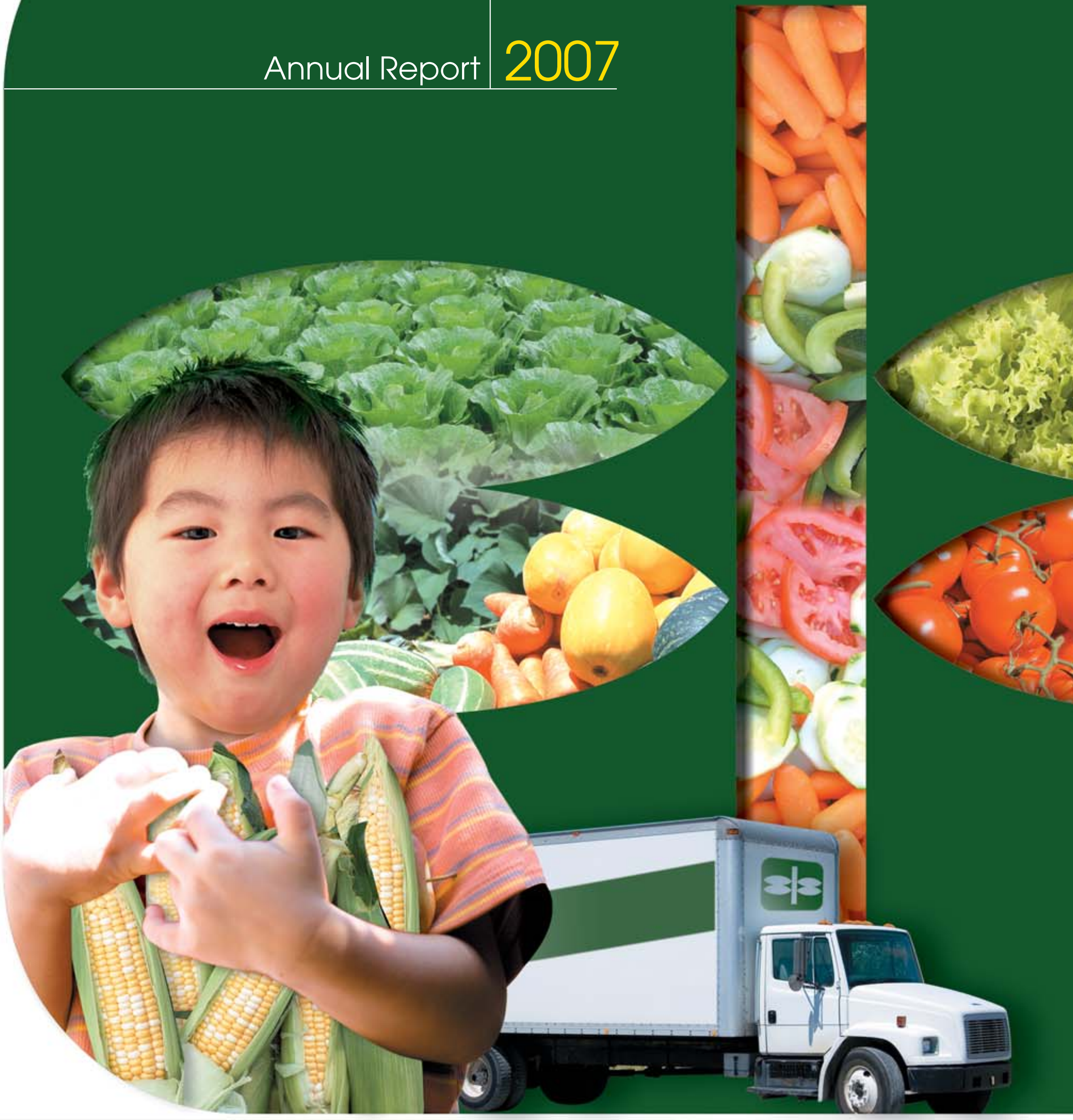
Annual Report 2007



中國綠色食品(控股)有限公司*

CHINA GREEN (HOLDINGS) LIMITED

(Incorporated in Bermuda with limited liability) (stock code : 904)

* For identification only

CONTENTS

CORPORATE INFORMATION

BOARD OF DIRECTORS

Executive Directors:

Sun Shao Feng *(Chairman and Managing Director)*
Kung Sze Wai
Leung Kwok Fai Ben Rich

Independent Non-executive Directors:

Hu Ji Rong
Lin Chuan Bi
Zheng Baodong

QUALIFIED ACCOUNTANT AND COMPANY SECRETARY

Kung Sze Wai, *CPA, AAIA*

AUDIT COMMITTEE

Hu Ji Rong *(Chairman)*
Lin Chuan Bi
Zheng Baodong

COMPENSATION COMMITTEE

Hu Ji Rong *(Chairman)*
Lin Chuan Bi
Zheng Baodong
Nie Xing

NOMINATION COMMITTEE

Hu Ji Rong *(Chairman)*
Lin Chuan Bi
Zheng Baodong
Nie Xing

AUDITORS

CCIF CPA Limited

HONG KONG LEGAL ADVISER

O' MELVENY & MYERS LLF

BERMUDA LEGAL ADVISER

Conyers, Dill & Pearman

PRINCIPAL BANKERS

Agricultural Bank of China
Industrial and Commercial Bank of China
Standard Chartered Bank

REGISTERED OFFICE

Clarendon House
2 Church Street
Hamilton, HM11
Bermuda

HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS IN HONG KONG

Suites 1904-1905, 19th Floor
Harbour Centre
25 Harbour Road
Wanchai, Hong Kong

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

Butterfield Fund Services (Bermuda) Ltd.
Rosebank Centre
11 Bermudiana Road
Pembroke
Bermuda

HONG KONG SHARE REGISTRAR AND TRANSFER OFFICE

Computershare Hong Kong Investor Services Limited
Shops 1712-1716, 17th Floor
Hopewell Centre
183 Queen's Road East
Wanchai, Hong Kong

STOCK CODE

0904

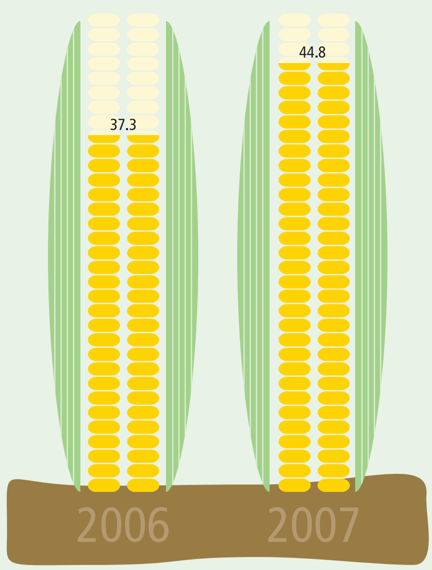
FINANCIAL HIGHLIGHTS

Turnover
(RMB'000)

Gross Profit
(RMB'000)

Profit Attributable To Shareholders
(RMB'000)

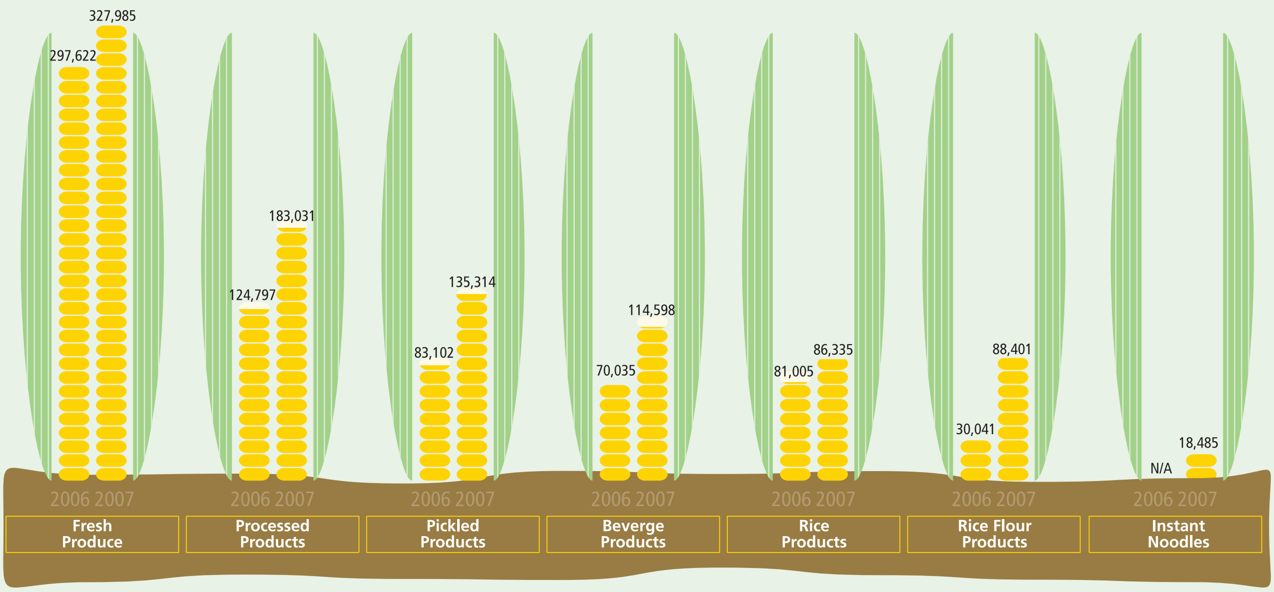
Basic Earnings Per Share
(RMB cents)



FINANCIAL HIGHLIGHTS

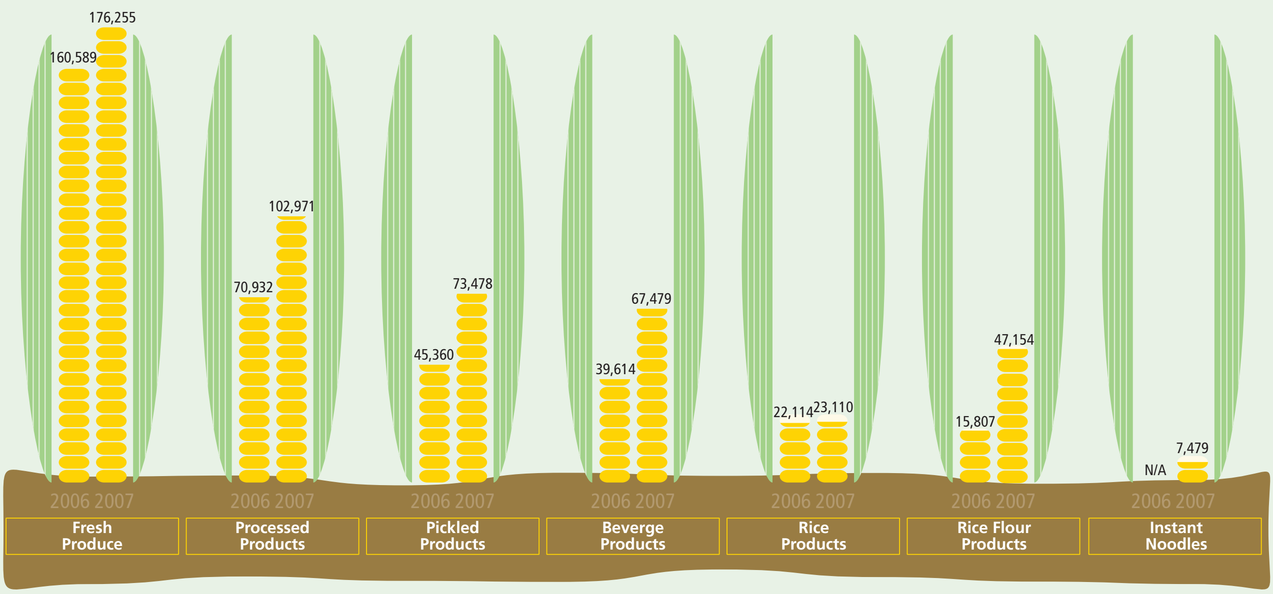
Business Segment

Turnover (RMB'000)



Business Segment

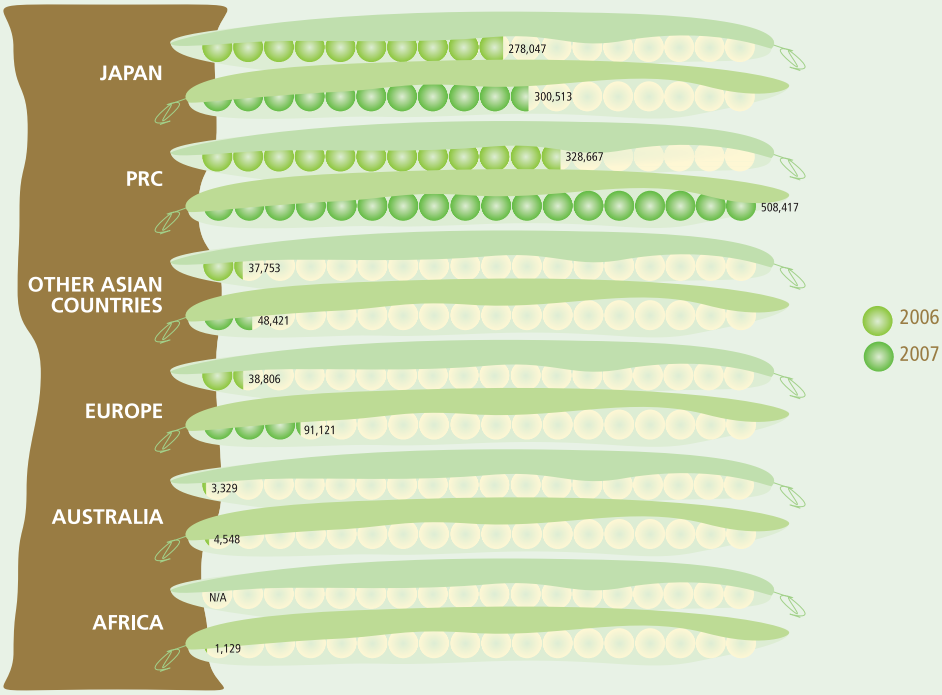
Gross Profit (RMB'000)



FINANCIAL HIGHLIGHTS

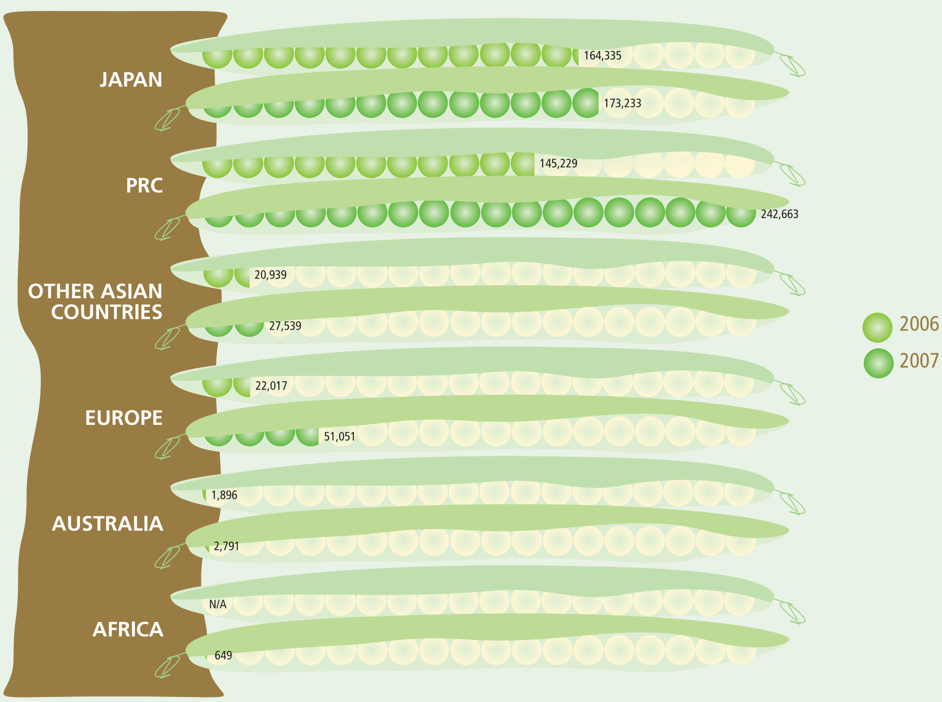
Geographical Segment

Turnovers (RMB'000)



Geographical Segment

Gross Profit (RMB'000)



CHAIRMAN'S STATEMENT

Strong Performance, Continual Innovation

Our Group's sustainable long-term growth

Dear Shareholders,

I am pleased to present the annual results of China Green (Holdings) Limited ("China Green") and the subsidiaries (collectively the "Group") for the fiscal year 2007 ("FY2007").

During the year under review, turnover rose 39% to RMB954,149,000, gross profit increased 40% to RMB497,926,000, net profit grew 28% to RMB345,995,000, and basic earnings per share were RMB0.45. In view of the outstanding results, the Board recommends the payment of a final dividend of HK$0.063 per ordinary share.

Benefiting from the favorable environment for export and domestic sales, we continued to expand our business and implement our two-pronged strategy of developing both domestic sales and export during the year under review. In addition to increasing our exports to existing markets, we also made progress in developing new markets. Revenue from the export business increased by 25% to RMB445,732,000, and accounted for 47% of total turnover. In the domestic market, we successfully carried out our gradual market development strategy by making breakthroughs in various provinces, one at a time. During the year under review, revenue from domestic sales increased by 55% to RMB508,417,000, accounting for 53% of the total turnover.

We aim to diversify our product mix and capture the burgeoning opportunities in the domestic consumer market. During the year under review, we launched a number of new products, of which non-fried instant noodles received favourable market response for being healthy, convenient and delicious. We believe that non-fried instant noodle products have vast market potential, and that market demand will continue to be strong and that non-fried instant noodle products will become another growth driver of the Group. As such, we decided to build new factories and increase production capacity as soon as possible, so as to seize the market opportunity.

During the year under review, we also made efforts to improve cultivation technology and raise production efficiency, which thus helped to enhance profitability. We also carried out our corporate mission of "ensuring the freshness of our products and keeping the whole production green", which thus enhanced the "China Green" brand to become the leading brand of instant green food in the PRC. To cater to market demand, we continued to increase plantation bases and enlarge our green food processing capacities during the year under review. Outside Fujian, we established three other production bases in Jiangxi, Hubei and Hebei provinces. With Fujian at the centre, the three production bases will supply a wider area of the PRC and strive to ensure the stable supply of quality products. We currently have a total of 36 plantation bases and 10 processing

CHAIRMAN'S STATEMENT

plants across the PRC. The annual cultivation capacities reached almost 270,000 tonnes and annual processing capacities totaled to 440,000 tonnes. The large production capacity enables us to satisfy overseas market demand for our OEM products and at the same time ensures the stable supply of food and beverage products which are marketed under our brands, as well as supports our new products development.

Looking ahead, we will continue to develop the domestic and overseas markets and adjust product mix flexibly to respond to changes in market demand. On the other hand, we will focus on developing and launching high value-added products, and will place greater effort in promotion and marketing to stimulate demand for tasty and healthy food.

China Green will continue to aim for stable and rapid growth and adhere to the following corporate goals:

1. Supplying high quality, hygienic and safe green food, making China Green a paragon for standardized plantation of green food in the PRC;
2. Building processing plants and raising processing capacity, as well as enriching product mix so as to become the largest scale of green food production and processing platform in the PRC;
3. Enhancing the corporate brand, helping "China Green" become the leading brand for instant green food in the PRC;
4. Strengthening the supply chain, in order to establish the best fresh green food supply chain in the PRC.

We believe that by leveraging China Green's high quality, hygienic, safe planting and production methods, implementing strict controls on processing procedures, rapidly developing the supply chain, and executing effective brand strategy, China Green is well-positioned to achieve our goals.

I would like to, on behalf of the Board of Directors, express my sincere thanks to our shareholders, business partners and customers for their persistent support, and to our staff for their diligent work. We hope China Green will become even more successful and create better value for our shareholders, business partners, customers and staff.

Sun Shao Feng
Chairman

Hong Kong, 27 August 2007

MANAGEMENT DISCUSSION AND ANALYSIS

Subsidiaries	Cultivation Area (mu)	Cultivation Capacity (tons)	Production capacity (tons)
Fujian (Huian) (including Zhejiang)	30,000	150,000	148,000
Fujian (Quanzhou)	N/A	N/A	28,800
Fujian (Zhangpu)	10,000	50,000	112,500
Hubei (Changyang)	3,000	12,000	14,000
Hebei	8,000	16,000	23,400
Jiangxi			
– Rice	3,000	1,200	49,500
– Rice flour	N/A	N/A	48,000
– Processed products	2,100	9,000	9,900
– Noodles	N/A	N/A	6,800
Hubei (Tianmen)	10,000	35,000	N/A

MANAGEMENT DISCUSSION AND ANALYSIS

INDUSTRY REVIEW

With rapid economic growth in the PRC, the supply of high-quality, healthy and safe food has become a daily necessity. In 2006, the PRC government continued to demonstrate its support for the development of agriculture by providing financial assistance, tax benefits, governmental allowance and farmland protection as well as by setting price floors for grain purchasing. According to data released in 2006 by the Ministry of Agriculture of the PRC, the PRC government increased its aggregate investment in agriculture-related industries by RMB42 billion, or an increase of 14% compared to 2005. The No. 1 Document of the Central Government issued by the State Council in early 2007 further mentioned that modernization of agriculture was the primary task on the agenda of constructing new rural socialist communities. The government's policy support for agriculture has encouraged the development and expansion of agricultural enterprises.

In 2006 and the first half of 2007, China's agricultural exports to the United States, Russia and Germany experienced rapid growth. We have been actively exploring markets in these countries given their significant potential in recent years.

In 2006, with sales of social consumer goods increased by 14% to RMB7,641 billion, exceeding the nation's growth rate of 11%, and demonstrating that consumption has started to drive the PRC's economic growth. We have benefited from this favorable environment as our domestic sales growth has showed.

BUSINESS REVIEW

Consumers around the world are becoming increasingly health-conscious, and as a result, global demand for green food has been increasing worldwide. Especially in China where consumption is improving rapidly as a result of growing affluence and the level of urbanization has also been expanding, consumer demand for green food continues to grow.

Within this favourable environment, and leveraging the leadership and clear vision of the Group's experienced management team, China Green recorded satisfactory growth in the volume and scope of its business. With the backing of its internationally standardized cultivation base, management and all-altitude coverage, the Group has successfully captured many opportunities arising from the rising demand and achieved broad and stable growth in the business. During the year under review, the Group recorded growth rates of 39% and 28% in its turnover and profit attributable to shareholders respectively.

MANAGEMENT DISCUSSION AND ANALYSIS

SEGMENT REVIEW

The rising concern for food safety and health provides a great opportunity for companies that are capable of producing high-quality products. During the year under review, Japan implemented an "Approved List Policy" (肯定列表制度) for imported food products, which is a new system that is intended to intensify the control of the chemical residues in food products. The system requires that the chemical content in some specific agricultural food products shall not exceed a maximum limit of residue. For other agricultural food products that have not faced specific residue limits, the chemical in food products shall not exceed the amount stated in the "General Standards", i.e. 0.01 milligram per kilogram. The policy was implemented on 29 May 2006. It has indirectly affected manufacturers with poor quality products, but has provided a great opportunity for China Green's high quality products.

Fresh produce

During the year under review, turnover from the sale of fresh produce totalled RMB328 million, accounting for approximately 34% of the Group's revenue. Among fresh produce, the highest sales were recorded from naganegi, broccoli and radish which totalled approximately RMB89 million, representing approximately 27% of turnover of fresh produce.

Processed products

The Group's processed products includes water boiled products, quick frozen products, pickled products and canned products. During the year, turnover from the sale of processed products totalled RMB318 million, accounting for approximately 33% of the Group's total revenues.

There has been stable growth in water boiled products, which accounted for approximately 44% of the total revenues from processed products. Water boiled radish was the leading product in the category, with turnover totalling RMB55 million. Quick frozen products and canned products recorded satisfactory growth and were recognised as the other growth drivers in processed products. Turnover of quick frozen products and canned products were approximately RMB44 million and RMB65 million respectively, accounting for approximately 22% and 20% of the total revenues from processed products.

Branded food and beverage products

The Group's branded food and beverage products include beverage products, instant noodles, rice products and rice flour products. During the year, turnover from the sales of branded food and beverage products totalled RMB308 million. The contribution from the sales of these products to the Group's income increased from 26% last year to about 32% this year.

The Group implemented an integrated sales strategy to promote beverage products in some key regions. During the year under review, the Group's turnover from beverage products totalled approximately RMB115 million, representing a significant growth of approximately RMB70 million over the previous year. Within the category, corn milk was the leading product, with turnover totalling approximately RMB92 million.

MANAGEMENT DISCUSSION AND ANALYSIS

SEGMENT REVIEW (continued)

Branded food and beverage products (continued)

In addition, non-fried instant noodles, a new product launched by the Group during the year under review, received positive market response. Turnover from non-fried instant noodles totalled approximately RMB18 million.

During the year under review, turnover from rice products and rice flour products totalled approximately RMB86 million and RMB88 million respectively, accounting for approximately 28% and 29% of the total revenues from branded food and beverage products.

Gross profit and gross profit margin

During the year under review, the Group's overall gross profit margin was 52%.

The gross profit margin for the sales of fresh produce and processed products was 54% and 55%, respectively, which was similar to last year.

The gross profit margin from branded food and beverage products was 47%. The reason for the increase was because the revenue contribution from the lowest margin rice products was lower than the previous year. For the new product, non-fried instant noodles, the gross profit margin was 40%.

An analysis of gross profit by agricultural products is as follows:

	2007 ***RMB'000***	2006 *RMB'000*
Fresh produce	**176,255**	160,589
Processed products	**102,971**	70,932
Pickled products	**73,478**	45,360
Rice products	**23,110**	22,114
Rice flour products	**47,154**	15,807
Beverage products	**67,479**	39,614
Instant noodles	**7,479**	–
	497,926	354,416

MANAGEMENT DISCUSSION AND ANALYSIS

SEGMENT REVIEW (continued)

Cultivation bases and processing plants

During the year under review, the Group newly leased a total area of approximately 14,000 mu of cultivation bases in Tianmen of Hubei province, Fengxin of Jiangxi province and Wanquan of Hebei province. The Group is further utilizing its diverse production bases with varying climates and conditions to ensure the stable supply of fresh produce during the year. Moreover, the Group decides to convert its cultivation base located in Tianmen, Hubei Province to an organic cultivation base. The Group plans to adopt modern management practices and combine them with contemporary ecological principles, and environmental and scientific technological measures in order to integrate with the Group's modern cultivation methods. After converting the 20,000 mu cultivation base, the Group will be able to produce about 70,000 tons of organic agricultural products each year.

Currently, the Group owns 36 all-altitude cultivation bases with a total area of 66,100 mu, which are able to produce about 273,200 tons of crops each year. The Group currently owns 10 processing plants with an annual processing capacity of around 440,900 tons. Such a large production capacity can meet the demand for exports, as well as provide strong support to the Group's branded food and beverage products.

Except for Fujian province, the Group's cultivation bases and processing plants are mainly located in the three provinces of Hubei, Hebei and Jiangxi, which facilitate nationwide distribution of produce with lower transportation costs and enable the Group to gain control over the entire supply chain of green food.

Development of new products

To capture demand in the rapidly growing consumer market, the Group will strive to develop new products and continue to enrich its existing products portfolio. During the year under review, the Group formulated a clear development strategy for instant green food and successfully launched non-fried instant noodles. Non-fried instant noodles received positive market response, and it is expected that future sales growth will be significant.

In light of market diversification, the Group conducted various research and development projects, demonstrating the Group's commitment to research and development. The Group's research and development center focuses on developing new cultivation methods and new products with market potential. It aims to launch 3 to 5 new product series on average each year, so as to improve the gross profit margin and competitive advantages of the Group. Currently, there is a collaboration relationship with Nanjing Agricultural University, Fujian Agriculture and Forestry University, Jimei University and Nanchang University, so as to continuously enhance the research and development capabilities of the Group.

MANAGEMENT DISCUSSION AND ANALYSIS

SEGMENT REVIEW (continued)

Brand management

The Group has successively engaged some professional consultancy companies to formulate strategies for marketing and overall image, which has resulted in significant improvement in the Group's overall image and the position of some of its products.

The Group successfully integrated its existing brands as members of the China Green family. In the meantime, in an effort to enhance marketing in the Fujian and Jiangxi regions, the Group also placed significant emphasis on brand promotion, and conducted a series of promotional activities, using advertisements through various channels such as buses, billboards and television. In terms of brand building, the Group successfully executed its gradual market development strategy by making breakthroughs in various provinces, one at a time. The Group started to promote its "China Green" brand in the Jiangxi and Fujian regions, and then spread its efforts to other regions in Southern China.

Quality maintenance

During the year under review, the Group continued to implement its international quality and sanitary standards. With strict quality control, from planting to processing, the Group obtained Safe Corp Certificate, Green Food Certificate, and certifications under ISO90001: 2000, ISO: 9002: 1994 and HACCP. Furthermore, Zhonglu (Fujian) Agriculture Comprehensive Development Company Limited, which is located in Huian, Fujian Province, maintained its status as a "State-Level Leading Agricultural Enterprises".

Corporate governance

The Group acknowledges its responsibilities to shareholders and investors, and has strictly complied with the requirements of relevant laws, regulations and rules of relevant securities regulatory authorities since the listing of the Company's shares in January 2004. The Group is committed to enhance the transparency of its corporate governance and disclosure. The Board adheres to corporate governance principles, and continues to improve corporate management, and enhance its standard of corporate governance, so as to safeguard and expand shareholder value.

TREASURY POLICY

As of 30 April 2007, the Group had cash and cash equivalents of approximately RMB1,050 million. The Group deposited funds in banks in the PRC and licensed banks in Hong Kong.

MANAGEMENT DISCUSSION AND ANALYSIS

CAPITAL COMMITMENTS AND CONTINGENCIES

During the year, the Group was committed to the expansion of existing facilities to enhance its production capacity. As of year end 2006, the Group has contractual capital commitments of approximately RMB25 million. As of 30 April 2007, the Group had not provided any form of guarantee for any company outside the Group and has not been involved in any material legal proceedings for which provision for contingent liabilities was required.

EXPOSURE TO FLUCTUATION IN EXCHANGE RATES

For the year ended 30 April 2007, the Group conducted its business transactions principally in US dollars and Renminbi. The Group has not experienced any material difficulties or negative impact on its operations as a result of fluctuations in currency exchanges rates. The Directors considered that no hedging of exchange rate risk is required. Nevertheless, the management will continue to monitor the foreign exchange exposure and will take prudent measures when needed. After reasonable and cautious assessment, the Directors consider the appreciation of the Renminbi during the period under review as insignificant on the Group's export business.

SIGNIFICANT INVESTMENTS AND ACQUISITIONS

During the year under review, the Group made no significant investments, nor had it made any material acquisition or disposal of subsidiaries.

CHARGE ON ASSETS

As at 30 April 2007, the Group had not pledged any assets to its bankers to secure banking facilities granted to the Group.

STAFF AND REMUNERATION POLICIES

As at 30 April 2007, the Group had a total of over 7,000 employees, of which approximately 3,700 are workers at the Group's cultivation bases. The aggregate staff costs and Directors' remuneration for the year ended 30 April 2007 totaled approximately RMB124 million (2006: approximately RMB85 million). Employees are paid at a competitive level, taking into account individual performance and experience. Other benefits include mandatory provident funds and year-end bonus based on individual performance.

MANAGEMENT DISCUSSION AND ANALYSIS

CAPITAL STRUCTURE

During the year under review, the Company issued 94,161,959 ordinary shares due to the conversion of bonds with a total principal amount of HK$250 million at a conversion price of HK$2.655 per share.

During the year, share options were exercised at an exercise price of HK$2.05 per share to subscribe for 21,600,000 ordinary shares in the Company.

FUTURE DEVELOPMENT STRATEGIES

The Group is confident about the market development of green food. As global consumers are becoming increasingly health-conscious and are heading for healthier and balanced diets, the Group believes that the demand for green food will remain high, and it will bring vast opportunities for the Group.

On the other hand, as commodity prices keep rising in the PRC, coupled with various low quality fake products appearing in the market, consumers in the PRC started to pay more attention to brand reputation than before. In view of this, the Group will adhere to its strategy of producing products of the highest quality and establishing a recognized brand.

Looking forward, the Group will attempt to maintain its competitive advantages and take advantage of emerging opportunities, so as to sustain growth for years to come. The Group will develop with the following goals in mind:

The Paragon of Standardized Plantation of Green Food in the PRC

China Green's goal is to become the paragon of standardized plantation of green food in the PRC. To attain this goal, the Group introduced advanced cultivation technology within and outside the PRC, and implemented an industrialized management operating model, which includes adopting a "Sales Driven Model" Policy; to adapt customized supply models for Northern and Southern China to ensure stable product supply; and to formulate the Group's standardized plantation manual. In addition, the Group implemented comprehensive green controls on its lands, from seed selection, soil testing, the establishment of irrigation facilities, training of planting management teams and the application of pesticides. The purpose is to ensure food safety and to continue to supply green food to consumers.

The Largest Scale of Green Food Production and Processing Platform in the PRC

To cater to the sustained rise in demand from around the world, the Group is planning to enhance processing capacity and expand processing categories. Plant expansion will not only enhance the Group's processing capacity and economies of scale, but will also allow the Group to efficiently utilize its all-altitude plantation base.

MANAGEMENT DISCUSSION AND ANALYSIS

FUTURE DEVELOPMENT STRATEGIES (continued)

The Largest Scale of Green Food Production and Processing Platform in the PRC (continued)

With the application of advanced technologies to enhance its processing business, the Group will be able to use surplus fruits and vegetables from the fresh produce distribution business and further process them into value-added foods so as to significantly enhance the Group's profitability.

The Leading Brand for Instant Green Food in the PRC

In order to expand the market share of the green consumer food market, the Group will further explore more varieties of its domestic brands and develop various green food categories in order to grow brand awareness and the popularity of the Group's green food products among PRC consumers on an extensive basis. This is expected to help solidify consumer confidence in the Group's products.

The Group will continue to its gradual market development strategy by making breakthroughs in provinces one at a time. This will spread from Jiangxi and Fujian provinces to other regions in southern China and then to the whole country, so as to build the "China Green" brand as the leading brand for instant green food in the PRC.

The Best Fresh Green Food Supply Chain in the PRC

In view of the rapid development of the PRC consumer market in recent years, the Group will further develop its downstream businesses in the coming year. Apart from the planned green food logistics and distribution business in Shanghai, the Group started green food logistics and distribution operations in Xiamen, Fujian in July 2007. Currently the Group provides distribution services and operates a "China Green" counter in Minxing Supermarket, which is owned by Xiamen Seashine Group Co., Ltd. Meanwhile, the Group also distributed fresh produce to various large supermarkets such as Newhuadu, Trust-Mart and Rainbow in Fuzhou, Xiamen and Quanzhou. To provide green food logistics and distribution services will not only enhance the Group's distribution capacity, it will also strengthen its upstream businesses, and allow the Group to efficiently utilize its own plantation and processing platforms in order to achieve its goal of becoming the best fresh green food supply chain in the PRC.

In general, the Group will strive to expand its upstream plantation and processing business while it will also proactively develop the downstream business of brand management, logistics, delivery and distribution. Furthermore, the Group will integrate its upstream and downstream businesses, which will create synergies and economies of scale for the Group's supply chain management business and enable the Group to enter new markets and develop new businesses.

CORPORATE GOVERNANCE REPORT

The Company is committed to maintain good corporate governance standard and procedures to ensure the integrity, transparency and quality of disclosure in order to enhance the shareholders' value.

CORPORATE GOVERNANCE PRACTICE

The Company has adopted the code provisions set out in the Code on Corporate Governance Practices ("CG Code") as set out in Appendix 14 to the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited (the "Listing Rules"), which came into effect on 1 January 2005.

During the year ended 30 April 2007, the Company was in compliance with code provisions set out in the CG Code except that code provision A.2.1 of the CG Code provides that the responsibilities between the chairman ("Chairman") and chief executive officer ("CEO") should be divided. The Company does not have a CEO and Mr. Sun Shao Feng currently performs these two roles. The Board believes that vesting the roles of both Chairman and CEO in the same person has the benefit of ensuring consistent leadership within the Group and enables more effective and efficient overall strategic planning for the Group. The Board believes that the balance of power and authority for the present arrangement will not be impaired and is adequately ensured by current Board which comprises experienced and high calibre individuals with sufficient number thereof being independent non-executive directors.

Save as the aforesaid and in the opinion of the Directors, the Company has met the code provisions set out in the CG Code for the year ended 30 April 2007.

DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted the code of conduct regarding directors' securities transactions as set out in the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") of the Listing Rules. All the Directors have confirmed that they have complied with the required standards as set out in the Model Code throughout the year.

BOARD OF DIRECTORS

The Board is responsible for the leadership and control of the Company and oversees the Group's business, strategic decisions and performance. The management was delegated the authority and responsibility by the Board for the management of the Group. In addition, the Board has also delegated various responsibilities to the Board Committees. Further details of these committees are set out in this report.

The Board currently consists of six Directors including three executive Directors and three independent non-executive Directors:

Executive Directors
Mr. Sun Shao Feng *(Chairman)*
Mr. Kung Sze Wai
Mr. Leung Kwok Fai Ben Rich

Independent non-executive Directors
Mr. Hu Ji Rong
Mr. Lin Chuan Bi
Mr. Zheng Baodong

CORPORATE GOVERNANCE REPORT

BOARD OF DIRECTORS (continued)

The Board members have no financial, business, family or other material/relevant relationships with each other. Such balanced Board composition is formed to ensure strong independence exists across the Board and has met the recommended best practice under the CG Code for the Board to have at least one-third of its members comprising independent non-executive Directors. The biographical details of Directors are set out on pages 22 to 25 under the section headed "Profiles of Directors and Senior Executives".

The Board decides on corporate strategies, approves overall business plans and evaluates the Company's financial performance and management. Specific tasks that the Board delegates to the Company's management include the implementation of strategies approved by the Board, the monitoring of operating budgets, the implementation of internal controls procedures, and the ensuring of compliance with relevant statutory requirements and other rules and regulations.

Chairman and Chief Executive Officer

Up to the date of this report, the Company does not have a separate Chairman and CEO, Mr. Sun Shao Feng currently performs these two roles. The Board believes that vesting the roles of both Chairman and CEO in the same person has the benefit of ensuring consistent leadership within the Group and enables more effective and efficient overall strategic planning for the Group. The Board believes that the balance of power and authority for the present arrangement will not be impaired and is adequately ensured by current Board which comprises experienced and high calibre individuals with sufficient number thereof being independent non-executive Directors.

Non-executive Directors

The three independent non-executive Directors are persons of high calibre, with academic and professional qualifications in the fields of accounting and scientific research and development. With their experiences gained from various sectors, they provide strong support towards the effective discharge of the duties and responsibilities of the Board. Each independent non-executive Director gives an annual confirmation of his independence to the Company, and the Company considers them to be independent under Rule 3.13 of the Listing Rules.

The three independent non-executive Directors are appointed for a term of two years and are subject to retirement by rotation in accordance with the Bye-laws of the Company.

Board Meetings

During the financial year ended 30 April 2007, the Board held 22 meetings.

Name of Director	Number of attendance
Sun Shao Feng	22/22
Kung Sze Wai	22/22
Leung Kwok Fai Ben Rich	22/22
Hu Ji Rong	22/22
Lin Chuan Bi	22/22
Zheng Baodong	22/22

CORPORATE GOVERNANCE REPORT

BOARD OF DIRECTORS (continued)

Board Meetings (continued)

The Company planned in advance four scheduled Board meetings a year at approximately quarterly intervals in order to make sure all Directors could plan in advance their availability to attend the scheduled Board meetings. Additional meetings will be held as and when required.

Board minutes are kept by the Company Secretary and are open for inspection by the Directors. Every Board member is entitled to have access to Board papers and related materials and has unrestricted access to the advice and services of the Company Secretary, and has the liberty to seek external professional advice if so required.

Appropriate insurance cover has been arranged in respect of relevant actions against its Directors.

AUDIT COMMITTEE

The Company established an audit committee ("Audit Committee"), with written terms of reference, on 12 December 2003. The Audit Committee of the Company comprises three independent non-executive Directors, namely Mr. Hu Ji Rong (as chairman), Mr. Lin Chuan Bi and Mr. Zheng Baodong.

The Audit Committee is mainly responsible for making recommendations to the Board on the appointment, reappointment and removal of the external auditors and to approve the remuneration and terms of engagement of the external auditors, and any questions of resignation or dismissal of such auditors; reviewing the interim and annual reports and accounts of the Group; and overseeing the Company's financial reporting system and internal control procedures.

Terms of reference adopted by the Audit Committee are aligned with the code provisions set out in the CG Code.

The Audit Committee meets the external auditors at least two times a year to discuss any area of concern during the audits or review. The Audit Committee reviews the interim and annual reports before submission to the Board. The Audit Committee focuses not only on the impact of the changes in accounting policies and practices but also on the compliance with accounting standards, the Listing Rules and the legal requirements in the review of the Company's interim and annual reports. The Audit Committee noted the existing internal control policies of the Company and also noted that review of the same will be carried out and anticipate there may have further improvement to the said policies.

During the financial year ended 30 April 2007, the Audit Committee held 2 meetings.

Name of member	Number of attendance
Hu Ji Rong	2/2
Lin Chuan Bi	2/2
Zheng Baodong	2/2

NOMINATION OF DIRECTORS

In considering the nomination of new Directors, the Board will take into account the qualification, ability, working experience, leadership and professional ethics of the candidates, especially their experience in the agricultural industry and/or other professional area.

CORPORATE GOVERNANCE REPORT

NOMINATION OF DIRECTORS (continued)

The Company established a nomination committee ("Nomination Committee"), with written terms of reference and consists of three independent non-executive Directors, namely Mr. Hu Ji Rong (as chairman), Mr. Lin Chuan Bi and Mr. Zheng Baodong, and one senior executive, namely Mr. Nie Xing.

The functions of the Nomination Committee are to reviewing and supervising the structure, size and composition of the Board, identifying qualified individuals to become members of the Board, assessing the independence of the independent non-executive Directors and making recommendations to the Board on the appointment or re-appointment of Directors.

One Nomination Committee meeting was held during the year under review, with full attendance of the members, to assess the independence of independent non-executive Directors and to make recommendation to the Board on the re-election of Directors.

COMPENSATION OF DIRECTORS

The Company established a compensation committee ("Compensation Committee"), with written terms of reference and consists of three independent non-executive Directors, namely Mr. Hu Ji Rong (as chairman), Mr. Lin Chuan Bi and Mr. Zheng Baodong, and one senior executive, namely Mr. Nie Xing.

The functions of the Compensation Committee are to establish and review the policy and structure of the compensation for the Directors and senior executives.

One Compensation Committee meeting was held during the year under review, with full attendance of the members, to review the remuneration package of Directors and senior management.

The Company has adopted a share option scheme on 12 December 2003. The purpose of the share option scheme is to enable the Board to grant options to selected eligible participants to motivate them and to optimize their performance and efficiency for the benefit of the Group. Details of the share option scheme are set out in the Report of the Directors. The emolument payable to Directors will depend on their respective contractual terms under employment contracts, if any, and as recommended by the Compensation Committee. Details of the Directors' compensation are set out in note 8 to the financial statements.

AUDITORS' REMUNERATION

During the year under review, the remuneration paid/payable to the Company's auditors, CCIF CPA Limited, is set out below:

Services rendered	**Fee paid/payable** *HK$'000*
Audit services	812
Non-audit services	–
	812

CORPORATE GOVERNANCE REPORT

SHAREHOLDER RIGHTS

The rights of shareholders and the procedures for demanding a poll on resolutions at shareholders' meetings are contained in the Bye-Laws. Details of such rights to demand a poll were included in the circular to shareholders in relation to the holding of general meeting and explained during the proceedings of the meetings.

The general meetings of the Company provide an opportunity for communication between the shareholders and the Board.

INVESTOR RELATIONS

The Company is committed to a policy of open and regular communication and reasonable disclosure of information to its shareholders. Information of the Company is disseminated to the shareholders in the following manner:

- Delivery of annual and interim results and reports to all shareholders;
- Publication of announcements on the annual and interim results on the Stock Exchange website, and issue of other announcements and shareholders' circulars in accordance with the continuing disclosure obligations under the Listing Rules; and
- The general meeting of the Company is also an effective communication channel between the Board and shareholders.

DIRECTORS' RESPONSIBILITIES FOR THE FINANCIAL STATEMENTS

The Board acknowledges its responsibility to prepare the Company's account for each financial period which gives a true and fair view of the state of affairs of the Group and of the results and cash flows for that period. In preparing the financial statements for the year ended 30 April 2007, the Board has selected suitable accounting policies and applied them consistently; made judgments and estimates that are prudent, fair and reasonable and prepared the accounts on a going concern basis. The Directors are responsible for taking all reasonable and necessary steps to safeguard the assets of the Group and to prevent and detect fraud and other irregularities.

The Directors, having made appropriate enquiries, consider that the Group has adequate resources to continue in operational existence for the foreseeable future and that, for this reason, it is appropriate to adopt the going concern basis in preparing the financial statements.

INTERNAL CONTROL

Management had implemented a system of internal controls to provide reasonable assurance that the Group's assets are safeguarded, proper accounting records are maintained, appropriate legislation and regulations are complied with, reliable financial information are provided for management and publication purpose and investment and business risks affecting the Group are identified and managed.

During the year ended 30 April 2007, the Board has conducted a review of the system of internal control to ensure the effectiveness and adequacy of the system. The Board shall conduct such review at least once annually.

PROFILES OF DIRECTORS AND SENIOR EXECUTIVES

EXECUTIVE DIRECTORS

Mr. Sun Shao Feng (孫少鋒), aged 42, is the Chairman, managing director and founder of the Group since its establishment. Mr. Sun is mainly responsible for the overall management, business development, strategic planning and sales and marketing functions of the Group. He has many years of management experience in the agricultural industry. Prior to joining the Group in May 1998, he had worked for the government office of Fuzhou City (福州市委). He is also a committee member of the Chinese People's Political Consultative Conference of the Fujian Province Quanzhou City (中國人民政治協商會議泉州市委員會) and the vice-president of the Hui An County Association of Industry and Commerce (惠安縣工商業聯合會). His accomplishment is widely recognized by the PRC government. In 2000, he was accredited with the top 10 young entrepreneurs as well as the Model Labour of Quanzhou City. In 2001, he was nominated by the Central Office of the Communist Youth Group (共青團中央辦公廳) as one of the National Villages Young Entrepreneurial Leaders (全國農村青年創業致富帶頭人). He graduated in July 2002 from Correspondence College of the Central School of the Communist Party of China (中共中央黨校函授學院) majoring in Economics and Management.

Mr. Kung Sze Wai (龔思偉), aged 35, is an executive director, financial controller and Company Secretary of the Group. He joined the Group since 2002. He is mainly responsible for managing and coordinating the Group's financial reporting and secretarial matters. Prior to joining the Group, he has accumulated around 5 years experience in an accounting firm until August 2002 and was mainly responsible in accounting, taxation, auditing and company secretarial works. He graduated from Monash University, Australia with a bachelor degree in Business in 2000 and obtained a master degree in Corporate Finance from the Hong Kong Polytechnic University in 2003. He was admitted as an associate member of the Association of International Accountants and the Hong Kong Institute of Certified Public Accountants in October 2000 and in February 2001 respectively.

Mr. Leung Kwok Fai Ben Rich (梁國輝), aged 49, is an executive director of the Group. Mr. Leung joined the Group in October 2003 and his role is to oversee the financial planning of the Group's business development. He has over 20 years of experience in accounting, taxation and auditing. Mr. Leung is the company secretary of Victory Group Limited, a company listed on the Main Board of the Stock Exchange of Hong Kong Limited. Mr. Leung graduated from Northwest Missouri State University in the USA with a bachelor degree of science majoring in accounting, and from Charles Sturt University in Australia with a master degree of accountancy. Mr. Leung is an associate member of the Hong Kong Institute of Certified Public Accountants, The Institute of Chartered Secretaries and Administrators, the Hong Kong Institute of Company Secretaries, and the Taxation Institute of Hong Kong.

PROFILES OF DIRECTORS AND SENIOR EXECUTIVES

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Hu Ji Rong (胡繼榮), aged 51, is an independent director of the Company. He was appointed as director in September 2002. Mr. Hu graduated from Jiangxi University of Finance and Economics (江西財經學院) in 1983 and obtained a master degree in Business Administration from the Open University of Hong Kong (香港公開大學) in 2000. He holds a Certified Public Accountant license in the PRC. Mr. Hu has been the Deputy Head of Accounting Department in the College of Management of Fuzhou University (福州大學). Mr. Hu has taken up a number of public service positions including a specially contracted auditor (特約審計員) of the Fujian Provincial Audit Office (福建省審計廳) and a committee member of the Professional Conduct Committed of Fujian Institute of Certified Public Accountants (福建省註冊會計師協會). Mr. Hu has published numerous articles and research reports in the PRC. He is also the chairman of the Audit Committee, the Compensation Committee and the Nomination Committee of the Company.

Mr. Lin Chuan Bi (林傳壁), aged 75, is an independent director of the Company. He was appointed as director in September 2002 and is a senior engineer. He was the recipient of a special subsidy from the state council (國務院特殊津貼) and has been awarded the title of the Country's young and middle age experts with outstanding contribution (全國有突出貢獻中青年專家稱號). Mr. Lin was formerly the Head of the Fuzhou Insecticides and Pesticides Research Institute (福州農藥科學研究所), a committee member of the Specialist Committee of Fujian Province Chemical Engineering Committee (福州省化工學會農藥專家委員會) and a committee member of the Fujian Province Scientist Entrepreneur Committee (福州省科學企業家聯宜會). Mr. Lin is a renowned specialist in insecticides and pesticides research and has outstanding achievements in the development of insecticides and pesticides in the PRC. He is also a member of the Audit Committee, the Compensation Committee and the Nomination Committee of the Company.

Mr. Zheng Baodong (鄭寶東), aged 40, is an independent director of the Company. He graduated and received his master and doctorate degree in Horticulture from Fujian University of Agricultural (福建農學院), major in storage and processing of agricultural products. Currently, Mr. Zheng is the Deputy Dean of the faculty of food science and technology and the head of the food science and technology research centre and appointed as a professor at Fujian Agriculture and Forestry University. He is also the president of Fujian Province Food Additives Industrial Association (福建省食品添加劑工業協會), vice president of Fujian Province Institute of Nutrition (福建省營養學會) and deputy secretary and executive of Fujian Province Institute of Food and Science Technology (福建省食品科學技術學會). He is entitled to receive special government allowance from the China State Council for expert. Mr. Zheng has extensive experience in education, scientific research and development activities in food science and technology sector, and in recent years he also involved in development of scientific and technological research items and various horizontal integration cooperation projects. He is also a member of the Audit Committee, the Compensation Committee and the Nomination Committee of the Company.

PROFILES OF DIRECTORS AND SENIOR EXECUTIVES

SENIOR EXECUTIVES

Mr. Nie Xing (聶星), aged 43, joined the Group in June 2001 as the vice chief operating officer. He is mainly responsible for the financial planning and analysis, management, investment and corporate financing of the Group. He graduated from Jiangxi University of Finance and Economics (江西財經學院) with a bachelor degree in Commerce and Economics in 1986 and obtained a master degree in Business Administration from the Open University of Hong Kong (香港公開大學) in December 2000. He is also a member of the Compensation Committee and the Nomination Committee of the Company.

Mr. Wang Wei Wen (王偉文), aged 40, is the vice chief officer of the Group. He is responsible for administration, human resources management and corporate planning of the Group. Mr. Wang graduated from Xiamen University (廈門大學) with a bachelor degree in Economics in 1987 and obtained a master degree in Business Administration from the School of Economics of Xiamen University in 1990. He joined the Group in April 2005. Prior to joining the Group, Mr. Wang served as the president's secretary, branch deputy general manager and general manager of state-owned enterprises for 15 years.

Mr. Chen Qian (陳謙), aged 36, is the sales director of the Group. Mr. Chen graduated from Fujian Province Ningde City Normal School (福建省寧德市師範學校) and obtained a master degree from Renmin University of China (中國人民大學) in 2004. Prior to joining the Group, he served in various positions at a number of companies, including officer, section chief, head of sub-division, vice general manager and acting general manager, and has over 10 years of working experience in sales management.

Ms. Chen Bing Ling (陳冰玲), aged 33, is the general manager of Zhonglu (Fujian) Agriculture Comprehensive Development Company Limited (中綠(福建)農業綜合開發有限公司). Ms. Chen has been a member of the Group since August 1998 and is mainly responsible for the business development, sales and marketing activities. She received a diploma in Business Management from Xiamen University (廈門大學) in 1996.

Mr. Lin Bing Wen (林炳文), aged 39, joined the Group in January 2001. He is currently the general manager of China Green Food Science Technology Limited (中綠(江西)食品科技有限公司). Prior to joining the Group, Mr. Lin was the person-in-charge of cultivation bases for 5 years. He obtained his qualification as an assistant engineer from Quanzhou City Personnel Department (泉州市人事局) in January 2002.

Mr. Feng Zhong Shu (馮忠書), aged 62, is the head of the Group's food research and development department. He is mainly responsible for research and development of food processing technology and quality control of agricultural product. Mr. Feng joined the Group in November 1999. He is a senior food engineer and has worked in the food processing industry for more than 30 years. He graduated from Dalian Light Industrial Institute (大連輕工業學院) majoring in food engineering In 1989.

PROFILES OF DIRECTORS AND SENIOR EXECUTIVES

SENIOR EXECUTIVES (continued)

Mr. Wang Xiaofeng (王曉峰), aged 33, is the Director of the Marketing Center of the Group. He graduated from Fushun Petroleum Institute (撫順石油學院) in 1994. He served in Coca-Cola, Yinlu Group (銀鷺集團) and various other companies and accumulated a wealth of experience in marketing management. He joined the Group in 2006.

Mr. Zheng Hai (鄭海), aged 39, is the general manager of China Green (Fujian) Food Import & Export Company Limited (中綠（福建）食品進出口有限公司). He joined the Group in June 2007. He graduated from the University of Xiamen (廈門大學) International Trade Department in 1990 with an Economics degree. He worked in a number of foreign trade enterprises as senior executive and is well versed in import and export business.

Mr. Yuan Jun (袁軍), aged 30, is the Group's Director of Planning. He graduated from the Beijing Information Engineering Institute (北京資訊工程學院) in 1999 with a college degree, and obtained a certificate in advertising from Xiamen University (廈門大學). He served as senior management member in marketing, planning and branding in many famous enterprises. He joined the Group in November 2006.

Ms. Wu Xiujin (吳秀金), aged 35, is the Human Resource Controller of the Group. She graduated from the Southwest Political Science and Law School (西南政法學院) in 1996. Since graduation she had served in law firms and served as the legal adviser of a number of companies. She joined the Group in October 2001 and is engaged in works related to corporate legal affairs, administration and personnel management.

Mr. Luo Bin (羅斌), aged 41, is the General Manager of the Group's Production Center. He graduated from the Wuhan Workers's Institute of Finance (武漢職工財經學院) in 1993, and obtained the qualification of engineer in 2000. He joined the Group in July 2006. Before joining the Group, he served in various positions including the production facility manager, deputy commander of the construction preparation department in a number of food enterprises, accumulating years of production experience.

Ms. Liu Fang (劉方), aged 42, is the Controller of the Group's Finance Center. She obtained tertiary qualification in the management of industrial enterprise in 1988, and received a bachelor degree in Accounting from the Remnin University of China (中國人民大學). She served as financial chief officer in a number of enterprises and holds the title of accountant and qualification certificate for hotel finance manager. She joined the Group in October 2006.

DIRECTORS' REPORT

The Directors are pleased to present to the shareholders their annual report and audited financial statements of the Company and of the Group for the financial year ended 30 April 2007.

PRINCIPAL ACTIVITIES

The principal activity of the Company is investments holding. The activities of the subsidiaries are set out in note 17 to the financial statements.

An analysis of the Group's performance for the year by business and geographical segments is set out in note 5 to the financial statements.

RESULTS AND APPROPRIATIONS

The results for the year ended 30 April 2007 are set out in the consolidated income statement on page 37.

The Board has resolved to recommend to the shareholders of the Company at the forthcoming annual general meeting of the Company to be held on 10 October 2007 ("2007 AGM") a final dividend of HK$0.063 (approximately RMB0.062) (2006: HK$0.062 (approximately RMB0.064)) per share to be paid on or about 23 October 2007 to those shareholders whose names appear on the register of members of the Company on 25 September 2007. Taking into account of the interim dividend of HK$0.048 per share (2006: HK$0.038) and the proposed final dividend, total dividends for the year will amount to of HK$90,091,000 (approximately RMB91,283,000) (2006: HK$72,984,000 (approximately RMB75,173,000)).

CLOSURE OF REGISTER OF MEMBERS

The Register of Members of the Company will be closed from Friday, 21 September 2007 to Tuesday, 25 September 2007, both days inclusive, during which period no transfer of shares will be registered. In order to qualify for the proposed final dividend and to attend the 2007 AGM, all transfers of shares accompanied by the relevant share certificates must be lodged with the Company's branch share registrar and transfer office in Hong Kong, Computershare Hong Kong Investor Services Limited at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong for registration not later than 4:00 p.m. on Thursday, 20 September 2007.

Holders of 2.125% convertible bonds (the "Bonds") of the Company should lodge the conversion notice together with the relevant document evidencing the title of the Bonds to the conversion agent of the Bonds not later than 4:00 p.m. on Friday, 14 September 2007 in order to qualify for the final dividend and to attend the 2007 AGM.

DIRECTORS' REPORT

SHARE CAPITAL

Details of movements in the share capital of the Company during the year are set out in note 26 to the financial statements.

RESERVES

Details of movements in the reserves of the Group during the year are set out in the consolidated statement of changes in equity on page 41 and note 26 to the financial statements respectively.

PROPERTY, PLANT AND EQUIPMENT

Details of the movements in the property, plant and equipment of the Group are set out in note 14 to the financial statements.

DISTRIBUTABLE RESERVES

Reserves of the Company at 30 April 2007 available for distribution amounted to RMB780,568,000. The Company share premium account and contributed surplus, in the amount of RMB592,241,000 and RMB294,402,000 respectively are also available for distribution to shareholders, subject to condition that the Company cannot declare or pay a dividend, or make a distribution of share premium and contributed surplus if (a) the Company is, or would after the payment be, unable to pay its liabilities as they become due; or (b) the realizable value of the Company's assets would thereby be less than the aggregate of its liabilities and its issued share capital account.

PRE-EMPTIVE RIGHT

There are no pre-emptive provisions under the Company's Bye-Laws or the laws in Bermuda which would oblige the Company to offer new shares on a pro-rata basis to existing shareholders.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

During the year, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities.

DIRECTORS' REPORT

DIRECTORS

The Directors of the Company during the year and up to the date of this report were:

Executive Directors
Mr. Sun Shao Feng *(Chairman and Managing Director)*
Mr. Kung Sze Wai
Mr. Leung Kwok Fai Ben Rich

Independent Non-executive Directors
Mr. Hu Ji Rong
Mr. Lin Chuan Bi
Mr. Zheng Baodong

In accordance with Bye-law 87(1) of the Bye-Laws, Messrs. Hu Ji Rong and Lin Chuan Bi shall retire from office as Directors by rotation at the 2007 AGM and being eligible, offered themselves for re-election.

INDEPENDENCE CONFIRMATION

The Company received annual confirmation of independence, from each of independent non-executive Directors pursuant to Rule 3.13 of the Rules ("Listing Rules") Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited (the "Stock Exchange"). The Company considers all of the independent non-executive Directors are independent.

DIRECTORS' SERVICE AGREEMENTS

Each of Mr. Sun Shao Feng, Mr. Kung Sze Wai and Mr. Leung Kwok Fai Ben Rich entered into a service agreement with the Company on 20 December 2003 for an initial term of three years commenced on 13 January 2004, the date of commencement of listing of the shares of the Company on the Stock Exchange and shall continue thereafter the expiration of the said three years term unless and until terminated by either party giving to the other not less than six months' notice in writing. These Directors are entitled to annual remuneration of HK$1,200,000 (approximately RMB1,272,000) in aggregate and they are also entitled to participate any bonus plan to be determined by the Board absolutely.

Save as disclosed above, none of the Directors proposed for re-election at the AGM has unexpired service agreement which is determinable by the Company within one year without payment of compensation, other than statutory compensation.

PROFILES OF DIRECTORS AND SENIOR EXECUTIVES

Profiles of Directors and Senior Executives of the Group are set out on pages 22 to 25.

DIRECTORS' REPORT

DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS IN SECURITIES

At 30 April 2007, the interests or short positions of the Directors and chief executive of the Company in the shares, underlying shares and debentures of the Company or any associated corporation (within the meaning of Part XV of the Securities and Futures Ordinance ("SFO") which were notified to the Company and the Stock Exchange of Hong Kong Limited (the "Stock Exchange") pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they are taken or deemed to have under such provisions of the SFO), or which were required, pursuant to section 352 of the SFO, to be entered in the register referred to therein, or which were required, pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers ("Model Code"), are set out below:

Interests and short positions in shares, underlying shares and debentures of the Company

Name of Director	Capacity	Long position/ Short position	Number of ordinary shares held	Percentage of the Company's issued share capital
Mr. Sun Shao Feng	Having an interest in a controlled corporation	Long position	405,282,000 *(Note)*	47.85%
Mr. Kung Sze Wai	Being a beneficial owner	Long position	7,200,000	0.85%

Note: These 405,282,000 ordinary shares of the Company are held through Capital Mate Limited, a company incorporated in the British Virgin Islands with limited liability which is wholly and beneficially owned by Mr. Sun Shao Feng.

Save as disclosed above, none of the Directors, chief executives or their associates had any interests and short positions in any shares, underlying shares and debentures of the Company or any of its associated corporations as defined in Part XV of SFO as recorded in the register to be kept under section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.

DIRECTORS' REPORT

INTERESTS IN SHARE OPTIONS

The Company adopted a share option scheme (the "Scheme") on 12 December 2003. The purpose of the Scheme is to enable the Board to grant options to selected participants (as set in the Prospectus of the Company dated 31 December 2003) as incentives or rewards for their contributions to the Group. The principal terms of the Scheme are as follows:

(i) The total number of shares which may be issued upon exercise of all options to be granted under the Scheme and any other share option schemes of the Company must not in aggregate exceed ten (10) per cent. of the shares in issue on the adoption date of the Scheme, i.e. 12 December 2003 unless the Company obtains a fresh approval from its shareholders, and which must not aggregate exceed thirty (30) per cent. of the shares in issue from time to time.

(ii) The total number of shares in respect of which options may be granted to each eligible participant in any 12-month period must not exceed one (1) per cent. of the issued share capital of the Company for the time being.

(iii) The subscription price shall be a price determined by the directors, but shall not be less than the highest of (i) the closing price of the shares as stated in the Stock Exchange's daily quotations on the date of grant, which must be a business day; (ii) the average closing price of the shares as stated in the Stock Exchange's daily quotations for the five business days immediately preceding the date of grant; and (iii) the nominal value of the share.

(iv) An option may be accepted by an eligible participant within 21 days from the date of grant of the option. Upon acceptance of the option, the grantee shall pay HK$1.00 to the Company by way of consideration for the grant of the option.

(v) Subject to the discretion of the Board who may impose restrictions on the exercise of the option, an option may be exercised at any time:

   (a) in respect of option holders other than suppliers and customers, such period shall commence one (1) year after the date of grant and shall expire on the earlier of the last day of (i) a ten (10) years period from the date of grant and (ii) the expiration of the Scheme; and

   (b) in respect of option holders who are suppliers and customers, such period shall commence on the date of grant and expire one (1) year thereafter.

(vi) The Scheme will remain valid for a period of 10 years commencing on 12 December 2003.

DIRECTORS' REPORT

INTERESTS IN SHARE OPTIONS (continued)

Details of movement of the share options during the year ended 30 April 2007 under the Scheme are as follows:

	Number of share options							
Name or category of participants	Balance at 1 May 2006	Granted during the year	Exercised during the year	Lapsed during the year	Outstanding at 30 April 2007	Exercise price (HK$)	Date of Grant	Exercisable Period
Directors								
Mr. Sun Shao Feng	7,200,000	–	7,200,000	–	–	2.05	15 Dec 2005	15 Dec 2006 to 11 Dec 2013
Mr. Kung Sze Wai	7,200,000	–	7,200,000	–	–	2.05	15 Dec 2005	15 Dec 2006 to 11 Dec 2013
	14,400,000	–	14,400,000	–	–			
Employees								
	7,200,000	–	7,200,000	–	–	2.05	15 Dec 2005	15 Dec 2006 to 11 Dec 2013
	20,400,00	–	–	–	20,400,000	3.50	19 April 2006	19 April 2007 to 11 Dec 2013#
	27,600,000	–	7,200,000	–	20,400,000			

70% of the share options are exercisable from 19 April 2007 and the remaining 30% are exercisable from 19 April 2008 to 11 December 2013.

DIRECTORS' REPORT

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBT SECURITIES

Other than as disclosed under the headings "Share Options" above, at no time during the year was the Company or any of its subsidiaries, its holding company, or any of its fellow subsidiaries, a party to any arrangement to enable the Directors or chief executives of the Company (including their spouses or children under 18 years of age) to have any right to subscribe for securities of the Company or any or its associated corporations as defined in the SFO or to acquire benefits by means of acquisition of shares in, or debentures of, the Company or any other corporate.

SUBSTANTIAL SHAREHOLDERS AND OTHER PERSONS' INTERESTS IN SECURITIES

As at 30 April 2007, so far as is known to the Directors, the following persons (other than the Directors and chief executives of the Company) had interests or short positions in the shares and underlying shares of the Company as recorded in the register required to be kept under section 336 of the SFO.

Interests and short position in shares and underlying shares of the Company

Name	Capacity	Long position/ Short position	Number of ordinary shares	Percentage of issued share capital
Kent C. McCarthy *(Note 1)*	Interest of controlled corporation	Long Position	53,763,500	6.35%
	Interest of controlled corporation	Long Position	2,238,000	0.26%
Jayhawk China Fund (Cayman), Ltd *(Note 1)*	Investment Manager	Long Position	53,763,500	6.35%
Cheah Cheng Hye *(Note 2)*	Interest of controlled corporation	Long Position	67,380,000	7.95%
Value Partners Limtied *(Note 2)*	Investment Manager	Long Position	67,380,000	7.95%

Notes:

1. Mr. Kent C. McCarthy is deemed to be interested in these 53,763,500 and 2,239,000 ordinary shares of the Company which are held by Jayhawk China Fund (Cayman), Ltd., a company incorporated in the Cayman Islands and Buffalo Jayhawk China Fund, a company incorporated in USA respectively and are controlled by Mr. Kent C. McCarthy.

2. Mr. Cheah Cheng Hye is deemed to be interested in these 67,380,000 ordinary shares of the Company which are held by Value Partners Limited, a company incorporated in the British Virgin Islands and is controlled by Mr. Cheah Cheng Hye.

DIRECTORS' REPORT

SUBSTANTIAL SHAREHOLDERS AND OTHER PERSONS' INTERESTS IN SECURITIES (continued)

Save as disclosed above, the Directors are not aware of any other persons who have interests or short positions in the shares, underlying shares or debentures of the Company or any associated corporations (within the meaning of the SFO) as recorded in the register required to be kept under section 336 of the SFO.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the code of conduct regarding directors' securities transactions as set out in the Model Code for Securities Transactions by Directors of Listed Issuers of the Listing Rules. All the Directors have confirmed that they have complied with the required standards as set out in the Model Code throughout the year.

DIRECTORS' AND CONTROLLING SHAREHOLDERS' INTERESTS IN CONTRACTS

Apart from the information disclosed under the heading "Connected Transactions" below, there was no other contract of significance in relation to the Company's business, to which the Company or any of its subsidiaries was a party, subsisted at the end of the year or at any time during the year, and in which a Director had, whether directly or indirectly, a material interest, nor there was any other contract of significance in relation to the Company's business between the Company or any of the Company's subsidiaries and a controlling shareholder or any of its subsidiaries.

DIRECTOR's INTERESTS IN COMPETING BUSINESS

During the year ended 30 April 2007, none of the Directors of the Company is interested in any business which competes or is likely to compete, either directly or indirectly, with the Company's business.

CONNECTED TRANSACTIONS

Significant related party transactions which also constitute connected transactions under the Listing Rules, entered into by the Group during the year are disclosed in note 30 to the financial statements. Other than disclosed therein, there was no other connected transaction of the Company and the Group during the year ended 30 April 2007.

RETIREMENT SCHEME ARRANGEMENT

Particulars of the Group's retirement scheme are set out in note 13 to the financial statements.

MANAGEMENT CONTRACTS

No contracts concerning the management and administration of the whole or any substantial part of the business of the Company were entered into or existed during the year.

DIRECTORS' REPORT

MAJOR CUSTOMERS AND SUPPLIERS

The aggregate percentage of purchases attributable to the Group's five largest suppliers in the year was, as last year, less than 30% of the Group's purchases.

The aggregate percentage of turnover attributable to the Group's five largest customers was approximately 19% of the Group's turnover and the percentage of turnover attributable to the Group's largest customer was approximately 6% of the Group's turnover for the year.

None of the Directors, their associates or shareholders, who to the knowledge of the Directors own more than 5% of the Company's share capital, had any interest in any of the five largest customers.

PUBLIC FLOAT

Based on the information that is publicly available to the Company and within the knowledge of the Directors, the Company has maintained a sufficient public float as required under the Listing Rules during the year and up to the date of this report.

AUDIT COMMITTEE

The Company established an audit committee (the "Audit Committee") on 12 December 2003, and currently comprising of three independent non-executive Directors, Mr. Hu Ji Rong, Mr. Lin Chuan Bi and Mr Zheng Baodong. The primary duties of the Audit Committee are to review the financial reporting process of the Group. During the year ended 30 April 2007, the Audit Committee held 2 meetings with all members present to review with the management the accounting principles and practices adopted by the Group and discussed internal control and financial reporting matters. In addition, the Audit Committee has reviewed the final results of the Group for the year ended 30 April 2007.

SUBSEQUENT EVENTS

There is no significant event subsequent to the balance sheet date as at 30 April 2007.

DIRECTORS' REPORT

AUDITORS

A resolution will be proposed at the 2007 AGM to re-appoint CCIF CPA Limited as auditors.

On behalf of the Board

Sun Shao Feng
Chairman

Hong Kong, 27 August 2007

INDEPENDENT AUDITOR'S REPORT

CCIF
CCIF CPA LIMITED
20/F Sunning Plaza
10 Hysan Avenue
Causeway Bay, Hong Kong

INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF CHINA GREEN (HOLDINGS) LIMITED
(Incorporated in Bermuda with limited liability)

We have audited the consolidated financial statements of China Green (Holdings) Limited (the "Company") set out on pages 38 to 95, which comprise the consolidated and company balance sheets as at 30 April 2007, and the consolidated income statement, the consolidated statement of changes in equity and the consolidated cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory notes.

DIRECTORS' RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

The directors of the Company are responsible for the preparation and the true and fair presentation of these financial statements in accordance with Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants and the disclosure requirements of the Hong Kong Companies Ordinance. This responsibility includes designing, implementing and maintaining internal control relevant to the preparation and the true and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

AUDITOR'S RESPONSIBILITY

Our responsibility is to express an opinion on these financial statements based on our audit. This report is made solely to you, as a body, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of the report.

We conducted our audit in accordance with Hong Kong Standards on Auditing issued by the Hong Kong Institute of Certified Public Accountants. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance as to whether the financial statements are free from material misstatement.

INDEPENDENT AUDITOR'S REPORT

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and true and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

OPINION

In our opinion, the consolidated financial statements give a true and fair view of the state of affairs of the Company and of the Group as at 30 April 2007 and of the Group's profit and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards and have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

CCIF CPA Limited
Certified Public Accountants
Hong Kong, 27 August 2007

Yau Hok Hung
Practising Certificate Number P04911

CONSOLIDATED INCOME STATEMENT

For the year ended 30 April 2007

	Note	**2007** *RMB'000*	2006 *RMB'000*
Turnover	*3*	**954,149**	686,602
Cost of sales		**(456,223)**	(332,186)
Gross profit		**497,926**	354,416
Other revenues	*4*	**15,498**	8,623
Gain arising from changes in fair value less estimated point-of-sale costs of biological assets		**15,173**	15,166
Selling and distribution expenses		**(92,896)**	(64,883)
General and administrative expenses		**(75,557)**	(45,351)
Profit from operations		**360,144**	267,971
Finance cost		**(14,394)**	(5,705)
Profit before taxation	*6*	**345,750**	262,266
Income tax	*7*	**245**	9,009
Profit attributable to equity shareholders of the Company	*10*	**345,995**	271,275
Dividends payable to equity shareholders of the Company attributable to the year:	*11*		
Interim dividend declared during the year		**38,767**	28,474
Final dividend proposed after the balance sheet date		**52,516**	46,699
		91,283	75,173
Earnings per share – Basic	*12*	**RMB44.8 cents**	RMB37.3 cents
Earnings per share – Diluted	*12*	**RMB41.7 cents**	RMB36.4 cents

The notes on pages 44 to 95 form an integral part of these financial statements.

CONSOLIDATED BALANCE SHEET

As at 30 April 2007

	Note	2007 RMB'000	2006 RMB'000
Non-current assets			
Property, plant and equipment	14	**475,477**	400,928
Interests in leasehold land held for own use under operating leases	15	**82,965**	67,836
Long-term prepaid rentals	16	**93,806**	65,062
Total non-current assets		**652,248**	533,826
Current assets			
Inventories	18	**14,320**	7,689
Biological assets	19	**39,337**	36,152
Short-term prepaid rentals		**–**	397
Current portion of long-term prepaid rentals	16	**33,941**	27,042
Trade and other receivables	20	**50,600**	60,423
Cash and cash equivalents	21	**1,050,537**	852,898
		1,188,735	984,601
Current liabilities			
Due to a director	22	**819**	–
Trade and other payables	23	**22,427**	16,170
Tax payable		**67,596**	67,325
		90,842	83,495
Net current assets		**1,097,893**	901,106
Total assets less current liabilities		**1,750,141**	1,434,932
Non current liabilities			
Convertible bonds	25	**64,605**	301,786
Deferred tax liabilities	24	**–**	516
		64,605	302,302
NET ASSETS		**1,685,536**	1,132,630
CAPITAL AND RESERVES	26(a)		
Share capital		**88,921**	77,507
Reserves		**1,596,615**	1,055,123
TOTAL EQUITY		**1,685,536**	1,132,630

Approved and authorised for issue by the board of directors on 27 August 2007.

Sun Shao Feng
Director

Kung Sze Wai
Director

The notes on pages 44 to 95 form an integral part of these financial statements.

BALANCE SHEET

As at 30 April 2007

	Note	2007 RMB'000	2006 RMB'000
Non-current assets			
Property, plant and equipment	14	**141**	123
Investments in subsidiaries	17	**276,167**	291,292
Total non-current assets		**276,308**	291,415
Current asset			
Trade and other receivables	20	**487,487**	376,382
Cash and cash equivalents	21	**254,491**	373,636
		741,978	750,018
Current liabilities			
Due to a director	22	**65**	–
Trade and other payables	23	**1,193**	1,783
		1,258	1,783
Net current assets		**740,720**	748,235
Total assets less current liabilities		**1,017,028**	1,039,650
Non-current liabilities			
Convertible bonds	25	**64,605**	301,786
NET ASSETS		**952,423**	737,864
CAPITAL AND RESERVES	26(b)		
Issued capital		**88,921**	77,507
Reserves		**863,502**	660,357
TOTAL EQUITY		**952,423**	737,864

Approved and authorised for issue by the board of directors on 27 August 2007.

Sun Shao Feng
Director

Kung Sze Wai
Director

The notes on pages 44 to 95 form an integral part of these financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 30 April 2007

	Note	2007 RMB'000	2007 RMB'000	2006 RMB'000	2006 RMB'000
Total equity at 1 May			**1,132,630**		888,895
Net expenses recognised directly in equity:					
Exchange differences on translation into presentation currency		**(13,237)**		(2,524)	
Net profit for the year		**345,995**		271,275	
Total recognised income and expenses for the year			**332,758**		268,751
Dividends declared or approved during the year			**(83,701)**		(57,502)
Movements in equity arising from capital transactions					
Shares issued under conversion of convertible bonds	26(a)	**233,529**		9,853	
Shares issued under exercise of share options	26(a)	**43,660**		–	
Equity component of convertible bonds issued	26(a)	**–**		16,951	
Equity settled share-based transactions	26(a)	**26,660**		5,682	
			303,849		32,486
Total equity at 30 April			**1,685,536**		1,132,630

The notes on pages 44 to 95 form an integral part of these financial statements.

CONSOLIDATED CASH FLOW STATEMENT

For the year ended 30 April 2007

	Note	2007 RMB'000	2006 RMB'000
Operating activities			
Profits before taxation		**345,750**	262,266
Adjustments for:			
Amortisation of land lease premium		**1,451**	1,555
Amortisation of long-term prepaid rentals		**29,382**	27,643
Depreciation		**39,622**	23,921
Loss on disposal of property, plant and equipment		**246**	382
Loss on disposal of operation on cultivation base		**–**	1,376
Gain on changes in fair value less estimated point-of-sale costs of biological assets		**(15,173)**	(15,166)
Interest income		**(14,837)**	(6,357)
Interest expenses		**14,394**	5,705
Amortisation of transaction costs in respect of convertible bonds		**2,850**	752
Net exchange gain		**(9,310)**	–
Equity settled share-based payment expenses		**26,660**	5,682
Operating profit before changes in working capital		**421,035**	307,759
Increase in inventories		**(6,631)**	(2,453)
Decrease in biological assets		**11,988**	9,301
Decrease in short term prepaid rentals		**397**	–
Decrease/(increase) in trade and other receivables		**11,385**	(508)
Increase/(decrease) in the amount due to a director		**819**	(879)
Increase/(decrease) in trade and other payables		**3,584**	(4,402)
Cash generated from operations		**442,577**	308,818
Tax paid			
PRC enterprise income tax paid		**–**	–
Net cash generated from operating activities		**442,577**	308,818
Investing activities			
Payment for purchase of property, plant and equipment and leasehold land		**(125,878)**	(229,481)
Payment for long-term prepaid rentals		**(65,025)**	(22,921)
Payment of deposits for acquisition of property, plant and equipment		**–**	(5,045)
Proceeds on disposal of property, plant and equipment		**18**	102
Proceeds on disposal of operation on cultivation base		**–**	281
Interest received		**10,804**	6,357
Net cash used in investing activities		**(180,081)**	(250,707)

CONSOLIDATED CASH FLOW STATEMENT

For the year ended 30 April 2007

	Note	2007 *RMB'000*	2006 *RMB'000*
Financing activities			
Net proceeds from issuance of convertible bonds		**–**	322,133
Proceeds from shares issued under exercise of share options		**43,660**	–
Proceeds from shares issued under conversion of convertible bonds		**–**	–
Bonds interest paid		**(5,227)**	–
Dividends paid		**(83,701)**	(57,501)
Net cash (used)/generated from financing activities		**(45,268)**	264,632
Net increase in cash and cash equivalents		**217,228**	322,743
Cash and cash equivalents at 1 May		**852,898**	531,791
Effect of foreign exchange rate changes		**(19,589)**	(1,636)
Cash and cash equivalents at 30 April	*21*	**1,050,537**	852,898

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 April 2007

1. GENERAL INFORMATION

China Green (Holdings) Limited (the "Company") was incorporated in Bermuda under the Companies Act 1981 of Bermuda as an exempted company with limited liability and its shares are listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange").

The Company is an investment holding company and the principal activities of its subsidiaries are set out in note 17 to the financial statements.

2. SIGNIFICANT ACCOUNTING POLICIES

(a) Statement of compliance

These financial statements have been prepared in accordance with all applicable Hong Kong Financial Reporting Standards ("HKFRSs"), which collective term includes all applicable individual Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards ("HKASs") and Interpretations issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"), accounting principles generally accepted in Hong Kong and the disclosure requirements of the Hong Kong Companies Ordinance. These financial statements also comply with the applicable disclosure provisions of the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules"). A summary of the significant accounting policies adopted by the Group is set out below.

The HKICPA has issued certain new and revised HKFRSs that are first effective or available for early adoption for the current accounting period of the Group and the Company.

The adoption of these new and revised HKFRSs did not result in significant change to the Group's accounting policies applied on these financial statements for the years presented. The Group has not applied any new standard or interpretation that is not yet effective for the current accounting period (see note 35).

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 April 2007

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

(b) Basis of preparation of the financial statements

The consolidated financial statements for the year ended 30 April 2007 comprise the Company and its subsidiaries (together referred to as the "Group").

The measurement basis used in the preparation of the financial statements is the historical cost basis except that the biological assets are stated at their fair value as explained in the accounting policies set out in note 2(g).

The functional currencies of the Company and its subsidiaries in the People's Republic of China (the "PRC") are Hong Kong dollars ("HK$") and Renminbi ("RMB") respectively. For the purposes of presenting the consolidated financial statements, the Group adopted Renminbi as its presentation currency.

The preparation of financial statements in conformity with HKFRSs requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets, liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judegments about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Judgements made by management in application of HKFRSs that have significant effect on the financial statements and the estimates with a significant risk of material adjustment in the next year are discussed in note 34.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 April 2007

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

(c) Subsidiaries

Subsidiaries are entities controlled by the Group. Control exists when the Group has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. In assessing control, potential voting rights that presently are exercisable are taken into account.

An investment in a subsidiary is consolidated into the consolidated financial statements from the date that control commences until the date that control ceases.

Intra-group balances and transactions and any unrealised profits arising from intra-group transactions are eliminated in full in preparing the consolidated financial statements. Unrealised losses resulting from intra-group transactions are eliminated in the same way as unrealised gains but only to the extent that there is no evidence of impairment.

In the Company's balance sheet, an investment in a subsidiary is stated at cost less impairment losses (see note 2(f)), unless the investment is classified as held for sale.

(d) Property, plant and equipment

The following items of property, plant and equipment are stated in the balance sheet at cost less accumulated depreciation and impairment losses (see note 2(f)):

– buildings held for own use which are situated on leasehold land, where the fair value of the building could be measured separately from the fair value of the leasehold land at the inception of the lease (see note 2(e)); and

– other items of plant and equipment.

The cost of self-constructed items of property, plant and equipment includes the cost of materials, direct labour, the initial estimate, where relevant, of the costs of dismantling and removing the items and restoring the site on which they are located, and an appropriate proportion of production overheads and borrowing costs (see note 2(q)).

Gains or losses arising from the retirement or disposal of an item of property, plant and equipment are determined as the difference between the net disposal proceeds and the carrying amount of the item and are recognised in profit or loss on the date of retirement or disposal.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 April 2007

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

(d) Property, plant and equipment (continued)

Depreciation is calculated to write off the cost of items of property, plant and equipment, less their estimated residual value, if any, using the straight line method over their estimated useful lives as follows:

Buildings	5% – 6%
Infrastructure on cultivation bases	5% – 20%
Machinery	5% – 10%
Furniture, fixtures and office equipment	5% – 20%
Motor vehicles	20% – 30%

No depreciation is provided in respect of construction in progress.

Where parts of an item of property, plant equipment have different useful lives, the cost of the item is allocated on a reasonable basis between the parts and each part is depreciated separately. Both the useful life of an asset and its residual value, if any, are reviewed annually.

(e) Leased assets

An arrangement, comprising a transaction or a series of transactions, is or contains a lease if the Group determines that the arrangement conveys a right to use a specific asset or assets for an agreed period of time in return for a payment or a series of payments. Such a determination is made based on an evaluation of the substance of the arrangement and is regardless of whether the arrangement takes the legal form of a lease.

(i) Classification of assets leased to the Group

Assets that are held by the Group under leases which transfer to the Group substantially all the risks and rewards of ownership are classified as being held under finance leases. Leases which do not transfer substantially all the risks and rewards of ownership to the Group are classified as operating leases.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 April 2007

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

(e) Leased assets (continued)

(ii) Operating lease charges

Where the Group has the use of assets held under operating leases, payments made under the leases are charged to profit or loss 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 profit or loss as an integral part of the aggregate net lease payments made.

The cost of acquiring land held under an operating lease is amortised on a straight-line basis over the period of the lease term.

(f) Impairment of assets

(i) Impairment of financial assets

Financial assets that are stated at cost or amortised cost are reviewed at each balance sheet date to determine whether there is objective evidence of impairment. If any such evidence exists, any impairment loss is determined and recognised as follows:

The impairment loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the financial asset's original effective interest rate (i.e. the effective interest rate computed at initial recognition of these assets), where the effect of discounting is material.

If in a subsequent period the amount of an impairment loss decreases and the decrease can be linked objectively to an event occurring after the impairment loss was recognised, the impairment loss is reversed through profit or loss. A reversal of an impairment loss shall not result in the asset's carrying amount exceeding that which would have been determined had no impairment loss been recognised in prior years.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 April 2007

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

(f) Impairment of assets (continued)

(ii) Impairment of other 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;

– pre-paid interests in leasehold land classified as being held under an operating lease; and

– investments in subsidiaries (except for those classified as held for sale).

If any such indication exists, the asset's recoverable amount is estimated.

– 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).

– Recognition of impairment losses

An impairment loss is recognised in profit or loss whenever the carrying amount of an asset, or the cash-generating unit to which it belongs, exceeds its recoverable amount. Impairment losses recognised in respect of cash-generating units are allocated to reduce the carrying amount of assets in the unit (or group of units) on a pro rata basis, except that the carrying value of an asset will not be reduced below its individual fair value less costs to sell, or value in use, if determinable.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 April 2007

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

(f) Impairment of assets (continued)

(ii) Impairment of other assets (continued)

– Reversals of impairment losses

An impairment loss is reversed if there has been a favourable change in the estimates used to determine the recoverable amount.

A reversal of an impairment loss 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 profit or loss in the year in which the reversals are recognised.

(g) Biological assets

Biological assets are the growing crops of the Group on the cultivation bases. Biological assets are measured at fair value less estimated point-of-sale costs on initial recognition and at each balance sheet date. The fair value of biological assets is determined based on the market price with reference to the species, growing condition, costs incurred and expected yield of the crops.

The agricultural produce is initially measured at fair value less estimated point-of-sale costs at the time of harvest. The fair value of agricultural produce is measured at the market prices in the local market. The fair value less estimated point-of-sale costs at the time of harvest is deemed as the cost of agricultural produce for further processing.

The gain or loss arising on recognition of biological assets and agricultural produce is dealt with in the income statement.

(h) Inventories

Inventories comprising raw materials, agricultural materials, consumable and packing material, processing agricultural produce and finished goods are carried at the lower of cost and net realisable value.

Cost is calculated using the weighted average cost formula and comprises all costs of purchases, costs of processing agricultural produce, including cost of agricultural produce, cost of conversion and other costs incurred in bringing the inventories to their present location and condition.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 April 2007

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

(h) Inventories (continued)

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 in which the write-down or loss occurs. The amount of any reversal of any write-down of inventories is recognised as a reduction in the amount of inventories recognised as an expense in the period in which the reversal occurs.

(i) Trade and other receivables

Trade and other receivables are initially recognised at fair value and thereafter stated at amortised cost less impairment losses for bad and doubtful debts (see note 2(f)), except where the receivables are interest-free loans made to related parties without any fixed repayment terms or the effect of discounting would be immaterial. In such cases, the receivables are stated at cost less impairment losses for bad and doubtful debts (see note 2(f)).

(j) Convertible bonds

Convertible bonds that can be converted into equity share capital at the option of the holder, where the number of shares that would be issued on conversion and the value of the consideration that would be received at that time do not vary, are accounted for as compound financial instruments which contain both a liability component and an equity component.

At initial recognition the liability component of the convertible bonds is measured as the present value of the future interest and principal payments, discounted at the market rate of interest applicable at the time of initial recognition to similar liabilities that do not have a conversion option. Any excess of proceeds over the amount initially recognised as the liability component is recognised as the equity component. Transaction costs that relate to the issue of a compound financial instrument are allocated to the liability and equity components in proportion to the allocation of proceeds.

The liability component is subsequently carried at amortised cost. The interest expense recognised in profit or loss on the liability component is calculated using the effective interest method. The equity component is recognised in the convertible bonds reserve until either the bond is converted or redeemed.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 April 2007

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

(j) Convertible bonds (continued)

If the bond is converted, the convertible bonds reserve, together with the carrying amount of the liability component at the time of conversion, is transferred to share capital and share premium as consideration for the shares issued. If the bond is redeemed, the capital reserve is released directly to retained profits.

(k) Trade and other payables

Trade and other payables are initially recognised at fair value and are subsequently stated at amortised cost unless the effect of discounting would be immaterial, in which case they are stated at cost.

(l) Cash and cash equivalents

Cash and cash equivalents comprise cash at bank and on hand, demand deposits with banks and other financial institutions, and short-term, highly liquid investments that are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value, having been within three months of maturity at acquisition. Bank overdrafts that are repayable on demand and form an integral part of the Group's cash management are also included as a component of cash and cash equivalents for the purpose of the consolidated cash flow statement.

(m) Employee benefits

(i) Short term employee benefits and contributions to defined contribution retirement plans

Salaries, annual bonuses, paid annual leave, contributions to defined contribution retirement plans and the cost of non-monetary benefits are accrued in the year in which the associated services are rendered by employees. Where payment or settlement is deferred and the effect would be material, these amounts are stated at their present values.

(ii) Share based payments

The fair value of share options granted to employees is recognised as an employee cost with a corresponding increase in a share-based compensation reserve within equity. The fair value is measured at grant date using the binomial option pricing model (the "Binomial Model"), taking into account the terms and conditions upon which the options were granted. Where the employees have to meet vesting conditions before becoming unconditionally entitled to the options, the total estimated fair value of the options is spread over the vesting period, taking into account the probability that the options will vest.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 April 2007

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

(m) Employee benefits (continued)

(ii) Share based payments (continued)

During the vesting period, the number of share options that is expected to vest is reviewed. Any adjustment to the cumulative fair value recognised in prior years is charged/ credited to the profit or loss for the year of the review, unless the original employee expenses qualify for recognition as an asset, with a corresponding adjustment to the share-based compensation reserve. On vesting date, the amount recognised as an expense is adjusted to reflect the actual number of options that vest (with a corresponding adjustment to the share-based compensation reserve) except where forfeiture is only due to not achieving vesting conditions that relate to the market price of the Company's shares. The equity amount is recognised in the share-based compensation reserve until either the option is exercised (when it is transferred to the share premium account) or the option expires (when it is released directly to retained profits).

(n) Income tax

Income tax for the year comprises current tax and movements in deferred tax assets and liabilities. Current tax and movements in deferred tax assets and liabilities are recognised in profit or loss except to the extent that they relate to items recognised directly in equity, in which case they are recognised in equity.

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

Deferred tax assets and liabilities arise from deductible and taxable temporary differences respectively, being the differences between the carrying amounts of assets and liabilities for financial reporting purposes and their tax bases. Deferred tax assets also arise from unused tax losses and unused tax credits.

Apart from certain limited exceptions, all deferred tax liabilities, and all deferred tax assets to the extent that it is probable that future taxable profits will be available against which the asset can be utilised, are recognised. Future taxable profits that may support the recognition of deferred tax assets arising from deductible temporary differences include those that will arise from the reversal of existing taxable temporary differences, provided those differences relate to the same taxation authority and the same taxable entity, and are expected to reverse either in the same period as the expected reversal of the deductible temporary difference or in periods into which a tax loss arising from the deferred tax asset can be carried back or forward. The same criteria are adopted when determining whether existing taxable temporary differences support the recognition of deferred tax assets arising from unused tax losses and credits, that is, those differences are taken into account if they relate to the same taxation authority and the same taxable entity, and are expected to reverse in a period, or periods, in which the tax loss or credit can be utilised.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 April 2007

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

(n) Income tax (continued)

The limited exceptions to recognition of deferred tax assets and liabilities are those temporary differences arising from the initial recognition of assets or liabilities that affect neither accounting nor taxable profit (provided they are not part of a business combination), and temporary differences relating to investments in subsidiaries to the extent that, in the case of taxable differences, the Group controls the timing of the reversal and it is probable that the differences will not reverse in the foreseeable future, or in the case of deductible differences, unless it is probable that they will revenue in the future.

The amount of deferred tax recognised is measured based on the expected manner of realisation or settlement of the carrying amount of the assets and liabilities, using tax rates enacted or substantively enacted at the balance sheet date. Deferred tax assets and liabilities are not discounted.

The carrying amount of a deferred tax asset is reviewed at each balance sheet date and is reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow the related tax benefit to be utilised. Any such reduction is reversed to the extent that it becomes probable that sufficient taxable profits will be available.

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 the Company or the Group has the legally enforceable right to set off current tax assets against current tax liabilities and the following additional conditions are met:

– In the case of current tax assets and liabilities, the Company or the Group intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously; or

– In the case of deferred tax assets and liabilities, if they relate to income taxes levied by the same taxation authority on either:

  – the same taxable entity; or

  – different taxable entities, which, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered, intend to realise the current tax assets and settle the current tax liabilities on a net basis or realise and settle simultaneously.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 April 2007

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

(o) Provisions and contingent liabilities

Provisions are recognised for liabilities of uncertain timing or amount when the Group or 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 expenditure 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.

(p) Revenue recognition

Provided it is probable that the economic benefits will flow to the Group and the revenue and costs, if applicable, can be measured reliably, revenue is recognised in the profit or loss as follows:

(i) Sale of goods

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) Interest income

Interest income is recognised as it accrues using the effective interest method.

(iii) Handling income

Handling income is recognised when the services are rendered.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 April 2007

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

(q) Borrowing costs

Borrowing costs are expensed in profit or loss in the period in which they are incurred, except to the extent that they are capitalised as being directly attributable to the acquisition, construction or production of an asset which necessarily takes a substantial period of time to get ready for its intended use or sale.

The capitalisation of borrowing costs as part of the cost of a qualifying asset commences when expenditure for the asset is being incurred, borrowing costs are being incurred and activities that are necessary to prepare the asset for its intended use or sale are in progress. Capitalisation of borrowing costs is suspended or ceases when substantially all the activities necessary to prepare the qualifying asset for its intended use or sale are interrupted or complete.

(r) Research and development costs

Expenditure on research activities is recognised as an expense in the period in which it is incurred. Expenditure on development activities is capitalised if the product or process is technically and commercially feasible and the Group has sufficient resources and the intention to complete development. The expenditure capitalised includes the costs of materials, direct labour, and an appropriate proportion of overheads and borrowing costs, where applicable (see note 2(q)). Capitalised development costs are stated at cost less accumulated amortisation and impairment losses. Other development expenditure is recognised as an expense in the period in which it is incurred.

(s) Translation of foreign currencies

Foreign currency transactions during the year are translated at the foreign exchange rates ruling at the transaction dates. Monetary assets and liabilities denominated in foreign currencies are translated at the foreign exchange rates ruling at the balance sheet date. Exchange gains and losses are recognised in profit or loss.

Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated using the foreign exchange rates ruling at the transaction dates. Non-monetary assets and liabilities denominated in foreign currencies that are stated at fair value are translated using the foreign exchange rates ruling at the dates the fair value was determined.

The results of foreign operations are translated into Renminbi at the exchange rates approximating the foreign exchange rates ruling at the dates of the transactions. Balance sheet items are translated into Renminbi at the foreign exchange rates ruling at the balance sheet date. The resulting exchange differences are recognised directly in a separate component of equity.

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

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 April 2007

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

(t) Related parties

For the purposes of these financial statements, a party is considered to be related to the Group if:

(i) the party has the ability, directly or indirectly through one or more intermediaries, to control the Group or exercise significant influence over the Group in making financial and operating policy decisions, or has joint control over the Group;

(ii) the Group and the party are subject to common control;

(iii) the party is a member of key management personnel of the Group or the Group's parent, or a close family member of such an individual, or is an entity under the control, joint control or significant influence of such individuals;

(iv) the party is a close family member of a party referred to in (i) or is an entity under the control, joint control or significant influence of such individuals; or

(v) the party is a post-employment benefit plan which is for the benefit of employees of the Group or of any entity that is a related party of the Group.

Close family members of an individual are those family members who may be expected to influence, or be influenced by, that individual in their dealings with the entity.

(u) 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 system, the Group has chosen business segment information as the primary reporting format and geographical segment information as the secondary reporting format for the purposes of these financial statements.

Segment revenue, expenses, results, assets and liabilities include items directly attributable to a segment as well as those that can be allocated on a reasonable basis to that segment. For example, segment assets may include inventories, trade receivables and property, plant and equipment. Segment revenue, expenses, assets and liabilities are determined before intra-group balances and intra-group transactions are eliminated as part of the consolidation process, except to the extent that such intra-group balances and transactions are between group entities within a single segment. Inter-segment pricing is based on similar terms as those available to other external parties.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 April 2007

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

(u) Segment reporting (continued)

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, tax balances, corporate and financing expenses.

3. TURNOVER

The Group is principally engaged in the growing and sales of agricultural products.

Turnover represents sales value of agricultural products supplied to customers. The amount of each significant category of revenue recognised in turnover during the year is as follows:

	2007 ***RMB'000***	2006 *RMB'000*
Sales of agricultural products		
Fresh produce	**327,985**	297,622
Processed products	**183,031**	124,797
Pickled products	**135,314**	83,102
Rice products	**86,335**	81,005
Rice flour products	**88,401**	30,041
Beverage products	**114,598**	70,035
Instant noodles	**18,485**	–
	954,149	686,602

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 April 2007

4. OTHER REVENUE

	2007 *RMB'000*	2006 *RMB'000*
Interest income from banks	**14,837**	6,357
Handling income	**573**	1,512
Government grants	**–**	741
Sundry income	**88**	13
	15,498	8,623

5. SEGMENTAL REPORTING

Segment information is presented in respect of the Group's business and geographical segments. Business segment information is chosen as the primary reporting format because this is more relevant to the Group's internal financial reporting.

(a) Business segments

During the year under review, the Group principally operates a single business segment which is growing and sales of agricultural products. Accordingly, no business segment information is presented.

(b) Geographical segments

The Group's operations are principally located in Hong Kong and the PRC. The Group's administrative function is carried out in Hong Kong and the PRC, and the operating activities are carried out mainly in the PRC.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 April 2007

5. SEGMENTAL REPORTING (continued)

(b) Geographical segment (continued)

An analysis of the Group's turnover and gross profit by geographical location of customers for the year is as follows:

	2007	2006
	RMB'000	*RMB'000*
Turnover		
Japan	**300,513**	278,047
PRC	**508,417**	328,667
Other Asian countries	**48,421**	37,753
Europe	**91,121**	38,806
Australia	**4,548**	3,329
Africa	**1,129**	–
	954,149	686,602
Gross profit		
Japan	**173,233**	164,335
PRC	**242,663**	145,229
Other Asian countries	**27,539**	20,939
Europe	**51,051**	22,017
Australia	**2,791**	1,896
Africa	**649**	–
	497,926	354,416

Over 99% of the Group's assets are principally located in the PRC. Accordingly, no geographical analysis of segment assets and capital expenditure is presented.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 April 2007

6. PROFIT BEFORE TAXATION

Profit before taxation is arrived after charging/(crediting) the following:

		2007 *RMB'000*	2006 *RMB'000*
(a)	**Finance costs**		
	Interest on convertible bonds	**14,394**	5,705
(b)	**Staff costs**		
	Contributions to defined contribution retirement plans *(note 13)*	**429**	172
	Equity-settled share-based payment expenses	**26,660**	5,682
	Salaries, wages and other benefits	**96,694**	78,782
		123,783	84,636
(c)	**Other items**		
	Amortisation of land lease premium	**1,451**	1,555
	Amortisation of long-term prepaid rentals	**29,382**	27,643
	Depreciation of property, plant and equipment	**39,622**	23,921
	Operating lease charges		
	– hire of plant and machinery	**–**	33
	– hire of other assets (including property rentals)	**1,849**	1,946
	Research and development expenses	**21,070**	5,010
	Auditors' remuneration – audit services	**820**	779
	Loss on operating on cultivation base	**–**	1,376
	Loss on disposal of property, plant and equipment	**246**	382
	Net foreign exchange (gain)/loss	**(8,280)**	2,371
	Impairment loss for bad and doubtful debts	**–**	71

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 April 2007

7. INCOME TAX IN THE CONSOLIDATED INCOME STATEMENT

	2007 *RMB'000*	2006 *RMB'000*
Current tax – PRC Enterprise Income Tax		
Provision for the year	**11,345**	–
Over-provision in respect of prior years	**(11,074)**	(5,752)
Deferred tax		
Origination and reversal of temporary differences	**(516)**	(3,257)
	(245)	(9,009)

(a) Hong Kong Profits Tax

No Hong Kong Profits Tax has been provided as the Group had no estimated assessable profits arising in or derived from Hong Kong (2006: Nil).

(b) PRC Enterprises Income Tax ("EIT")

Zhonglu (Fujian) Agriculture Comprehensive Development Company Limited ("Zhonglu"), the principal wholly owned subsidiary, is subject to PRC Enterprise Income Tax at a rate of 24%. However, in September 2005, Zhonglu was awarded as "State-Level Industrialized Agricultural Leading Enterprise" of the nation by the central government of the PRC. According to the circular Nong Jing Fa [2005] No.5, domestic PRC State-Level Industrialized Agricultural Leading Enterprises are entitled to certain tax benefits including full exemption of PRC Enterprise Income Tax. Taxation for other PRC subsidiaries is charged at the appropriate current rates of taxation ruling in the PRC. During the year, certain PRC subsidiaries are subject to tax at 50% of the standard tax rates or fully exempt from PRC Enterprise Income Tax under the relevant tax rules and regulations.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 April 2007

7. INCOME TAX IN THE CONSOLIDATED INCOME STATEMENT (continued)

(c) Reconciliation between tax expenses and accounting profit at applicable tax rate.

	2007 *RMB'000*	2006 *RMB'000*
Profit before taxation	**345,750**	262,266
Notional tax on profit before taxation, calculated at the rates applicable to profits in the countries concerned	**82,500**	68,249
Tax effect of operating loss of Group's companies not subject to income tax	**7,557**	4,777
Tax effect of income that are not taxable	**(1,939)**	(607)
Tax effect of profit exempted from income tax as a result of tax benefit	**(81,669)**	(76,357)
Tax effect of unused tax loss not recognised	**4,380**	681
Over-provision in prior years	**(11,074)**	(5,752)
Actual tax for the year	**(245)**	(9,009)

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 April 2007

8. DIRECTORS' REMUNERATION

Directors' remuneration disclosed pursuant to section 161 of the Hong Kong Companies Ordinance is as follows:

	For the year ended 30 April 2007				
	Directors' fees	**Salaries, allowances and benefits in kind**	**Share-based payments** *(note)*	**Retirement scheme contributions**	**Total**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Executive directors					
Sun Shao Feng	–	1,365	2,751	–	4,116
Kung Sze Wai	–	521	2,751	12	3,284
Leung Kwok Fai, Ben Rich	–	141	–	6	147
Independent non-executive directors					
Hu Ji Rong	35	–	–	–	35
Lin Chuan Bi	20	–	–	–	20
Zheng Bao Dong	30	–	–	–	30
	85	2,027	5,502	18	7,632

	For the year ended 30 April 2006				
	Directors' Fees	Salaries, allowances and benefits in kind	Share-based payments *(note)*	Retirement scheme contributions	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Executive directors					
Sun Shao Feng	–	1,926	1,741	–	3,667
Kung Sze Wai	–	842	1,741	13	2,596
Leung Kwok Fai, Ben Rich	–	156	–	7	163
Huang Hua	–	94	–	–	94
Independent non-executive directors					
Hu Ji Rong	30	–	–	–	30
Lin Chuan Bi	20	–	–	–	20
Hu Bao Zheng	9	–	–	–	9
Zheng Bao Dong	7	–	–	–	7
	66	3,018	3,482	20	6,586

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 April 2007

8. DIRECTORS' EMOLUMENTS (continued)

No directors of the Company waived any emoluments and no emoluments was paid or payable by the Group as an inducement to join or upon joining the Group, or as compensation for loss of office during the years ended April 2007 and 2006.

Note:

These represent the estimated value of share options granted to the directors under the Company's share option scheme. The value of these share options is measured according to the Group's accounting policies for share-based payment transactions as set out in note 2(m)(ii) and, in accordance with that policy, includes adjustments to reverse amounts accrued in previous years where grants of equity instruments are forfeited prior to vesting.

The details of these benefits in kind, including the principal terms and number of options granted, are disclosed under the paragraph "Interests in Share Option" in the directors' report and note 27.

9. INDIVIDUALS WITH HIGHEST EMOLUMENTS

Of the five individuals with highest emoluments, three (2006: four) are directors whose emoluments are disclosed in note 8. The aggregate of the emoluments in respect of the other two (2006: one) individuals are as follows:

	2007 ***RMB'000***	2006 *RMB'000*
Salaries and other emoluments	**971**	353
Discretionary bonuses	**–**	520
Share-based payments	**2,751**	1,741
Retirement scheme contributions	**8**	–
	3,730	2,614

The emoluments of the two (2006: one) individuals with the highest emolument are within the following bands:

	Number of individuals	
	2007	2006
RMB		
Nil – 1,000,000	**1**	–
2,500,001 – 3,000,000	**–**	1
3,500,001 – 4,000,000	**1**	–

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 April 2007

10. PROFIT ATTRIBUTABLE TO EQUITY SHAREHOLDERS OF THE COMPANY

The consolidated profit attributable to shareholders includes a loss of RMB32,470,000 (2006: RMB17,317,000) which has been dealt with in the financial statements of the Company.

Reconciliation of the above amount to the Company's profit for the year:

	2007 **RMB'000**	2006 *RMB'000*
Amount of consolidated loss attributable to equity shareholders dealt with in the Company's financial statements	**(32,470)**	(17,317)
Interim dividends from subsidiaries attributable to the profits of the current financial year, approved and paid during the year	**60,000**	100,000
Company's profit for the year *(note 26(b))*	**27,530**	82,683

11. DIVIDENDS

(a) Dividends payable to equity shareholders of the Company attributable to the year

	2007 **RMB'000**	2006 *RMB'000*
Interim dividend paid of HK$0.048 (equivalent to approximately RMB0.047) (2006: HK$0.038 (equivalent to approximately RMB0.040)) per ordinary share	**38,767**	28,474
Final dividend proposed of HK$0.063 (equivalent to approximately RMB0.062) (2006: HK$0.062 (equivalent to approximately RMB0.064)) per ordinary share	**52,516**	46,699
Total	**91,283**	75,173

The final dividend proposed after the balance sheet date has not been recognised as a liability at the balance sheet date.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 April 2007

11. DIVIDENDS (continued)

(b) Dividends payable to equity shareholders of the Company attributable to the previous financial year, approved and paid during the year

	2007 *RMB'000*	2006 *RMB'000*
Final dividend in respect of the previous financial year, approved and paid during the year, of HK$0.062 (2006: HK$0.038) per ordinary share	**44,934**	29,028

12. EARNINGS PER SHARE

(a) Basic earnings per share

The calculation of basic earnings per share is based on the profit attributable to ordinary equity shareholders of the Company of RMB345,995,000 (2006: 271,275,000) and the weighted average of 772,512,015 ordinary shares (2006: 728,093,349 ordinary shares) in issue during the year, calculated as follows:

Weighted average number of ordinary shares

	2007	2006
Issued ordinary shares at 1 May	**731,266,478**	727,500,000
Effect of issuance of shares under conversion of convertible bonds	**34,440,058**	593,349
Effect of issuance of shares under share option scheme	**6,805,479**	–
Weighted average number of ordinary shares at 30 April	**772,512,015**	728,093,349

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 April 2007

12. EARNINGS PER SHARE (continued)

(b) Diluted earnings per share

The calculation of diluted earnings per share is based on the profit attributable to ordinary equity shareholders of the Company of RMB360,389,000 (2006: RMB276,980,000) and the weighted average number of ordinary shares of 864,790,674 shares (2006: 760,838,394 shares), calculated as follows:

(i) Profit attributable to ordinary equity shareholders of the Company (diluted)

	2007	2006
	RMB'000	*RMB'000*
Profit attributable to ordinary equity shareholders	**345,995**	271,275
After tax effect of effective interest on liability component of convertible bonds	**14,394**	5,705
Profit attributable to ordinary equity shareholders (diluted)	**360,389**	276,980

(ii) Weighted average number of ordinary shares (diluted)

	2007	2006
Weighted average number of ordinary shares at 30 April	**772,512,015**	728,093,349
Effect of conversion of convertible bonds	**84,204,006**	30,879,963
Effect of deemed issue of shares under the Company's share option scheme	**8,074,653**	1,865,082
Weighted average number of ordinary shares at 30 April (diluted)	**864,790,674**	760,838,394

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 April 2007

13. EMPLOYEE RETIREMENT BENEFITS

The Group operates a Mandatory Provident Fund Scheme (the "MPF Scheme") under the Hong Kong Mandatory Provident Fund Schemes Ordinance for employees employed under the jurisdiction of the Hong Kong Employment Ordinance. The MPF Scheme is a defined contribution retirement plan administered by an independent trustee. Under the MPF Scheme, the employer and its employees are each required to make contributions to the plan at 5% of the employees' relevant income, subject to a cap of monthly relevant income of HK$20,000. Contributions to the plan vest immediately.

In addition, the Group's subsidiaries in the PRC participate in a defined contribution retirement scheme organised by the PRC municipal government. These subsidiaries are required to make contributions to the scheme.

Save as disclosed above, the Group has no other obligations to make payments in respect of retirement benefits of the employees.

For the year ended 30 April 2007, the Group's retirement plan contributions amounted to approximately RMB429,000 (2006: RMB172,000).

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 April 2007

14. PROPERTY, PLANT AND EQUIPMENT

The Group

(a) Movements of property, plant and equipment are:

	Buildings *RMB'000*	Infrastructure on cultivation bases *RMB'000*	Machinery *RMB'000*	Furniture, fixtures and office equipment *RMB'000*	Motor vehicles *RMB'000*	Construction-in-progress *RMB'000*	Total *RMB'000*
Cost:							
At 1 May 2005	27,658	131,101	51,414	7,655	1,269	1,566	220,663
Exchange adjustments	–	–	4	(2)	(3)	–	(1)
Additions	33,237	262	44,287	1,322	1,248	148,236	228,592
Transfer from/(to)	32,166	6,059	13,856	–	–	(52,081)	–
Disposals	–	–	(414)	(89)	(5)	–	(508)
Reclassification	1,690	–	(1,827)	137	–	–	–
At 30 April 2006	94,751	137,422	107,320	9,023	2,509	97,721	448,746
At 1 May 2006	94,751	137,422	107,320	9,023	2,509	97,721	448,746
Exchange adjustments	–	–	–	(8)	(7)	–	(15)
Additions	121	150	3,013	1,009	79	110,070	114,442
Transfer from/(to)	34,057	37,092	76,371	372	–	(147,892)	–
Disposals	–	–	(640)	(193)	(215)	–	(1,048)
Reclassification	–	(262)	–	262	–	–	–
At 30 April 2007	128,929	174,402	186,064	10,465	2,366	59,899	562,125
Accumulated depreciation:							
At 1 May 2005	1,441	14,323	5,626	1,675	858	–	23,923
Exchange adjustments	–	–	–	(1)	(1)	–	(2)
Charge during the year	2,621	13,864	6,565	661	210	–	23,921
Written back on disposals	–	–	(13)	(10)	(1)	–	(24)
Reclassification	40	–	(53)	13	–	–	–
At 30 April 2006	4,102	28,187	12,125	2,338	1,066	–	47,818
At 1 May 2006	4,102	28,187	12,125	2,338	1,066	–	47,818
Exchange adjustments	–	–	–	(3)	(5)	–	(8)
Charge during the year	5,739	20,352	11,718	1,487	326	–	39,622
Written back on disposals	–	–	(417)	(163)	(204)	–	(784)
Reclassification	–	(92)	–	92	–	–	–
At 30 April 2007	9,841	48,447	23,426	3,751	1,183	–	86,648
Net book value:							
At 30 April 2007	119,088	125,955	162,638	6,714	1,183	59,899	475,477
At 30 April 2006	90,649	109,235	95,195	6,685	1,443	97,721	400,928

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 April 2007

14. PROPERTY, PLANT AND EQUIPMENT (continued)

(b) Analysis of construction-in-progress is:

	2007 *RMB'000*	2006 *RMB'000*
Construction cost of building structure	**22,741**	18,108
Construction cost of infrastructure on cultivation bases	**32,424**	24,943
Cost of machinery pending installation	**4,734**	51,272
Cost of other property, plant and equipment	**–**	3,398
	59,899	97,721

The Company

	Furniture, fixtures and equipment *RMB'000*	**Motor vehicles** *RMB'000*	**Total** *RMB'000*
Cost:			
At 1 May 2005	161	138	299
Exchange adjustments	(3)	(3)	(6)
At 30 April 2006	158	135	293
At 1 May 2006	158	135	293
Exchange adjustments	(8)	(7)	(15)
Additions	100	–	100
At 30 April 2007	250	128	378
Accumulated depreciation:			
At 1 May 2005	37	58	95
Exchange adjustments	(1)	(1)	(2)
Charge for the year	32	45	77
At 30 April 2006	68	102	170
At 1 May 2006	68	102	170
Exchange adjustments	(3)	(6)	(9)
Charge for the year	44	32	76
At 30 April 2007	109	128	237
Net book value:			
At 30 April 2007	141	–	141
At 30 April 2006	90	33	123

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 April 2007

15. INTERESTS IN LEASEHOLD LAND HELD FOR OWN USE UNDER OPERATING LEASES

	2007	2006
	RMB'000	*RMB'000*
Cost:		
At 1 May	**70,168**	33,956
Additions	**16,580**	36,212
At 30 April	**86,748**	70,168
Accumulated amortisation and impairment losses:		
At 1 May	**2,332**	777
Amortisation for the year	**1,451**	1,555
At 30 April	**3,783**	2,332
Net book value:		
At 30 April	**82,965**	67,836

The leasehold land is held in the PRC on medium-term leases.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 April 2007

16. LONG-TERM PREPAID RENTALS

This represents the prepayment of long-term rentals of cultivation bases as at the balance sheet date under operating leases. The movement of the long-term prepaid rentals is summarised as follows:

	2007	2006
	RMB'000	*RMB'000*
Cost:		
At 1 May	**178,251**	155,330
Additions	**65,025**	23,421
Early termination of lease	**–**	(500)
At 30 April	**243,276**	178,251
Accumulated amortisation:		
At 1 May	**86,147**	58,504
Amortisation for the year	**29,382**	27,643
At 30 April	**115,529**	86,147
Net book value:		
At 30 April	**127,747**	92,104
Analysis of long-term prepaid rentals is as follows:		
Non-current portion	**93,806**	65,062
Current portion	**33,941**	27,042
At 30 April	**127,747**	92,104

Included above the carrying value of the long-term prepaid rentals for fruit farms was RMB12,163,000 (2006: RMB16,813,000) as at 30 April 2007.

17. INVESTMENTS IN SUBSIDIARIES

	2007	2006
	RMB'000	*RMB'000*
Unlisted shares, at cost	**276,167**	291,292

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 April 2007

17. INVESTMENTS IN SUBSIDIARIES (continued)

Details of subsidiaries as at 30 April 2007 are as follows:

			Proportion of ownership interest			
Name of company	Place of incorporation and operation	Issued and fully paid share capital/ registered capital	Group's effective holding	Held by the Company	Held by subsidiary	Principal activities
China Green (Hong Kong) Limited	Hong Kong	HK$10,000	100%	100%	–	Dormant
Crop Harvest Enterprises Limited	British Virgin Islands	US$50,000	100%	100%	–	Investment holding
Dragon Choice Enterprises Limited	British Virgin Islands	US$50,000	100%	100%	–	Investment holding
Goldprosper Enterprises Limited	British Virgin Islands	US$50,000	100%	100%	–	Investment holding
China Green Harvest Enterprises Limited	British Virgin Islands	US$50,000	100%	100%	–	Investment holding
Icatrad Enterprises Limited	British Virgin Islands	US$50,000	100%	100%	–	Investment holding
On Success Enterprises Limited	British Virgin Islands	US$50,000	100%	100%	–	Investment holding
China Green Foods Group Co. Ltd. *(note(i))*	The PRC	HK$50,000,000	100%	–	100%	Investment holding
China Green Food Science Technique Limited *(note(i))*	The PRC	HK$40,000,000	100%	–	100%	Sales of agricultural products
China Green (Fujian) Food Import & Export Company Limited *(note(ii))*	The PRC	HK$11,680,000	100%	–	100%	Trading
Zhonglu (Fujian) Agriculture Comprehensive Development Company Limited *(note(ii))*	The PRC	RMB68,000,000	100%	–	100%	Growing, processing and sales of agricultural products

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 April 2007

17. INVESTMENTS IN SUBSIDIARIES (continued)

Name of company	Place of incorporation and operation	Issued and fully paid share capital/ registered capital	Proportion of ownership interest: Group's effective holding	Held by the Company	Held by subsidiary	Principal activities
Zhonglu (Fujian) Food Industry Limited *(note(i))*	The PRC	USD2,565,000	100%	–	100%	Growing, processing and sales of agricultural products
Zhonglu (Hebei) Food Development Limited *(note(ii))*	The PRC	USD1,446,000	100%	–	100%	Growing, processing and sales of agricultural products
Zhonglu (Hubei) Food Development Limited *(note(ii))*	The PRC	RMB10,000,000	100%	–	100%	Growing, processing and sales of agricultural products
Zhonglu (Hubei) Industry Development Limited *(note(i))*	The PRC	HK$50,000,000	100%	–	100%	Growing, processing and sales of agricultural products
Zhonglu (Quanzhou) Green Foods Development Co. Ltd. *(note(ii))*	The PRC	HK$10,000,000	100%	–	100%	Processing and sales of beverage products
Zhonglu (Shanghai) Industry Limited *(note(i))*	The PRC	US$5,000,000	100%	–	100%	Dormant

Notes:

(i) These entities established in the PRC are wholly-owned foreign enterprises

(ii) These entities established in the PRC are sino-foreign joint venture enterprises

None of the subsidiaries had any debt securities outstanding at the end of the year or at any time during the year.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 April 2007

18. INVENTORIES

Inventories represent the following:

	Notes	2007 RMB'000	2006 RMB'000
Raw materials	(i)	**2,938**	1,331
Work-in-progress	(ii)	**4,474**	2,542
Finished goods		**2,126**	2,427
Agricultural materials	(iii)	**383**	305
Consumable and packing materials	(iv)	**4,399**	1,084
Total		**14,320**	7,689

Notes:

(i) Raw materials represent uncooked rice and rice flour purchased for further processing and resale purpose.

(ii) Work-in-progress includes processing agricultural products but not yet ready to sell.

(iii) Agricultural materials include seeds, fertilisers, pesticides and processing materials not yet utilised as at the balance sheet date.

(iv) Consumable and packing materials include packing materials and other consumable materials not yet utilised as at the balance sheet date.

(v) As at 30 April 2007 and 2006, no inventory was stated at net realisable value.

19. BIOLOGICAL ASSETS

(a) Reconciliation of carrying amount of biological assets

	2007 RMB'000	2006 RMB'000
Carrying amount at 1 May	**36,152**	31,919
Gain arising from changes in fair value less estimated point-of-sale costs	**15,173**	15,166
Increase due to plantation	**165,626**	113,697
Decrease due to harvest	**(177,614)**	(122,951)
Decrease due to disposal	**–**	(1,679)
Carrying amount at 30 April	**39,337**	36,152

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 April 2007

19. BIOLOGICAL ASSETS (continued)

(b) The nature of the Group's biological assets

	2007	2006
	RMB'000	*RMB'000*
Vegetables	**22,323**	21,297
Fruit	**17,014**	13,006
Rice	**–**	1,849
	39,337	36,152

(c) The analysis of carrying amount of biological assets

	2007	2006
	RMB'000	*RMB'000*
At fair value less estimated point-of-sale costs	**39,337**	36,152
At cost	**–**	–
	39,337	36,152

Vegetables and fruit were stated at fair value less estimated point-of-sale costs as at 30 April 2007. The fair value was determined based on the market price of respective matured produce in the local market adjusted with reference to the growing conditions, costs incurred and to be incurred and expected yield of the crops.

(d) The quantity and amount of agricultural produce harvested measured at fair value less estimated point-of-sale costs during the year

	2007		2006	
	Quantity (tons)	***RMB'000***	Quantity *(tons)*	*RMB'000*
Vegetables and rice	**285,543**	**346,313**	170,321	196,566
Fruit	**21,179**	**26,984**	18,905	28,008
	306,722	**373,297**	189,226	224,574

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 April 2007

20. TRADE AND OTHER RECEIVABLES

	The Group		The Company	
	2007	2006	**2007**	2006
	RMB'000	*RMB'000*	***RMB'000***	*RMB'000*
Amounts due from subsidiaries	**–**	–	**481,763**	375,089
Deposits for acquisition of leasehold land	**27,200**	29,666	**–**	–
Rental and utility deposits	**820**	761	**601**	158
Trade deposits	**1,424**	426	**–**	–
Other deposits	**–**	5	**–**	–
Prepayments	**4,613**	5,299	**–**	–
Trade receivables	**11,393**	22,605	**–**	–
Interest receivable	**5,117**	1,084	**5,117**	1,135
Other receivables	**33**	577	**6**	–
	50,600	60,423	**487,487**	376,382

The amounts due from subsidiaries are unsecured, non-interest bearing and have no fixed terms of repayment.

All of the trade and other receivables, apart from deposits for acquisition of leasehold land and rental and other deposits, are expected to be recovered within one year.

The Group's credit policy is set out in note 28(a).

An ageing analysis of trade receivables is as follows:

	The Group	
	2007	2006
	RMB'000	*RMB'000*
Within 1 month	**11,393**	20,561
Over 1 month but within 3 months	**–**	929
Over 3 months but within 6 months	**–**	401
Over 6 months but within 1 year	**–**	714
	11,393	22,605

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 April 2007

20. TRADE AND OTHER RECEIVABLES (continued)

Included in trade and other receivables is the following amount denominated in a currency other than the functional currency of the entity to which it relates:

	The Group		The Company	
	2007	2006	**2007**	2006
	'000	*'000*	***'000***	*'000*
United States Dollars	**1,569**	2,364	**144**	80

21. CASH AND CASH EQUIVALENTS

	The Group		The Company	
	2007	2006	**2007**	2006
	RMB'000	*RMB'000*	***RMB'000***	*RMB'000*
Cash at bank	**1,050,193**	852,509	**254,475**	373,621
Cash on hand	**344**	389	**16**	15
Cash and cash equivalents	**1,050,537**	852,898	**254,491**	373,636

Included in cash and cash equivalents are the following amounts denominated in a currency other than the functional currency of the entity to which they relate:

	The Group		The Company	
	2007	2006	**2007**	2006
	'000	*'000*	***'000***	*'000*
United States Dollars	**4,266**	4,711	**3,962**	3,852
Hong Kong Dollars	**2,025**	1	**–**	–

22. DUE TO A DIRECTOR

The amount due to Mr. Sun Shao Feng, a director of the Company, is unsecured, interest-free and repayable on demand.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 April 2007

23. TRADE AND OTHER PAYABLES

	The Group		The Company	
	2007	2006	**2007**	2006
	RMB'000	*RMB'000*	***RMB'000***	*RMB'000*
Trade payables	**1,236**	1,096	**–**	–
Trade deposits received	**–**	985	**–**	–
Payable for the acquisition of property, plant and equipment	**5,109**	2,436	**–**	–
Accrued salaries and wages	**8,316**	5,971	**49**	138
Other accruals and payables	**4,715**	4,320	**789**	1,254
Value-added tax payable	**3,051**	1,362	**–**	–
Amounts due to subsidiaries	**–**	–	**355**	391
	22,427	16,170	**1,193**	1,783

The amounts due to subsidiaries are unsecured, non-interest bearing and have no fixed terms of repayment.

All of the trade and other payables are expected to be settled within one year.

An ageing analysis of trade payables is as follows:

	The Group	
	2007	2006
	RMB'000	*RMB'000*
Within 1 month	**1,144**	1,096
Over 1 month but less than 3 months	**89**	–
Over 3 months but less than 6 months	**3**	–
	1,236	1,096

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 April 2007

24. DEFERRED TAXATION

Movement on deferred tax assets/(liabilities) during the year is as follow:

	Group	
	2007	2006
	RMB'000	*RMB'000*
At 1 May	**(516)**	(3,773)
Credited to profit or loss	**516**	3,257
At 30 April	**–**	(516)

	2007	2006
	RMB'000	*RMB'000*
Net deferred tax liabilities recognised on balance sheet	**–**	(516)

There were no material unprovided deferred tax assets or liabilities as at 30 April 2007.

25. CONVERTIBLE BONDS

Pursuant to a bond placement agreement dated 25 January 2006, the Company issued convertible bonds (the "Bonds") for an aggregate principal amount of HK$325,000,000 to independent investors on 26 January 2006. The initial conversion price is HK$2.6550 per ordinary share (subject to adjustment) at any time during the period from 26 January 2006 to 24 January 2011.

The Bonds bear interest at 2.125% per annum payable by the Company semi-annually in appear and the Bonds will mature on 24 January 2011.

On the maturity date, the outstanding convertible bonds will be redeemed by the Company at 123.8% of the outstanding principal amount.

During the year, the Bonds with an aggregate principal amount of HK$250,000,000 (2006: HK$10,000,000) were converted into the Company's new 94,161,955 (2006: 3,766,478) ordinary shares.

Interest expense on the Bonds is calculated using the effective interest method by applying the effective interest rate of 7.42% per annum to the liability component.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 April 2007

26. CAPITAL AND RESERVES

(a) The Group

	Share capital RMB'000	Share premium RMB'000	PRC Statutory reserves RMB'000	Merger reserve RMB'000	Share-based compensation reserve RMB'000	Convertible bonds reserve RMB'000	Exchange reserve RMB'000	Retained profits RMB'000	Total RMB'000
As at 1 May 2005	77,115	290,645	68,374	14,694	–	–	281	437,786	888,895
Equity settled share-based transactions	–	–	–	–	5,682	–	–	–	5,682
Equity component of convertible bonds issued	–	–	–	–	–	16,951	–	–	16,951
Shares issued under conversion of convertible bonds	392	9,982	–	–	–	(521)	–	–	9,853
Exchange differences or translation into presentation currency	–	–	–	–	–	–	(2,524)	–	(2,524)
Profit for the year	–	–	–	–	–	–	–	271,275	271,275
Profit appropriation to PRC statutory reserve	–	–	11,611	–	–	–	–	(11,611)	–
Dividends approved in respect of the previous year	–	–	–	–	–	–	–	(29,028)	(29,028)
Dividends declared in respect of the current year	–	–	–	–	–	–	–	(28,474)	(28,474)
As at 30 April 2006	77,507	300,627	79,985	14,694	5,682	16,430	(2,243)	639,948	1,132,630
As at 1 May 2006	77,507	300,627	79,985	14,694	5,682	16,430	(2,243)	639,948	1,132,630
Equity settled share-based transactions	–	–	–	–	26,660	–	–	–	26,660
Shares issued under conversion of convertible bonds	9,284	236,608	–	–	–	(12,363)	–	–	233,529
Shares issued under exercise of share options	2,130	55,006	–	–	(13,476)	–	–	–	43,660
Exchange differences on translation into presentation currency	–	–	–	–	–	–	(13,237)	–	(13,237)
Profit for the year	–	–	–	–	–	–	–	345,995	345,995
Profit appropriation to PRC statutory reserve	–	–	21,026	–	–	–	–	(21,026)	–
Dividends approved in respect of the previous year	–	–	–	–	–	–	–	(44,934)	(44,934)
Dividends declared in respect of the current year	–	–	–	–	–	–	–	(38,767)	(38,767)
As at 30 April 2007	88,921	592,241	101,011	14,694	18,866	4,067	(15,480)	881,216	1,685,536

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 April 2007

26. CAPITAL AND RESERVES (continued)

(b) The Company

	Share capital RMB'000	Share premium RMB'000	Contributed surplus RMB'000	Share options reserve RMB'000	Convertible bonds reserve RMB'000	Retained profits RMB'000	Exchange reserve RMB'000	Total RMB'000
At 1 May 2005	77,115	290,645	294,402	–	–	31,116	–	693,278
Equity settled share-based transactions	–	–	–	5,682	–	–	–	5,682
Equity components of convertible bonds issued	–	–	–	–	16,951	–	–	16,951
Shares issued under conversion of convertible bonds	392	9,982	–	–	(521)	–	–	9,853
Exchange differences on translation into presentation currency	–	–	–	–	–	–	(13,081)	(13,081)
Profit for the year	–	–	–	–	–	82,683	–	82,683
Dividends approved in respect of the previous year	–	–	–	–	–	(29,028)	–	(29,028)
Dividends declared in respect of the current year	–	–	–	–	–	(28,474)	–	(28,474)
At 30 April 2006 and 1 May 2006	77,507	300,627	294,402	5,682	16,430	56,297	(13,081)	737,864
Equity settled share-based transactions	–	–	–	26,660	–	–	–	26,660
Shares issued under conversion of convertible bonds	9,284	236,608	–	–	(12,363)	–	–	233,529
Shares issued under exercise of share options	2,130	55,006	–	(13,476)	–	–	–	43,660
Exchange differences on translation into presentation currency	–	–	–	–	–	–	(33,119)	(33,119)
Profit for the year	–	–	–	–	–	27,530	–	27,530
Dividends approved in respect of of the previous year	–	–	–	–	–	(44,934)	–	(44,934)
Dividends declared in respect of of the current year	–	–	–	–	–	(38,767)	–	(38,767)
At 30 April 2007	**88,921**	**592,241**	**294,402**	**18,866**	**4,067**	**126**	**(46,200)**	**952,423**

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 April 2007

26. CAPITAL AND RESERVES (continued)

(c) Share capital

(i) Authorised and issued share capital

	Number of ordinary shares of HK$0.10 each	Nominal value	RMB equivalent
	'000	*HK$'000*	*RMB'000*
Authorised:			
At 30 April 2007 and 2006	2,000,000	200,000	212,000
Issued and fully paid:			
At 1 May 2005	727,500	72,750	77,115
Shares issued under conversion of convertible bonds	3,766	377	392
At 1 May 2006 and 30 April 2006	731,266	73,127	77,507
Shares issued under conversion of convertible bonds	94,162	9,416	9,284
Shares issued under exercise of options	21,600	2,160	2,130
At 30 April 2007	**847,028**	**84,703**	**88,921**

The holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at meetings of the Company. All ordinary shares rank equally with regard to the Company's residual assets.

(ii) Shares issued under conversion of convertible bonds

During the year, convertible bonds with an aggregate principal amount of HK$250,000,000 (2006: HK$10,000,000) were converted at a conversion price of HK$2.6550 per share into new 94,161,955 (2006: 3,766,478) ordinary shares of the Company (note 25).

(iii) Shares issued under exercise of share options

During the year, share options were exercised at an exercise price of HK$2.05 per share to subscribe for new 21,600,000 ordinary shares in the Company.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 April 2007

26. CAPITAL AND RESERVES (continued)

(d) Nature and purpose of reserves

(i) Share premium

The application of share premium account is governed by Section 40 of the Bermuda Companies Act 1981.

(ii) PRC statutory reserve

In accordance with the relevant PRC laws applicable to enterprises with foreign investment, the Company's subsidiaries established in the PRC are required to transfer at least 10% of their annual net profits, as determined in accordance with the relevant PRC accounting rules and regulations, to the general reserve until the balance of the reserve is equal to 50% of the entities' registered capital. The transfer to this fund must be made before distribution of dividends to equity holders. This reserve can be used to offset to reduce prior years' losses, if any, and convert into paid-up capital provided that the balance of the general reserve after such conversion is not less than 25% of their registered capital.

(iii) Merger reserve

Merger reserve represents the difference between the nominal value and premium of shares of subsidiaries acquired over the nominal value of the shares issued by the Company in exchange thereof.

(iv) Share-based compensation reserve

Share-based compensation reserve represents the fair value of the actual or estimated number of unexercised share options granted to employees of the Company recognised in accordance with the accounting policy adopted for share based payments in note 2(m)(ii).

(v) Convertible bonds reserve

Convertible bonds reserve represents the value of the unexercised equity component of convertible bonds issued by the Company recognised in accordance with the accounting policy adopted for convertible bonds in note 2(j).

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 April 2007

26. CAPITAL AND RESERVES (continued)

(d) Nature and purpose of reserves (continued)

(vi) Exchange reserve

The exchange reserve comprises all foreign exchange differences arising from the translation of the financial statements of operations outside the PRC. The reserve is dealt with in accordance with the accounting policies set out in note 2(s).

(vii) Contributed surplus

Contributed surplus represents the difference between the nominal value of the ordinary shares issued by the Company and the net asset value of subsidiaries acquired through an exchange of shares pursuant to the group reorganisation prior to the listing of the Company's shares on 13 January 2004.

(e) Distributability of reserves

Under the Companies Act 1981 Bermuda, the share premium and contributed surplus account of the Company is available for distribution. However, the Company cannot declare or pay a dividend, or make a distribution out of share premium and contributed surplus, if:

(i) it is, or would after the payment be, unable to pay its liabilities as they become due; or

(ii) the realisable value of its assets would thereby be less than the aggregate of its liabilities and its issued share capital and share premium.

At 30 April 2007, the aggregate amount of reserves available for distribution to equity shareholders of the Company, including the share premium and contributed surplus, was approximately RMB840,569,000 (2006: RMB638,245,000). After the balance sheet date, the directors proposed a final dividend of HK$0.063 per share (2006: HK$0.062 per share), amounting to approximately RMB52,516,000 (2006: RMB46,699,000). This dividend has not been recognised as a liability at the balance sheet date.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 April 2007

27. EQUITY SETTLED SHARE-BASED TRANSACTIONS

Share options

The Company has a share option scheme (the "Scheme") which was adopted on 12 December 2003 whereby the directors of the Company are authorised, at their discretion, to invite selected participants (as set out in the prospectus issued by the Company dated 31 December 2003) as incentives or rewards for their contributions to the Group.

The exercise price is determined by the board of directors at its absolute discretion and notified to each option holder but shall not be less than the highest of (i) the closing price of the shares as stated in the daily quotations sheets issued by the Stock Exchange on the date of grant, (ii) the average closing price of the shares as stated in the daily quotations sheets issued by the Stock Exchange for the five business days immediately preceding the date of grant, and (iii) the nominal value of a share on the date of grant. The options vest one year from the date of grant and are then exercisable within a period up to 11 December 2013. Each option gives the holder the right to subscribe for one ordinary share in the Company.

(a) The terms and conditions of the grants that existed as at 30 April 2007 and 2006 are as follows, whereby all options are settled by physical delivery of shares:

	Number of instruments *'000*	**Vesting conditions**	**Contractual life of options**
Options granted to the employees outstanding at 30 April 2007:			
Options granted to employees:			
– 19 April 2006	20,400	1 year from the date of grant	7.65 years
Options granted to the directors and employees outstanding at 30 April 2006:			
Options granted to directors:			
– 15 December 2005	14,400	1 year from the date of grant	8 years
Options granted to employees:			
– 15 December 2005	7,200	1 year from the date of grant	8 years
– 19 April 2006	20,400	1 year from the date of grant	7.65 years
	42,000		

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 April 2007

27. EQUITY SETTLED SHARE-BASED TRANSACTIONS (continued)

Share options (continued)

(b) The number and weighted average exercise prices of share options are as follows:

	2007		2006	
	Weighted average exercise price *HK$*	**Number of option** *'000*	Weighted average exercise price *HK$*	Number of options *'000*
Outstanding at the beginning of the year	**2.75**	**42,000**	–	–
Granted during the year	**–**	**–**	2.75	42,000
Exercised during the year	**2.05**	**(21,600)**	–	–
	3.50	**20,400**	2.75	42,000
Outstanding at the end of the year	**3.50**	**20,400**	2.75	42,000
Exercisable at the end of the year	**3.50**	**14,280**	–	–

The weighted average share price at the date of exercise for share options exercised during the year was HK$3.42 (2006: not applicable).

The options outstanding at 30 April 2007 had an exercise price of HK$3.50 (2006: HK$2.05-HK$3.50) and a weighted average remaining contractual life of 6.65 years (2006: 7.31 years).

(c) Fair value of share options and assumptions

The fair value of services received in return for share options granted are measured by reference to the fair value of share options granted. The estimate of the fair value of the share options granted is measured based on the Binomial Method. The contractual life of the share option is used as an input into this model. Expectations of early exercise are incorporated into the Binomial Model.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 April 2007

27. EQUITY SETTLED SHARE-BASED TRANSACTIONS (continued)

Share options (continued)

(c) Fair value of share options and assumptions (continued)

	Share options granted on	
	15 December 2005	19 April 2006
Fair value at measurement date	HK$0.62	HK$0.94
Share price	2.05	3.20
Exercise price (weighted average)	2.05	3.50
Expected volatility (expressed as weighted average volatility used in the modelling under B-S model)	43%	43%
Option life (expressed as weighted average life used in the modelling under the Binomial Method)	8 years	7.65 years
Expected dividends	3%	3%
Risk-free interest rate	4.27%	4.64%

The expected volatility is based on the historic volatility (calculated based on the weighted average remaining life of the share options), adjusted for any expected changes to future volatility based on publicly available information. Expected dividends are based on historical dividends. Changes in the subjective input assumptions could materially affect the fair value estimate.

Share options were granted under a service condition. This condition has not been taken into account in the grant date fair value measurement of the services received. There was no market conditions associated with the share option grants.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 April 2007

28. FINANCIAL INSTRUMENTS

Exposure to credit, liquidity, interest rate and currency risks arises in the normal course of the Group's business. These risks are limited by the Group's financial management policies and practices described below.

(a) Credit risk

The Group's credit risk is primarily attributable to trade and other receivables and cash and cash equivalents. Management has a credit policy in place and the exposures to these credit risks are monitored on an ongoing basis.

In respect of trade and other receivables, credit evaluations are performed on all customers requiring credit over a certain amount. These receivables are due from one to three months from the date of billing. Debtors with balances that are more than three months overdue are requested to settle all outstanding balances before any further credit is granted. Normally, the Group does not obtain collateral from customers.

Cash and cash equivalents are normally placed with licensed banks that have a credit rating equal to or better than the Group. Given their high credit ratings, management does not expect any licensed bank to fail to meet its obligations.

The Group does not have a significant concentration of credit risk.

The maximum exposure to credit risk is represented by the carrying amount of each financial asset in the balance sheet.

(b) Liquidity risk

The Group's policy is to regularly monitor current and expected liquidity requirements and its compliance with lending covenants, to ensure that it maintains sufficient reserves of cash and adequate committed lines of funding from major financial institutions to meet its liquidity requirements in the short and longer term. The Company also monitors closely the cash flows of its subsidiaries. Generally, the Company's subsidiaries are required to obtain the Company's approval for activities such as investment of surplus cash, raising of loans and fixed assets acquisitions beyond certain limits.

(c) Interest rate risk

The Group's exposure to market risk for changes in interest rate relates primarily to the Group's, cash and cash equivalents and convertible bonds.

The interest rate and terms of repayment of the convertible bonds of the Group are disclosed in note 25.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 April 2007

28. FINANCIAL INSTRUMENTS (continued)

(d) Foreign currency risk

The Group is exposed to foreign currency risk primarily through sales to overseas customers which are generally denominated in United States Dollars and Hong Kong Dollars. The Group also has issued the convertible bonds which are primarily denominated in Hong Kong Dollars. The Group reviews its foreign currency exposures regularly and does not consider its present foreign exchange risk to be significant. However, the Group would consider hedging of its foreign currency exposures when its foreign exchange risk becomes significant.

(e) Fair values

All financial instruments are carried at amounts not materially different from their fair values as at 30 April 2007 and 2006.

29. COMMITMENTS

(a) Capital commitments

Capital commitments outstanding at 30 April 2007 not provided for in the financial statements were as follows:

	2007	2006
	RMB'000	*RMB'000*
Contracted but not provided for		
– Purchase of property, plant and equipment	**24,979**	17,042

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 April 2007

29. COMMITMENTS (continued)

(b) Operating lease commitments

At 30 April 2007, the total future minimum lease payments under non-cancellable operating leases are repayable as follows:

	2007	2006
	RMB'000	*RMB'000*
The Group		
Within one year	**27,907**	18,912
After one year but within five years	**79,442**	47,088
After five years	**220,100**	143,770
Total	**327,449**	209,770
The Company		
Within one year	**1,519**	650
After one year but within five years	**886**	465
Total	**2,405**	1,115

The Group is the lessee in respect of properties and cultivation bases under operating leases. The leases typically run for an initial period of 3 to 30 years, with an option to renew the lease when all terms are renegotiated.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 April 2007

30. MATERIAL RELATED PARTY TRANSACTIONS

(a) Key management personnel remuneration

Remuneration for key management personnel of the Group, including amounts paid to the Company's directors as disclosed in note 8 and certain of the highest paid employees as disclosed in note 9, is as follows:

	2007	2006
	RMB'000	*RMB'000*
Short-term employee benefits	**2,934**	3,957
Post-employment benefits	**18**	20
Equity compensation benefits	**8,253**	5,223
	11,205	9,200

Total remuneration is included in "staff costs" (see note 6).

(b) Transactions with other related parties

Except for an amount due to a director as disclosed in note 22, the Group did not enter into any material related party transactions during the year.

31. NON-ADJUSTING POST BALANCE SHEET EVENTS

After the balance sheet date the directors proposed a final dividend. Further details are disclosed in note 11.

32. COMPARATIVE FIGURES

Certain comparative figures have been re-classified to conform with the current year's presentation.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 April 2007

33. IMMEDIATE AND ULTIMATE CONTROLLING PARTY

At 30 April 2007, the directors consider the immediate parent and ultimate controlling party of the Group to be Capital Mate Limited, which incorporated in the British Virgin Islands. This entity does not produce financial statements available for public use.

34. ACCOUNTING ESTIMATES AND JUDGEMENTS

Key sources of estimation uncertainty

Notes 19, 27 and 28 contain information about the assumptions relating to the valuation of fair value of biological assets, share options granted and financial instruments. Other key sources of estimation uncertainty are as follows:

(a) Impairments

In considering the impairment losses that may be required for certain of the Group's assets which include property, plant and equipment, leasehold land, trade and other receivables and investments in its subsidiaries, recoverable amount of the asset needs to be determined. The recoverable amount is the greater of the net selling prices and the value in use. It is difficult to precisely estimate selling prices because quoted market prices for these assets may not be readily available. In determining the value in use, expected cash flows generated by the assets are discounted to their present value, which requires significant judgement relating to items such as level of sale volume, selling price and amount of operating costs. The Group uses all readily available information in determining an amount that is reasonable approximation of recoverable amount, including estimates based on reasonable and supportable assumptions and projections of items such as sale volume, selling price and amount of operating costs.

In considering the impairment losses that may be required for current receivables, future cash flows need to be determined. One of the key assumptions that has to be applied is about the ability of the debtors to settle the receivables. Despite that the Group has used all available information to make this estimation, inherent uncertainty exists and actual write-offs may be higher than the amount estimated.

(b) Depreciation

Items of property, plant and equipment are depreciated on a straight-line basis over the estimated useful lives of the assets, after taking into account the estimated residual value. The Group reviews the estimated useful lives of the assets regularly in order to determine the amount of depreciation expense to be recorded during any reporting period. The useful lives are based on the Group's historical experience with similar assets and taking into account anticipated technologies changes. The depreciation expense for future periods is adjusted if there are significant changes from previous estimates.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 April 2007

34. ACCOUNTING ESTIMATES AND JUDGEMENTS (continued)

Key sources of estimation uncertainty (continued)

(c) *Valuation of inventories*

Inventories are stated at the lower of cost and net realisable value at the balance sheet date. Net realisable value is determined on the basis of the estimated selling price less the estimated costs necessary to make the sale. The management estimates the net realisable value for inventories based primarily on the latest invoice prices and current market conditions. In addition, the management performs an inventory review on a product-by-product basis at each year end date and assess the need for write down of inventories.

(d) *Provision for income tax*

Provision for income tax is made based on the taxable income for the period as determined by the Group. The determination of taxable income involves the exercise of judgement on interpretation of the relevant tax rules and regulations. The amount of income tax and hence profit or loss could be affected by any interpretations and clarifications which the tax authority may issue from time to time.

35. POSSIBLE IMPACT OF AMENDMENTS, NEW STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE FOR THE YEAR ENDED 30 APRIL 2007

Up to the date of issue of these financial statements, the HKICPA has issued a number of amendments, new standards and interpretations which are not yet effective for the year ended 30 April 2007 and which have not been adopted in these financial statements.

The Group is in the process of making an assessment of what the impact of these amendments, new standards and new interpretations is expected to be in the period of initial application. So far it has concluded that the adoption of them is unlikely to have a significant impact on the Group's results of operations and financial position.

In addition, the following developments may result in new or amended disclosures in the consolidated financial statements:

		Effective for accounting periods beginning on or after
HKFRS 7	Financial instruments: disclosures	1 January 2007
HKFRS 8	Operating Segments	1 January 2009
Amendment to HKAS 1	Presentation of financial statements: capital disclosures	1 January 2007

FINANCIAL SUMMARY

	For the year ended 30 April				
	2003	2004	2005	2006	**2007**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	***RMB'000***
	(As restated)	(As restated)	(As restated)		
Turnover	258,473	375,430	470,537	686,602	**954,149**
Gross profit	152,807	210,195	254,546	354,416	**497,926**
Profit before tax	133,086	184,062	207,853	262,266	**345,750**
Profit attributable to shareholders	115,887	150,601	183,502	271,275	**345,995**
Non-current assets	151,477	188,884	279,056	532,422	**652,248**
Negative goodwill	(7,220)	(6,769)	(6,318)	–	**–**
Current assets	103,925	459,857	710,549	986,005	**1,188,735**
Current liabilities	(29,967)	(62,927)	(96,937)	(83,495)	**(90,842)**
Non-current liabilities	(2,473)	(3,752)	(3,773)	(302,302)	**(64,605)**
Shareholders' equity	215,742	575,293	882,577	1,132,630	**1,685,536**

Note: The financial information for the year ended 30 April 2003 have been prepared as if the Group structure at the date of the listing of the Company's shares on 13 January 2004 had been in existence and remained unchange throughout the above periods.