**1,321**	3,011
In the second to fifth year inclusive	**133**	2,544
After the fifth year	**–**	122
	1,454	5,677

31. CAPITAL AND OTHER COMMITMENTS

	2004	2003
	HK$'000	*HK$'000*
Contracted but not provided for:		
Technical know-how *(Note 15(b))*	**5,656**	–
Research and development costs	**–**	5,692
Promotion and advertising expenses	**2,357**	4,342
Consultancy database	**–**	3,769
	8,013	13,803

32. BANKING FACILITIES

As at 30 June 2004, the Group had bank borrowings of approximately HK$47,794,000 (denominated in Renminbi, approximately RMB50,700,000), which beared interest at rates ranging from approximately 4.5% to 7.5% per annum of which approximately HK$16 million, HK$2 million and HK$30 million (RMB17 million, RMB2 million and RMB32 million) were secured by bank deposits of HK$17 million (RMB18 million); certain machinery of the Group and corporate guarantee of a subsidiary respectively. As at 30 June 2004, the Group had bills payable of HK$156 million (RMB165 million) which was denominated in Renminbi and the entire amount was secured by pledged bank deposits of HK$49 million (RMB52 million) which was also denominated in Renminbi.