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)

Annual Report

2008

* 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

AUDITOR

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

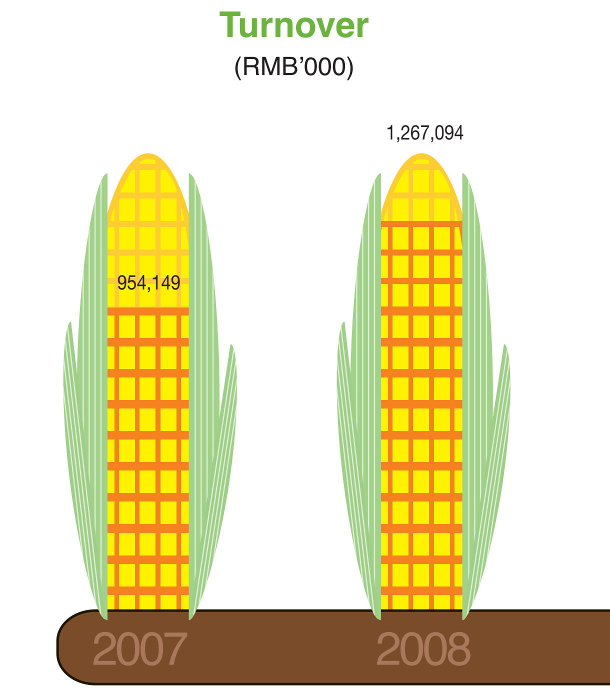
Computershare Hong Kong Investor Services Limited
Shops 1712-1716, 17th Floor
Hopewell Centre
183 Queens's Road East
Wanchai
Hong Kong

STOCK CODE

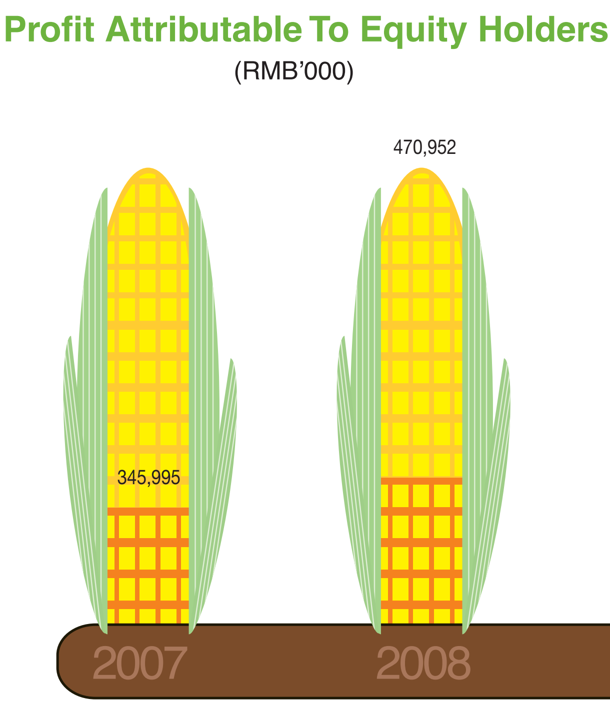
0904

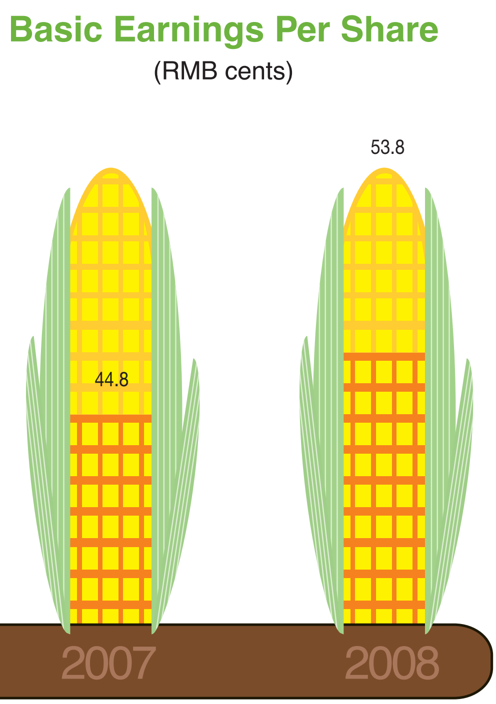
WEBSITE

http://www.finance.thestandard.com.hk/en/0904chinagreen/index.asp


Turnover
(RMB'000)
954,149
1,267,094
2007
2008


Gross Profit
(RMB'000)
497,926
676,644
2007
2008


Profit Attributable To Equity Holders
(RMB'000)
345,995
470,952
2007
2008


Basic Earnings Per Share
(RMB cents)
44.8
53.8
2007
2008

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 2008.

The Group's result has continued to grow over the past years, proving the business model and the management principles have been accredited by the market and recognized by customers. During the year under review, we followed persistent and effective business development strategies and recorded steady and considerable growth in business results. The Group's turnover rose 32.8% to RMB1,267 million, gross profit increased 35.9% to RMB676 million, net profit grew 36.1% to RMB471 million, and basic earnings per share were RMB0.54. In view of the outstanding results, the Board recommends the payment of a final dividend of HK$0.09 per ordinary share.

Benefiting from the favorable environment for export and domestic sales, we continued to expand our business and implemented our two-pronged strategy of developing both export and domestic sales during the year under review. In addition to increase existing export sales, we also made progress in developing new markets such as Middle East and Africa. Revenue from the export sales increased by 33.6% to RMB595 million, and accounted for 47% of total turnover. In domestic market, we seized the ample business opportunity of people's pursuance of health and demand for green food, and committed ourselves in building the brand. The sales network has expanded by our gradual market development strategy from Fujian and Jiangxi provinces to other regions, including Guangdong, Hunan, Hubei, Zhejiang and Jiangsu provinces, and carried out our corporate mission of "ensuring the freshness of our products and keeping the whole production green". During the year under review, revenue from domestic sales increased by 32.1% to RMB671 million, accounted for 53% of the total turnover.

During recent years, due to the accelerated industrialization and modernization of agricultural industry, the domestic consumption food market is still growing and there is abundant development space for our branded food enterprise. We started from growing fresh agricultural products, producing exporting processed product, and in recent years, we actively committed ourselves to carry forward our domestic brand building in order to make significant break through by gradually becoming a food enterprise combined with three business blocks of fresh agricultural products, processed products and branded food and beverage products. The Board and the management are fully confident that if the Group continues with insistence in building strong and stable production basis, enhancing management of supply chain, providing abundant, reliable and fresh agricultural products to the market and the Group itself, and aim to build a stronger brand at the same time, the Group will continue to obtain larger market shares with better development.

China Green will continue to grow and adhere to the following corporate missions:

1. Ensuring supply, quality, hygiene and safety, to becoming a paragon for standardised plantation of green agricultural products in the PRC

To ensure stable supply and food safety, China Green implemented comprehensive green controls on plantation, and continue to supply green food to consumers. In addition, we introduced advanced cultivation technology within and outside the PRC, continued in executing an industrialized management operating model and adopted a "Sales Driven Model" policy in order to apply resources more efficiently with a goal to become the paragon of 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

To cater the sustained rise in demand from around the world, one of our main strategies is to enhance processing capacity and expand processing categories. China Green has a vertical integrated production and processing platform, from sowing to harvesting, from sterilization to packaging, from uploading in the factory to delivering at the market, are all under the control of China Green which ensures the quality, hygiene and safety of the agricultural products and provides great support to the export and domestic sales of China Green. In long term, a diversified processing platform can enhance the profit making ability effectively.

3. Enhancing the corporate brand, helping "China Green" to become the leading brand for instant green food in the PRC

We will continue the adoption of the gradual market development strategy, with the China Green's trademark as the core, we will further explore varieties of its domestic brands and develop various green food categories in order to expand our market share of the green food consumer market, aiming to 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 will further develop its downstream businesses, in order to grasp the business opportunity resulted from the fast growing consuming market of PRC in recent years. Apart from the logistics and distribution business started in Fujian in last year, the green food logistics and distribution business located in Shanghai has commenced operation in May 2008 for providing catering services to the branded fresh products and processed products. Thus, we can efficiently utilize our own plantation and processing platforms in order to achieve its goal of becoming the best fresh green food supply chain in the PRC.

We believe that by leveraging high quality, hygienic, safe planting and production methods, implementing stringent controls on processing procedures, rapidly developing the supply chain, as well as capitalising on brand strengthening and effective brand strategy, China Green is well-positioned to achieve our goals. The future development of China Green is going to follow our faith to become stronger, better and a first-class enterprise of healthy and green food brand from PRC to the world.

As we are marching to the important moment of our 10th anniversary, we will carry on the past and open a way for future by insisting the operation concept of the core business, grasping the development opportunities for different products, fulfilling the promises to our shareholders, employees and customers. Whether in the PRC or overseas countries, we are confident in the existing business development and aim to obtain ideal results and return it to our shareholders. As we are approaching to the 10th anniversary, I would like to, on behalf of our staff, promise that we will make every effort to create momentous achievement, for the Group.

Sun Shao Feng
Chairman

Hong Kong, 19 August 2008

INDUSTRY REVIEW

The PRC government continues to demonstrate support in the development of the agricultural sector. In January 2008, the State Council issued the No. 1 document related to supporting the agricultural industry in China. The document referred to the increased efforts of the state to place progress of agricultural modernisation and a numerous of approaches promoting developments, including to strengthen the construction of agricultural infrastructure, the production of high-quality agricultural products, development of fine processing agricultural goods and agricultural industrialization to be promoted along with technological research and development by leading enterprises. The respective policies are considered favourable to the above said advancements. While the Group has been conducting plantation and processing businesses based on standardization, modernisation and industrialisation, with the current scope and support from the government, it is expected that the operating environment of the Group will be optimised.

In late 2007, the State Council approved the new PRC Enterprise Income Tax Law and Implementation Regulations of PRC Enterprise Income Tax Law which took effect from 1 January 2008. Section 27(1) of the new law targets at the agricultural industry states that enterprises engaging in plantation of vegetables, cereals, fruits and agricultural products initial processing are waived from enterprise income tax from 1 January 2008. The relevant new tax law has set a favourable factor to the upstream business and the sales of fresh and processed vegetables business of the Group. The Group is in close contact with local tax authorities regarding execution and procedures related to the new law so as to recognise the respective benefits as soon as possible.

BUSINESS REVIEW

During the period under review, growth, in exports of the Group's fresh vegetables, fruits and other relevant processed products business was higher than the average level in the industry, the Group succeeded in expanding its export volume with existing exports markets such as Korea, Taiwan, Egypt, Russia and U.K.. The Group had seized the opportunities in domestic and overseas markets to expand its businesses and further implemented the parallel development strategies. During the period under review, performance of the Group was brilliant, with a 33% and 36% growth in turnover and profit respectively. The Group recorded a double-digit growth in profit from operations even under the pressure of ever growing costs of wages and raw materials. Such encouraging results depended on the vertical production models of the Group, its strong branding and efficient price adjustment which offset the counted pressure to ensure the Group's marginal profit can be maintained.

To further enhance the Group's distribution capacity and to strengthen the development of its downstream business, the green food logistics and distribution business located in Shanghai has commenced to operation, which allows the Group to efficiently utilise its own plantation and processing platforms in order to achieve its goal of becoming the best fresh green food supply chain in the PRC.

SEGMENT REVIEW

Fresh produce

In 2007, turnover from the sale of fresh produce totaled RMB360 million, accounting for approximately 28% of the Group's revenue. Among fresh produce, the highest sales were recorded from naganegi, radish, cauliflower and hairy bean which totaled approximately RMB113 million, representing approximately 31% of turnover of fresh produce.

Processed products

The Group's processed products include water boiled products, quick frozen products, pickled products and canned products. During the period under review, turnover from the sale of processed products totaled approximately RMB475 million, accounting for approximately 38% of the Group's revenues, representing an increase of approximately 49% as compared with the same period in 2007.

There has been continuous and stable growth in the sale of water boiled products, turnover from such products totaled RMB168 million, which accounted for approximately 35% of the total revenues from processed products. Water boiled radish was the leading product in the category, with turnover totaling RMB61 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 RMB111 million and RMB118 million respectively, representing an increase of approximately 150% and 80% as compared with the same period in 2007.

Branded food and beverage products

The Group's branded products include beverage products, instant noodles, rice products and rice flour products. During the period under review, turnover from the sale of branded food and beverage products totaled approximately RMB432 million. The contribution from sales of these products to the Group's income increased to about 34% this year, representing an increase of approximately 40% as compared with the same period in 2007.

The Group's turnover from beverage products totaled approximately RMB185 million, representing an increase of approximately 61%, over RMB115 million recorded for the previous year. Within the category, corn milk was the leading product, with turnover totaling approximately RMB105 million. In addition, non-fried instant noodles continued to receive positive market response with a turnover totaling approximately RMB64 million.

During the period under review, turnover from rice products and rice flour products totaled approximately RMB88 million and RMB95 million respectively, accounting for approximately 20% and 22% of the total revenues from branded food and beverage products.

Gross profit and gross margins

During the period under review, the Group's gross profit margin subsisted at a comparatively high level, with overall gross profit margin reaching 53%. Among which, the gross profit margin for the sale of fresh produce and processed products was 52% and 58% respectively. The gross profit margin from branded food and beverage products rose to 50%. Higher profit margins was led by the significant growth of the sale in processed products, while the profit contribution from the lower margin rice products decreased further from the previous year. Meanwhile, the brand strategy of the Group achieved significant results, with pricing of various branded food and beverage products accepted by the market.

Cultivation bases and processing plants

During the period under review, the Group continued to actively control the operation and sources of its complete green food supply chain. Cultivation bases have been increased to 40 across the nation, with a total area of 79,100 mu supporting a cultivation capacity of up to approximately 324,200 tons per year, among which are 34 vegetable cultivation bases, 5 fruit cultivation bases and 1 organic rice cultivation base. Meanwhile, as the cultivation bases are rented by the Group on a long-term basis, the Group has been able to control production and product qualities in every single stage in cultivation so that it can be free from the effects of quality variation of goods supplied by partner manufacturers, thus significantly eliminating risks and cost fluctuations. The Group selects location of the bases strategically so that plantation and production of the Group can adapt to climatic changes, thus providing the Group with the most stable supply of agricultural products.

For processing, the Group currently owns 10 processing plants with an annual processing capacity of around 440,900 tons. As the group continues to expand its production line, its projected to increase its processing capacity as to 584,100 tons by the end of April 2009. The processing plants were built in accordance to international standards. The excellent hygiene environment allows the Group to produce high-quality and clean products with the state-of-the-art processing facility.

Development of new products

As China's economy continued to develop, the consumption power of 1.3 billion people increased therewith and resulting in a huge market potential. With an expanding consumption market, consumers' taste and expectation have also rised to better and higher standard. To keep up with the market pace, China Green dedicates to develop new products and continues to improve its product mix to meet the appetite of consumers. During the year under review, the Group conducted various research and development projects in light of market diversification, and successfully launched products which were well received by the public, which demonstrated the Group's commitment to research and development, so as to improve the gross profit margin and maintain the 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.

Brand management

In the view of the management, brand culture represents not only the quality of branded products, but also fully personalized brand image, and a successful brand often is in position to create a brand culture with affluent content through effective brand strategy. The Group fully aware that a brand is a major edge to the sustainable development and growth of an enterprise, therefore, during recent years, the Group has continued to engage a number of professional consultancy companies to formulate strategies for marketing and its overall image, which has resulted in significant improvement in the Group's overall representation and the grading of some of its products. The Group also successfully integrated its existing brands as members of the China Green family. In the meantime, the Group placed significant emphasis on brand promotion and conducted a series of promotional activities in Fujian and Jiangxi as well as placing advertisements through various channels such as buses, billboards and television to enhance marketing in the Fujian and Jiangxi regions. In terms of brand building, the Group successfully executed its gradual market development strategy and explored the domestic market step by step by making breakthroughs in various provinces, one at a time. The Group started to promote its "China Green" brand in the Fujian and Jiangxi regions, and then spread its efforts to the Southern China region, including Guangdong, Hunan, Hubei, Zhejiang and Jiangsu provinces.

Quality maintenance

During the year under review, the Group continued to implement its international quality and sanitary standards. With stringent quality control, from planting to processing, the Group has 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 Enterprise".

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 and to continue to strengthen communication with stakeholders. During the year under review, the Group actively interacted with investors and announced its latest development projects and business development plans by means of road shows and conducting seminars or telephone conferences with institutional investors and analysts. 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 increase shareholders' value.

TREASURY POLICY

As of 30 April 2008, the Group had cash and cash equivalents of approximately RMB2.098 billion. The Group deposited funds in banks in the PRC and licensed banks in Hong Kong.

CAPITAL COMMITMENTS AND CONTINGENCIES

The Group was committed to the expansion of existing facilities to enhance its production capacity. As of 30 April 2008, the Group has contractual capital commitments of approximately RMB12 million. As of 30 April 2008, 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 2008, 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 Board considers the appreciation of the Renminbi during the period under review as insignificant on the Group's export business.

SIGNIFICANT INVESTMENTS AND ACQUISITIONS

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

PLEDGE OF ASSETS

As at 30 April 2008, 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 2008, the Group had a total of over 8,000 employees, of which approximately 4,200 are workers at the Group's cultivation bases. The aggregate staff costs and Directors' remuneration for the year ended 30 April 2008 totaled approximately RMB165 million (2007: approximately RMB124 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.

PROSPECT

In the foreseeable future, food production and processing industries will continue to develop and progress in China. As global consumers are becoming increasingly health-conscious, global demand for green food will increase therewith. Meanwhile, continued growth in the food consumption market in China also provides the Group with ample commercial development opportunities. Based on the Group's owned advantages, including its stable supply capacity, excellent brand management, stringent quality control, strong research and development capacity and solid customer base, the management believes that the Group is well-positioned to meet the vast demand of branded food and beverage products in the domestic market.

Looking forward, China Green will continue to strive to develop domestic and overseas food markets on the one hand, on the other hand, we will continue to focus on R&D, launch more highly value-added products, and promote health food. With increasing awareness of China Green's brand name, the Group will develop further, and become the market leader in the health consumer food industry.

The Company is committed to maintaining 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 2008, 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 2008.

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

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 19 to 22 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 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.

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 experience 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 2008, the Board held 10 meetings.

Name of Director	Number of attendance
Sun Shao Feng	10/10
Kung Sze Wai	10/10
Leung Kwok Fai Ben Rich	10/10
Lin Chuan Bi	10/10
Hu Ji Rong	10/10
Zheng Baodong	10/10

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 2008, 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.

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 independency 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 9 to the financial statements.

AUDITOR'S REMUNERATION

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

Services rendered	**Fee paid/payable**
	HK$'000
Audit services	950
Non-audit services	20
	970

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 2008, 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 2008, 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.

EXECUTIVE DIRECTORS

Mr. Sun Shao Feng (孫少鋒), aged 43, 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 36, 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 50, 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.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Hu Ji Rong (胡繼榮), aged 52, 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 76, 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 41, 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.

SENIOR EXECUTIVES

Mr. Nie Xing (聶星), aged 43, is the Managing Vice Chief Officer of the Group and General Manager of Hubei Operation Division. 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 had worked in Fujian Finance and Accounting Management Cadre College (qualified as Associate Professor). He joined the Group in 2001 and is mainly responsible for the financial planning and analysis, management, investment and corporate financing of the Group. 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 Executive Vice Chief Officer of the Group and General Manager of Zhangpu Hebei Operation Division. 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. Osugi Kenji (大杉健二), aged 48, is the Operating Vice Chief Officer of the Group and General Manager of Shanghai Operating Division. He had been General Administrator of 日本旭印中央青果株式會社, Deputy Head of Japan Hokkaido Cultivation Centre and Deputy Head of 日本東光商事株式會社 and 日本ST農產流通株式會社, engaging in plantation, processing, development and sales of agricultural products. He has 30 years of working experience in agricultural management.

Mr. Chen Qian (陳謙), aged 36, is the general manager of the Beverage Division and the general manager of Fujian Operation Division of the Group. Mr. Chen graduated from Fujian Province Ningde City Normal School (福建省寧德市師範學校) in 1992 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.

Mr. Zhou Ming (周明), aged 41, is the general manager of Noodles Production Division of the Group. He graduated from Quanzhou University Business Administration College in 1986. He served as General Sales Manager in groups including the nation-renowned enterprises Qifeng, Fuma Food, Qike Food, and has 13 years of experience in marketing and planning.

Mr. Wang Xiaofeng (王曉峰), aged 33, is the General Manager of the Jiangxi Operation Division. He graduated from Fushun Petroleum Institute (撫順石油學院) in 1994. He served as General Manager in Coca-Cola, Yinlu Group (銀鷺集團), Hainan Huichen (海南匯臣) and various other companies. He is strong in operation and leadership and is familiar with corporate establishment, long-term planning, the PRC's consumer goods market, channel and sales network and has vast experience and working history in brand operation, sales management and market operation. He joined the Group in 2006.

Mr. Zheng Hai (鄭海), aged 39, is the General Manager of Foreign Trade Division. He graduated from the University of Xiamen (廈門大學) International Trade Department in 1990 with an Economics degree. He worked as General Manager in Hong Kong Jianfeng Enterprise, Huamin Group and Chengshi Jingdian Import and Export Company and is well versed in import and export business.

Mr. Gong Wenmao (龔文茂), aged 35, is the General Manager of Logistics Division. He graduated from Xiamen University (廈門大學) with a degree in Economics and Management in 1996 and obtained the qualification of Business Management Economist in 2000. He worked in groups including Hong Kong Fenglianda, Xiashang and Xiangyu as Senior Executive. He is well-versed in sourcing and logistics, tenant enrolling management of consolidated business, and is particularly experienced in logistics, distribution and sales management of agricultural by-products and consumer goods.

Mr. Zhang Zhiqin (張志勤), aged 44, is the Group's Director of Food Research and Development. He is a senior engineer and a bachelor of engineering in Food Engineering. He was Committee Member of the Assessment Committee of Senior Positions of High Technology Officers of Xiamen and Committee Member of Technological Professional Committee of Fujian Food Industry Association. He has over 10 years of working experience in planning of food projects and the design and selection and installation in production procedures. He is well-versed in engineering technology and equipment engineering. He has published a number of results work including "Processing Technology of Fruits, Vegetables and Sugar Products, Research and Production of Artificial Longan, Research and Production of Oolong Tea.

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 2006.

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) in 2003. He is currently an MBA research student at Jiangxi Finance University. During the period, he obtained the Advertisement Examiner Certificate and Advertisement Practitioner Certificate. He served as senior management member in marketing, planning and branding in many famous enterprises.

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 worked 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. Zhu Yinchuan (朱銀川), aged 61, is the Group's Director of Plantation Technology. Since he started his career, he has been engaged in the on-site plantation management work of agricultural products. He had only worked in Shanghai Gaorong Food Company Limited for six years before he joined the Company. His over 40 years of experience in site management has provided strong and sustainable protection to the development of the plantation business of the Company.

Ms. Chen Bing Ling (陳冰玲), aged 33, is the Deputy General Manager of Fujian Operation Division. 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. Currently she is studying for an MBA at Quanzhou Huaqiao University Business Administration Institute.

Mr. Chen Wenzhong (陳文忠), aged 46, is the Deputy General Manager of Zhangpu Hebei Operation Division and a senior agriculturist. Since he started his career in 1985, he has been engaged in management of agricultural plantation and development. He had been the director of sourcing (principally in processing/plantation/sales/production) in the PRC Shanghai Doule Head Office of the US DOLE Food Company. He is particularly experienced in the on-site management of agricultural plantation and processing.

Mr. Xu Bin (徐斌), aged 43, is the Deputy General Manager of Shanghai Operation Division of the Group. He graduated from Fujian Broadcasting TV University Economic and Enterprise Management College in 1986 and was a research postgraduate at Japan Asian and East Culture Integrated Research Institute in 1988. He worked as general manager at companies including 日本新東京株式會社 and (住友) ST and is well-versed in the plantation, processing and sales of agricultural products.

Mr. Lin Bing Wen (林炳文), aged 39, joined the Group in January 2001. He is currently the Deputy General Manager of Jiangxi Operation Division. 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.

Ms. Lau So On Amy (劉素安), aged 30, Assistant Vice President and Investor Relations Representative of the Group. Ms. Lau joined the group in 2008. She is mainly responsible for corresponding with the Group's investors and media. Prior to joining China Green, Ms. Lau had experiences as an Investment Analyst with an US Hedge Fund & Private Equity group, as well as investor relations representative for various International Financial Institutions. Ms. Lau graduated from California State University, San Marcos, USA with a bachelor degree in Economics in 2000 and obtained a Master of Business Administration, Finance from University of San Francisco, USA in 2002.

Ms. Hung Cheuk Ting (洪勺婷), aged 36, is the Assistant Vice President of the Group as of August 2008. She graduated from the South Australia University (南澳洲大學) in 2005 with a bachelor degree in Applied Finance. Ms. Hung gained ample experience in banking and finance sectors of major banks and financial institutions in Hong Kong prior to joining the Group.

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 2008.

PRINCIPAL ACTIVITIES

The principal activity of the Company is investments holding. The activities of the subsidiaries are set out in note 18 to the financial statements.

An analysis of the Group's performance for the year by business and geographical segments is set out in note 6 to the financial statements.

RESULTS AND APPROPRIATIONS

The results for the year ended 30 April 2008 are set out in the consolidated income statement on page 33.

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 30 September 2008 ("2008 AGM") a final dividend of HK$0.090 (approximately RMB0.081) (2007: HK$0.063 (approximately RMB0.062) per share to be paid on 16 October 2008 to those shareholders whose names appear on the register of members of the Company on 30 September 2008. Taking into account of the interim dividend of HK$0.068 per share (2007: HK$0.048) and the proposed final dividend, total dividends for the year will amount to of HK$139,577,000 (approximately RMB125,108,000) (2007: HK$90,091,000 (approximately RMB91,283,000)).

CLOSURE OF REGISTER OF MEMBERS

The Register of Members of the Company will be closed from Wednesday, 24 September 2008 to Tuesday, 30 September 2008, 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 2008 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 4:30 p.m. on Tuesday, 23 September 2008.

Holders of the zero coupon convertible bonds (the "Bonds") of the Company due 2010 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 3:00 p.m. on Tuesday, 16 September 2008 in order to qualify for the final dividend and to attend the 2008 AGM.

SHARE CAPITAL

Details of movements in the share capital of the Company during the year are set out in note 28(c) 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 36 and note 28(a) 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 15 to the financial statements.

DISTRIBUTABLE RESERVES

Reserves of the Company at 30 April 2008 available for distribution amounted to RMB931,111,000. The Company share premium account and contributed surplus, in the amount of RMB696,714,000 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

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. Kung Sze Wai and Leung Kwok Fai Ben Rich shall retire from office as Directors by rotation at the 2008 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 19 to 22.

DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS IN SECURITIES

At 30 April 2008, the interest 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 Issures ("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)	45.84%

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.

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.

(ii) 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.

Details of movement of the share options during the year ended 30 April 2008 under the Scheme are as follows:

Name or category of participants	Balance at 1 May 2007	Number of shares fall to be issued under the share options Granted during the year	Exercised during the year	Lapsed during the year	Outstanding at 30 April 2008	Exercise price (HK$)	Date of Grant	Exercisable Period
Director								
Mr. Sun Shao Feng	–	8,400,000	–	–	8,400,000	7.29	30 May 2007	30 May 2008 to 11 Dec 2013##
	–	8,400,000	–	–	8,400,000			
Employees								
	20,400,000	–	11,040,000	–	9,360,000	3.50	19 April 2006	19 April 2007 to 11 Dec 2013#
	–	10,500,000	–	–	10,500,000	7.29	30 May 2007	30 May 2008 to 11 Dec 2013##
	–	600,000	–	–	600,000	8.50	3 April 2008	3 April 2009 to 11 Dec 2013###
	20,400,000	11,100,000	11,040,000	–	20,460,000			

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

70% of the shares fall to be issued under the share options are exercisable from 30 May 2008 and the remaining 30% are exercisable from 30 May 2009 to 11 December 2013.

70% of the shares fall to be issued under the share options are exercisable from 3 April 2009 and the remaining 30% are exercisable from 3 April 2010 to 11 December 2013.

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 2008, 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
Capital Mate Limited ("Capital Mate") (Note)	Beneficial owner	Long Position	405,282,000	45.84%

Note: Capital Mate, a company incorporated in the British Virgin Islands with limited liability is wholly and beneficially owned by Mr. Sun Shao Feng. Hence, Mr. Sun is deemed to be interested in these 405,282,000 ordinary shares of the Company owned by Capital Mate.

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 Listing 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 2008, 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 32 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 2008.

RETIREMENT SCHEME ARRANGEMENT

Particulars of the Group's retirement scheme are set out in note 14 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.

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 15% of the Group's turnover and the percentage of turnover attributable to the Group's largest customer was approximately 5% 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 and 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 2008, 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 2008.

SUBSEQUENT EVENTS

There is no significant event subsequent to the balance sheet date as at 30 April 2008.

AUDITOR

A resolution will be proposed at the 2008 AGM to re-appoint CCIF CPA Limited as auditor.

On behalf of the Board

Sun Shao Feng
Chairman

Hong Kong, 19 August 2008

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 33 to 97, which comprise the consolidated and company balance sheets as at 30 April 2008, 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, in accordance with section 90 of the Bermuda Companies Act 1981 and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this 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.

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 2008 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, 19 August 2008

Chan Wai Dune, Charles
Practising Certificate Number P00712

CONSOLIDATED INCOME STATEMENT

For the year ended 30 April 2008

	Note	2008 RMB'000	2007 RMB'000
Turnover	4	**1,267,094**	954,149
Costs of sales		**(590,450)**	(456,223)
Gross profit		**676,644**	497,926
Other revenues and other net income	5	**58,282**	23,778
Gain arising from changes in fair value less estimated point-of-sale costs of biological assets		**19,942**	15,173
Selling and distribution expenses		**(125,157)**	(92,896)
General and administrative expenses		**(119,367)**	(83,837)
Profit from operations		**510,344**	360,144
Finance costs		**(26,598)**	(14,394)
Profit before taxation	7	**483,746**	345,750
Income tax-(charge)/credit	8	**(12,794)**	245
Profit attributable to equity holders	11	**470,952**	345,995
Dividends payable to equity holders of the Company attributable to the year:	12		
Interim dividend declared during the year		**53,793**	38,767
Final dividend proposed after the balance sheet date		**71,315**	52,516
		125,108	91,283
Earnings per share	13		
– Basic		**RMB53.8 cents**	RMB 44.8 cents
– Diluted		**RMB50.6 cents**	RMB 41.7 cents

The notes on pages 39 to 97 form an integral part of these financial statements.

CONSOLIDATED BALANCE SHEET

As at 30 April 2008

	Note	2008 RMB'000	2007 RMB'000
Non-current assets			
Property, plant and equipment	15	**523,390**	475,477
Interests in leasehold land held for own use under operating leases	16	**152,330**	82,965
Long-term prepaid rentals	17	**113,078**	93,806
		788,798	652,248
Current assets			
Financial asset at fair value through profit or loss	19	**138,913**	–
Inventories	20	**26,158**	14,320
Biological assets	21	**43,059**	39,337
Current portion of long-term prepaid rentals	17	**38,175**	33,941
Trade and other receivables	22	**34,732**	50,600
Cash and cash equivalents	23	**2,097,974**	1,050,537
		2,379,011	1,188,735
Current liabilities			
Due to directors	24	**6,046**	819
Trade and other payable	25	**24,056**	22,427
Tax payable	26	**54,902**	67,596
		85,004	90,842
Net current assets		**2,294,007**	1,097,893
Total assets less current liabilities		**3,082,805**	1,750,141
Non current liabilities			
Convertible bonds	27	**843,185**	64,605
NET ASSETS		**2,239,620**	1,685,536
CAPITAL AND RESERVES	28		
Share capital		**92,105**	88,921
Reserves		**2,147,515**	1,596,615
TOTAL EQUITY		**2,239,620**	1,685,536

Approved and authorised for issue by the board of directors on 19 August 2008.

Sun Shao Feng
Director

Kung Sze Wai
Director

The notes on pages 39 to 97 form an integral part of these financial statements.

BALANCE SHEET

As at 30 April 2008

	Note	2008 RMB'000	2007 RMB'000
Non-current assets			
Property, plant and equipment	15	444	141
Investments in subsidiaries	18	251,055	276,167
		251,499	276,308
Current assets			
Trade and other receivables	22	877,036	487,487
Financial asset at fair value through profit or loss	19	138,913	–
Cash and cash equivalents	23	742,449	254,491
		1,758,398	741,978
Current liabilities			
Due to directors	24	5,292	65
Trade and other payables	25	975	1,193
		6,267	1,258
Net current assets		1,752,131	740,720
Total assets less current liabilities		2,003,630	1,017,028
Non-current liabilities			
Convertible bonds	27	843,185	64,605
NET ASSETS		1,160,445	952,423
CAPITAL AND RESERVES	28		
Share capital		92,105	88,921
Reserves		1,068,340	863,502
TOTAL EQUITY		1,160,445	952,423

Approved and authorised for issue by the board of directors on 19 August 2008.

Sun Shao Feng
Director

Kung Sze Wai
Director

The notes on pages 39 to 97 form an integral part of these financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 30 April 2008

	Note	2008 RMB'000	2008 RMB'000	2007 RMB'000	2007 RMB'000
Total equity at 1 May			1,685,536		1,132,630
Net income recognised directly in equity:					
Exchange differences on translation into presentation currency		(35,722)		(13,237)	
Net profit for the year		470,952		345,995	
Total recognised income and expenses for the year			435,230		332,758
Dividends declared or approved during the year			(103,099)		(83,701)
Movements in equity arising from capital transactions:					
Shares issued upon conversion of convertible bonds	28(a)	59,685		233,529	
Shares issued upon exercise of share options	28(a)	34,635		43,660	
Equity component of convertible bonds issued	28(a)	94,040		–	
Equity settled share-based transactions	28(a)	33,593		26,660	
			221,953		303,849
Total equity at 30 April			2,239,620		1,685,536

The notes on pages 39 to 97 form an integral part of these financial statements.

For the year ended 30 April 2008

	2008 RMB'000	2007 RMB'000
Operating activities		
Profit before taxation	**483,746**	345,750
Adjustments for:		
Amortisation of land lease premium	**1,643**	1,451
Amortisation of long-term prepaid rentals	**37,174**	29,382
Depreciation	**55,397**	39,622
(Gain)/loss on disposal of property, plant and equipment	**(26)**	246
Loss on changes in fair value of financial asset at fair value through profit or loss	**558**	–
Gain on changes in fair value less estimated point-of-sale costs of biological assets	**(19,942)**	(15,173)
Interest income	**(28,976)**	(14,837)
Interest expenses	**26,598**	14,394
Amortisation of transaction costs on convertible bonds	**1,299**	2,850
Foreign exchange gain	**(28,391)**	(8,280)
Equity-settled share-based payment expenses	**33,593**	26,660
Operating profit before changes in working capital	**562,673**	422,065
Increase in inventories	**(11,838)**	(6,631)
Decrease in biological assets	**16,220**	11,988
Decrease in trade and other receivables	**23,309**	11,385
Decrease in short term prepaid rentals	**–**	397
Increase in due to directors	**5,227**	819
Increase in trade and other payables	**1,629**	3,584
Cash generated from operations	**597,220**	443,607
Tax paid		
PRC enterprise income tax paid	**(25,488)**	–
Net cash generated from operating activities	**571,732**	443,607
Investing activities		
Payment for purchase of property, plant and equipment	**(174,335)**	(125,878)
Payment of long-term prepaid rental	**(60,680)**	(65,025)
Payment for purchase of financial asset at fair value through profit or loss	**(139,471)**	–
Interest received	**21,535**	10,804
Proceeds on disposal of property, plant and equipment	**30**	18
Net cash used in investing activities	**(352,921)**	(180,081)

CONSOLIDATED CASH FLOW STATEMENT

For the year ended 30 April 2008

	2008 RMB'000	2007 RMB'000
Financing activities		
Net proceeds from issuance of convertible bonds	911,664	–
Proceeds from shares issued upon exercise of share options	34,635	43,660
Bonds interest paid	(236)	(5,227)
Dividends paid	(103,099)	(83,701)
Net cash generated from/(used in) financing activities	842,964	(45,268)
Net increase in cash and cash equivalents	1,061,775	218,258
Cash and cash equivalents at 1 May	1,050,537	852,898
Effect of foreign exchange rate changes	(14,338)	(20,619)
Cash and cash equivalents at 30 April (note 23)	2,097,974	1,050,537

The notes on pages 39 to 97 form an integral part of these financial statements.

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 18 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. Note 3 provides information on the changes in accounting policies resulting from initial application of these developments to the extent that they are relevant to the Group and the Company for the current and prior accounting periods reflected in these financial statements.

b) Basis of preparation of the financial statements

The consolidated financial statements for the year ended 30 April 2008 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 following assets and liabilities are stated at their fair value as explained in the accounting policy set out below.

– biological assets (see note 2(h)); and

– financial asset at fair value through profit or loss (see note 2 (d)).

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.

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

b) Basis of preparation of the financial statements (continued)

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 judgments 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.

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 profits 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(g)), unless the investment is classified as held for sale.

d) Financial asset at fair value through profit or loss

Financial asset at fair value through profit or loss has two subcategories, including financial assets held for trading and those designated as at fair value through profit or loss on initial recognition.

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

d) Financial asset at fair value through profit or loss (continued)

A financial asset is classified as held for trading if:

- it has been acquired principally for the purpose of selling in the near future; or
- it is a part of an identified portfolio of financial instruments that the Group manages together and has a recent actual pattern of short-term profit-taking; or
- it is a derivative that is not designated and effective as a hedging instrument.

A financial asset other than a financial asset held for trading may be designated as at fair value through profit or loss upon initial recognition if:

- such designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise; or
- the financial asset forms part of a group of financial assets or financial liabilities or both, which is managed and its performance is evaluated on a fair value basis, in accordance with the Group's documented risk management or investment strategy, and information about the grouping is provided internally on that basis; or
- it forms part of a contract containing one or more embedded derivatives, and HKAS 39 permits the entire combined contract (asset or liability) to be designated as at fair value through profit or loss.

At each balance sheet date subsequent to initial recognition, financial assets at fair value through profit or loss are measured at fair value, with changes in fair value recognised directly in profit or loss in the period in which they arise. The net gain or loss recognised in profit or loss includes any dividend or interest earned on the financial assets.

e) 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(g)):

– 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(f)); and

– other items of plant and equipment.

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

e) Property, plant and equipment (continued)

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(r)).

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 income statement on the date of retirement or disposal.

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.

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

f) 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.

(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 income statement 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.

g) 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. Objective evidence of impairment includes observable data that comes to the attention of the Group about one or more of the following loss events:

– significant financial difficulty of the receivables;

– a breach of contract, such as a default or delinquency in interest or principal payments;

– it becoming probable that the debtors will enter bankruptcy or other financial reorganisation;

– significant changes in the technological, market, economic or legal environment that have an adverse effect on the receivables; and

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

g) Impairment of assets (continued)

(i) Impairment of financial assets (continued)

If any such evidence exists, any impairment loss is determined and recognised. For financial assets carried at amortised cost, 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. This assessment is made collectively where financial assets carried at amortised cost share similar risk characteristics, such as similar past due status, and have not been individually assessed as impaired. Future cash flows for financial assets which are assessed for impairment collectively are based on historical loss experience for assets with credit risk characteristics similar to the collective Group.

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 income statement. 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.

Impairment losses are written off against the corresponding assets directly, except for impairment losses recognised in respect of trade receivables included within trade and other receivables, whose recovery is considered doubtful but not remote. In this case, the impairment losses for doubtful debts are recorded using an allowance account. When the Group is satisfied that recovery is remote, the amount considered irrecoverable is written off against trade receivables directly and any amounts held in the allowance account relating to that debt are reversed. Subsequent recoveries of amounts previously charged to the allowance account are reversed against the allowance account. Other changes in the allowance account and subsequent recoveries of amounts previously written off directly are recognised in income statement.

(ii) Impairment of other assets

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

– Property, plant and equipment (other than properties carried at revalued amounts);

– Long-term prepaid rental;

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

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

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

g) Impairment of assets (continued)

(ii) Impairment of other assets (continued)

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 income statement 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.

– 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 income statement in the year in which the reversals are recognised.

(iii) Interim financial reporting and impairment

Under the Listing Rules, the Group is required to prepare an interim financial report in compliance with HKAS 34, Interim financial reporting, in respect of the first six months of the financial year. At the end of the interim period, the Group applies the same impairment testing, recognition, and reversal criteria as it would at the end of the financial year.

Impairment losses recognised in an interim period in respect of goodwill and available-for-sale equity securities carried at cost are not reversed in a subsequent period. This is the case even if no loss, or a smaller loss, would have been recognised had the impairment been assessed only at the end of the financial year to which the interim period relates.

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

h) 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, cost 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.

i) 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, labour and indirect overheads, and other costs incurred in bringing the inventories to their present location and condition.

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

When inventories are sold, the carrying amount of those inventories is recognised as an expense in the period in which the related revenue is recognised. The amount of any write-down of inventories to net realisable value and all losses of inventories are recognised as an expense in the period 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.

j) Trade and other receivables

Trade and other receivables are initially recognised at fair value and thereafter stated at amortised cost less allowance for impairment of bad and doubtful debts, 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 allowance for impairment of bad and doubtful debts (see note 2(g)).

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

k) 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 income statement on the liability component is calculated using the effective interest method. The equity component is recognised in the capital reserve until either the note is converted or redeemed.

If the bond is converted, the capital 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.

l) 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.

m) 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.

n) Employee benefits

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

Salaries, annual bonuses, paid annual leave, contributions to defined contribution 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.

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

n) Employee benefits (continued)

(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 capital 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.

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 income statement for the year of the review, unless the original employee expenses qualify for recognition as an asset, with a corresponding adjustment to the capital 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 capital 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 capital 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).

o) 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 income statement 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.

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

o) 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.

Additional income taxes that arise from the distribution of dividends are recognised when the liability to pay the related dividends is recognised.

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.

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

p) 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.

q) 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 income statement 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. Revenue is net of value added tax or other sales taxes and is after deduction of any trade discounts.

(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.

r) Borrowing costs

Borrowing costs are expensed in income statement 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.

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

s) 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(r)). 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.

t) 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 income statement.

Non-monetary assets and liabilities that are measured in terms of historical cost in 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.

u) 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 an associate of the Group or a joint venture in which the Group is a venturer;

(iv) 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;

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

u) Related parties (continued)

(v) 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

(vi) 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.

v) 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 as those available to other external parties.

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. CHANGES IN ACCOUNTING POLICIES

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

There have been no significant changes to the accounting policies applied in these financial statements for the years presented as a result of these developments. However, as a result of the adoption of HKFRS 7, Financial instruments: Disclosures and the amendment to HKAS 1, Presentation of financial statements: Capital disclosures, there have been some additional disclosures provided as follows:

As a result of the adoption of HKFRS 7, the financial statements include expanded disclosure about the significance of the Group's financial instruments and the nature and extent of risks arising from those instruments, compared with the information previously required to be disclosed by HKAS 32, Financial instruments: Disclosure and presentation. These disclosures are provided throughout these financial statements, in particular in note 30.

The amendment to HKAS 1 introduces additional disclosure requirements to provide information about the level of capital and the Group's and the Company's objectives, policies and processes for managing capital. These new disclosures are set out in note 28. Both HKFRS 7 and the amendment to HKAS 1 do not have any material impact on the classification, recognition and measurement of the amounts recognised in the financial instruments.

The Group has not applied any new standard or interpretation that is not yet effective for the current accounting period (see note 35).

4. 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:

	2008	2007
	RMB'000	RMB'000
Sales of agricultural products		
Fresh produce	**360,109**	327,985
Processed products	**278,260**	183,031
Pickled products	**196,631**	135,314
Rice products	**88,268**	86,335
Rice flour products	**95,260**	88,401
Beverage products	**184,765**	114,598
Instant noodles	**63,801**	18,485
	1,267,094	954,149

5. OTHER REVENUE AND OTHER NET INCOME

	2008 RMB'000	2007 RMB'000
Other revenue		
Interest income from bank	**28,976**	14,837
Handling income	**704**	573
Sundry income	**185**	88
	29,865	15,498
Other net income		
Gain on disposal of property, plant and equipment	**26**	–
Foreign exchange gain	**28,391**	8,280
	58,282	23,778

6. SEGMENT 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.

The analysis of the result of each category of agricultural product is as below:

	2008 RMB'000	2007 RMB'000
Sales of agricultural products		
Fresh produce	**360,109**	327,985
Processed products	**278,260**	183,031
Pickled products	**196,631**	135,314
Rice products	**88,268**	86,335
Rice flour products	**95,260**	88,401
Beverage products	**184,765**	114,598
Instant noodles	**63,801**	18,485
	1,267,094	954,149

6. SEGMENT REPORTING (continued)

(a) Business segments (continued)

	2008 RMB'000	2007 RMB'000
Gross profit of agricultural products		
Fresh produce	**186,090**	176,255
Processed products	**161,148**	102,971
Pickled products	**114,342**	73,478
Rice products	**26,336**	23,110
Rice flour products	**51,144**	47,154
Beverage products	**108,822**	67,479
Instant noodles	**28,762**	7,479
	676,644	497,926

(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.

An analysis of the Group's revenue and result by geographical location of customers for the year is as follows:

	2008 RMB'000	2007 RMB'000
Revenue from external customers		
Japan	**348,388**	300,513
PRC	**671,468**	508,417
Other Asian countries	**95,782**	48,421
Europe	**124,596**	91,121
Australia	**4,207**	4,548
America	**11,408**	–
Africa	**11,245**	1,129
	1,267,094	954,149
Segment result		
Japan	**205,678**	173,233
PRC	**331,208**	242,663
Other Asian countries	**54,153**	27,539
Europe	**70,497**	51,051
Australia	**2,402**	2,791
America	**6,340**	–
Africa	**6,366**	649
	676,644	497,926

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

7. PROFIT BEFORE TAXATION

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

	2008 RMB'000	2007 RMB'000
a) Finance costs		
Interest on convertible bonds	26,598	14,394
b) Staff costs		
Contributions to defined contribution retirement plans	505	429
Equity-settled share-based payment expenses	33,593	26,660
Salaries, wages and other benefits	130,667	96,697
	164,765	123,786
c) Other items		
Amortisation of land lease premium	1,643	1,451
Amortisation of long-term prepaid rentals	37,174	29,382
Cost of inventories	590,450	456,223
Depreciation of property, plant and equipment	55,397	39,622
Operating lease charges		
– hire of other assets (including property rentals)	–	1,849
Research and development expenses	31,862	21,070
Auditors' remuneration – audit services	860	820
Loss on disposal of property, plant and equipment	–	246
Loss on changes in fair value of financial asset at fair value through profit or loss	558	–

8. INCOME TAX IN THE CONSOLIDATED INCOME STATEMENT

	2008 RMB'000	2007 RMB'000
Current tax – PRC Enterprise Income Tax		
Provision for the year	31,196	11,345
Over-provision in respect of prior years	(18,402)	(11,074)
Deferred tax		
Origination and reversal of temporary differences	–	(516)
	12,794	(245)

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

(a) Hong Kong profits tax

No Hong Kong profits tax has been provided for as the Group had no assessable profits arising in or derived from Hong Kong (2007: 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. Commencing from 2007, four PRC subsidiaries are subject to tax at 50% of the standard tax rates and the remaining PRC subsidiaries are fully exempted from PRC enterprise income tax under the relevant tax rules and regulations.

On 16 March 2007, the People's Republic of China promulgated the Law of the People's Republic of China on Enterprise Income Tax (the "New Law") by Order No. 63 of the President of the People's Republic of China. On 6 December 2007, the State Council of the PRC issued Implementation Regulations of the New Law. The New Law and Implementation Regulations will change the tax rate to 25% subject to certain exceptions or exemptions with effect from 1 January 2008.

(c) Reconciliation between tax expense and accounting profit at applicable tax rates:

	2008 RMB'000	2007 RMB'000
Profit before taxation	483,746	345,750
Notional tax on profit before taxation, calculated at rates applicable to profits in the country concerned	75,997	82,500
Tax effect of operating loss of Group companies not subject to income tax	13,195	7,557
Tax effect of non-taxable income	(517)	(1,939)
Tax effect of profit exempted from income tax as a result of tax benefit	(63,714)	(81,669)
Tax effect of unused tax loss not recognised	6,235	4,380
Over-provision in prior years	(18,402)	(11,074)
Actual tax expenses – charge/(credit)	12,794	(245)

9. DIRECTORS' REMUNERATION

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

	For the year ended 30 April 2008					
	Directors' fees RMB'000	Salaries, allowances and benefits in kind RMB'000	Share-based payment (note) RMB'000	Retirement scheme contributions RMB'000	Discretionary bonus RMB'000	Total RMB'000
Executive directors						
Sun Shao Feng	–	3,738	14,901	–	-	18,639
Kung Sze Wai	–	312	–	11	2,716	3,039
Leung Kwok Fai, Ben Rich	–	102	–	5	27	134
Independent non-executive directors						
Hu Ji Rong	30	–	–	–	–	30
Lin Chuan Bi	22	–	–	–	–	22
Zheng Bao Dong	26	–	–	–	–	26
	78	4,152	14,901	16	2,743	21,890

	For the year ended 30 April 2007					
	Directors' fees RMB'000	Salaries, allowances and benefits in kind RMB'000	Share-based payment (note) RMB'000	Retirement scheme contributions RMB'000	Discretionary bonus RMB'000	Total 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

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 30 April 2008 and 2007.

9. DIRECTORS' REMUNERATION (continued)

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(n)(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 "Share option scheme" in the directors' report and note 29.

10. INDIVIDUALS WITH HIGHEST EMOLUMENTS

Of the five individuals with highest emoluments, two (2007: three) are directors whose emoluments are disclosed in note 9. The aggregate of the emoluments in respect of the other three (2007: two) individuals are as follows:

	2008	2007
	RMB'000	RMB'000
Salaries and other emoluments	**5,770**	971
Discretionary bonuses	**11**	–
Share-based payments	**–**	2,751
Retirement scheme contributions	**7**	8
	5,788	3,730

The emoluments of the three (2007: two) individuals with the highest emolument are within the following bands:

		Number of individuals	
		2008	2007
HK$	RMB equivalent		
Nil-1,000,000	Nil-896,000	**2**	1
4,000,001-4,500,000	3,585,000-4,034,000	**–**	1
5,500,001-6,000,000	4,930,000-5,378,000	**1**	–

11. PROFIT ATTRIBUTABLE TO EQUITY HOLDERS OF THE COMPANY

The consolidated profit attributable to equity holders of the Company includes a loss of RMB60,374,000 (2007: RMB32,470,000) 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:

	2008 RMB'000	2007 RMB'000
Amount of consolidated loss attributable to equity holders dealt with in the Company's financial statements	(60,374)	(32,470)
Interim dividends from subsidiaries attributable to the profits of the current financial year, approved and paid during the year	235,000	60,000
Company's profit for the year (note 28(b))	174,626	27,530

12. DIVIDENDS

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

	2008 RMB'000	2007 RMB'000
Interim dividend declared and paid of HK$0.068 (equivalent to approximately RMB0.063) (2007: HK$0.048) per ordinary share	53,793	38,767
Final dividend proposed of HK$0.090 (equivalent to approximately RMB0.081) (2007: HK$0.063) per ordinary share	71,315	52,516
	125,108	91,283

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

12. DIVIDENDS (continued)

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

	2008 RMB'000	2007 RMB'000
Final dividend in respect of the previous financial year, approved and paid during the year, of HK$0.063 (2007: HK$0.062) per ordinary share	**49,306**	44,934

13. EARNINGS PER SHARE

(a) Basic earnings per share

The calculation of basic earnings per share is based on the profit attributable to ordinary equity holders of the Company of RMB470,952,000 (2007: 345,995,000) and the weighted average of 875,537,254 ordinary shares (2007: 772,512,015 ordinary shares) in issue during the year, calculated as follows:

Weighted average number of ordinary shares

	2008 Number of ordinary shares	2007 Number of ordinary shares
Issued ordinary shares at 1 May	**847,028,433**	731,266,478
Effect of issuance of shares under share option scheme	**10,223,342**	6,805,479
Effect of issuance of shares upon conversion of convertible bonds	**18,285,479**	34,440,058
Weighted average number of ordinary shares at 30 April	**875,537,254**	772,512,015

13. 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 holders of the Company of RMB497,550,000 (2007: RMB360,389,000) and the weighted average number of ordinary shares of 983,063,788 (2007: 864,792,174 shares), calculated as follows:

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

	2008 RMB'000	2007 RMB'000
Profit attributable to ordinary equity holders	**470,952**	345,995
After tax effect of effective interest on liability component of convertible bonds	**26,598**	14,394
Profit attributable to ordinary equity holders (diluted)	**497,550**	360,389

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

	2008 Number of ordinary shares	2007 Number of ordinary shares
Weighted average number of ordinary shares at 30 April	**875,537,254**	772,512,015
Effect of deemed issue of shares under the Company's share option scheme for nil consideration	**8,778,908**	8,074,153
Effect of conversion of convertible bonds	**98,747,626**	84,206,006
Weighted average number of ordinary shares at 30 April	**983,063,788**	864,792,174

14. 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 during the year.

For the year ended 30 April 2008, the Group's retirement plan contributions amounted to approximately RMB505,000 (2007: RMB429,000).

15. 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 2006	94,751	137,422	107,320	9,023	2,509	97,721	448,746
Exchange realignment	–	–	–	(8)	(7)	–	(15)
Additions during the year	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
At 1 May 2007	128,929	174,402	186,064	10,465	2,366	59,899	562,125
Exchange realignment	–	–	–	(23)	–	–	(23)
Additions during the year	866	8,888	4,643	8,406	644	79,880	103,327
Transfer from/(to)	4,648	36,564	16,208	10,001	–	(67,421)	–
Disposals	–	–	–	(81)	(302)	–	(383)
At 30 April 2008	134,443	219,854	206,915	28,768	2,708	72,358	665,046
Accumulated depreciation:							
At 1 May 2006	4,102	28,187	12,125	2,338	1,066	–	47,818
Exchange realignment	–	–	–	(3)	(5)	–	(8)
Charges 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
At 1 May 2007	9,841	48,447	23,426	3,751	1,183	–	86,648
Exchange realignment	–	–	–	(10)	–	–	(10)
Charges during the year	6,478	27,710	17,589	3,287	333	–	55,397
Written back on disposals	–	–	–	(77)	(302)	–	(379)
At 30 April 2008	16,319	76,157	41,015	6,951	1,214	–	141,656
Net book value							
At 30 April 2008	118,124	143,697	165,900	21,817	1,494	72,358	523,390
At 30 April 2007	119,088	125,955	162,638	6,714	1,183	59,899	475,477

15. PROPERTY, PLANT AND EQUIPMENT (continued)

The Group (continued)

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

	2008 RMB'000	2007 RMB'000
Construction cost of building structure	18,286	22,741
Construction cost of infrastructure on cultivation bases	43,897	32,424
Cost of machinery pending installation	10,175	4,734
	72,358	59,899

15. PROPERTY, PLANT AND EQUIPMENT (continued)

The Company

	Furniture, fixtures and office equipment RMB'000	Motor vehicles RMB'000	Total RMB'000
Cost			
At 1 May 2006	158	135	293
Exchange realignment	(8)	(7)	(15)
Additions during the year	100	–	100
At 30 April 2007	250	128	378
At 1 May 2007	250	128	378
Exchange realignment	(23)	–	(23)
Addition	368	–	368
Disposal	–	(128)	(128)
At 30 April 2008	595	–	595
Accumulated depreciation			
At 1 May 2006	68	102	170
Exchange realignment	(3)	(6)	(9)
Charges for the year	44	32	76
At 30 April 2007	109	128	237
At 1 May 2007	109	128	237
Exchange realignment	(10)	–	(10)
Charges for the year	52	–	52
Written back on disposal	–	(128)	(128)
At 30 April 2008	151	–	151
Net book value			
At 30 April 2008	444	–	444
At 30 April 2007	141	–	141

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

The Group

	2008 RMB'000	2007 RMB'000
Cost:		
At 1 May	86,748	70,168
Additions	71,008	16,580
At 30 April	157,756	86,748
Accumulated amortisation and impairment losses:		
At 1 May	3,783	2,332
Amortisation for the year	1,643	1,451
At 30 April	5,426	3,783
Net book value:		
At 30 April	152,330	82,965

Leasehold land is situated in the PRC and held on medium-term lease.

17. LONG-TERM PREPAID RENTALS

The Group

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

	2008 RMB'000	2007 RMB'000
Cost:		
At 1 May	243,276	178,251
Additions	60,680	65,025
At 30 April	303,956	243,276
Accumulated amortisation:		
At 1 May	115,529	86,147
Amortisation	37,174	29,382
At 30 April	152,703	115,529
Net book value:		
At 30 April	151,253	127,747

17. LONG-TERM PREPAID RENTALS (continued)

Analysis of long-term prepaid rentals is as follows:

	2008 RMB'000	2007 RMB'000
Non-current portion	**113,078**	93,806
Current portion	**38,175**	33,941
Net book value at 30 April	**151,253**	127,747

The carrying value of the long-term prepaid rentals for fruit farms was RMB16,513,000 (2007: RMB12,163,000) as at 30 April 2008.

18. INVESTMENTS IN SUBSIDIARIES

The Company

	2008 RMB'000	2007 RMB'000
Unlisted shares, at cost		
At 1 May	**276,167**	291,292
Exchange realignment	**(25,112)**	(15,125)
At 30 April	**251,055**	276,167

Details of subsidiaries as at 30 April 2008 are as follows:

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
China Green Food Group Limited (formerly known as China Green (Hong Kong) Limited)	Hong Kong	HK$10,000	100%	100%	–	Dormant
Crop Harvest Enterprise 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

18. INVESTMENTS IN SUBSIDIARIES (continued)

Details of subsidiaries as at 30 April 2008 are as follows: (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
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 Co. Limited (note (ii))	The PRC	HK$11,680,000	100%	–	100%	Trading of agricultural products
China Green Resources (Xiamen) Sales Company Limited (note (i))	The PRC	US$2,000,000	100%	–	100%	Dormant
China Green (Xiamen) Logistics Company Limited (note (i))	The PRC	US$8,000,000	100%	–	100%	Trading of agricultural products
Zhonglu (Fujian) Agriculture Comprehensive Development Company Limited (note (ii))	The PRC	RMB68,000,000	100%	–	100%	Growing, processing and sales of agricultural products

18. INVESTMENTS IN SUBSIDIARIES (continued)

Details of subsidiaries as at 30 April 2008 are as follows: (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 (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 Investment Limited (note (i))	The PRC	US$5,000,000	100%	–	100%	Dormant
Zhonglu (Hubei) Industry Development Limited (note (i))	The PRC	HK$150,000,000	100%	–	100%	Growing, processing and sales of agricultural products

Notes:

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

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

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

19. FINANCIAL ASSET AT FAIR VALUE THROUGH PROFIT OR LOSS

The Group and the Company

	2008 RMB'000	2007 RMB'000
Unlisted marketable debt securities, at market value	**138,913**	–

20. INVENTORIES

The Group

Inventories represent the following:

	Note	2008 RMB'000	2007 RMB'000
Raw materials	(i)	**4,999**	2,938
Work-in-progress	(ii)	**11,898**	4,474
Finished goods		**767**	2,126
Agricultural materials	(iii)	**3,344**	383
Consumable and packing materials	(iv)	**5,150**	4,399
Total		**26,158**	14,320

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 consumed as at the balance sheet date.

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

(v) As at 30 April 2008 and 2007, the carrying amount of inventories carried at fair value less costs to sell amounted to RMB11,898,000 (2007: RMB4,474,000).

21. BIOLOGICAL ASSETS

The Group

(a) Reconciliation of carrying amount of biological assets:

	2008 RMB'000	2007 RMB'000
At 1 May	39,337	36,152
Gain arising from changes in fair value less estimated point-of-sale costs	19,942	15,173
Increase due to plantation	251,869	165,626
Decrease due to harvest	(268,089)	(177,614)
At 30 April	43,059	39,337

(b) The Group's biological assets represent the growing vegetables and fruit as follow:

	2008 RMB'000	2007 RMB'000
Vegetables	29,550	22,323
Fruit	13,509	17,014
	43,059	39,337

(c) The analysis of carrying amount of biological assets:

	2008 RMB'000	2007 RMB'000
At fair value less estimated point-of-sale costs	43,059	39,337

Vegetables and fruit were stated at fair value less estimated point-of-sale costs as at 30 April 2008 and 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, cost 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 were as follow:

	2008		2007	
	Quantity (tons)	RMB'000	Quantity (tons)	RMB'000
Vegetable and rice	277,137	295,251	213,616	219,624
Fruit	22,490	30,697	21,179	26,984
	299,627	325,948	234,795	246,608

22. TRADE AND OTHER RECEIVABLES

	The Group		The Company	
	2008	2007	**2008**	2007
	RMB'000	RMB'000	**RMB'000**	RMB'000
Amounts due from subsidiaries	**–**	–	**869,940**	481,763
Trade receivables	**13,666**	11,393	**–**	–
Interest receivable	**6,670**	5,117	**6,670**	5,117
Other receivables	**47**	33	**–**	6
Loans and receivables	**20,383**	16,543	**876,610**	486,886
Deposits for acquisition of leasehold land	**–**	27,200	**–**	–
Rental and utility deposits	**10,692**	820	**426**	601
Trade deposits	**105**	1,424	**–**	–
Prepayments	**3,552**	4,613	**–**	–
	34,732	50,600	**877,036**	487,487

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

All of the trade and other receivables are expected to be recovered or expensed within one year.

The Group's credit policy is set out in note 30.

a) An ageing analysis of trade receivables is as follows:

	The Group	
	2008	2007
	RMB'000	RMB'000
Within 1 month	**13,666**	11,393

22. TRADE AND OTHER RECEIVABLES (continued)

b) Impairment of trade receivables

As at 30 April 2008 and 2007, no trade receivables were determined to be impaired. The trade receivables were aged within one month as at the balance sheet date and not considered having financial difficulties. The factors which the Group considered in determining whether the trade receivables were individually impaired include the following:

– significant financial difficulty of the receivables;

– receivables that have been outstanding for over 30 days;

– the Group granting to the receivables, for economic or legal reasons relating to the receivables's financial difficulty, a concession that the Group would not otherwise consider;

– it is becoming probable that the debtor will enter into bankruptcy or other financial reorganisation;

– observable data indicating that there is a measurable decrease in the estimated future cash flows from the debtor since their initial recognition, although the decrease cannot yet be identified including;

– adverse changes in the payment status of receivables in the Group;

– economic conditions that correlate with defaults on the trade receivables in the Group.

Trade receivables are due within 30 days from the date of billing. Further details on the Group's credit policy is set out in note 30.

No cash deposits not collateral had been placed by the related trade receivables with the Group (2007: Nil).

c) Trade receivables that are not impaired

Trade receivables that are neither individually nor collectively considered to be impaired are aged within 30 days.

Receivables that were neither past due nor impaired relate to a wide range of customers for whom there was no recent history of default.

23. CASH AND CASH EQUIVALENTS

	The Group		The Company	
	2008	2007	**2008**	2007
	RMB'000	RMB'000	**RMB'000**	RMB'000
Cash at bank	**2,097,649**	1,050,193	**742,449**	254,475
Cash on hand	**325**	344	**–**	16
Cash and cash equivalents	**2,097,974**	1,050,537	**742,449**	254,491

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	
	2008	2007	**2008**	2007
	'000	'000	**'000**	'000
US Dollars	**86,846**	4,266	**84,791**	3,962
Hong Kong Dollars	**168,632**	254,455	**168,607**	227,232

24. DUE TO DIRECTORS

The amounts due to Mr. Sun Shao Feng and Mr. Kung Sze Wai, directors of the Company, are unsecured, interest-free and repayable on demand.

25. TRADE AND OTHER PAYABLES

	The Group		The Company	
	2008	2007	**2008**	2007
	RMB'000	RMB'000	**RMB'000**	RMB'000
Trade payables	**1,795**	1,236	**–**	–
Accrued salaries and wages	**8,833**	8,316	**123**	49
Other accruals and payables	**9,890**	4,715	**852**	789
Amounts due to subsidiaries	**–**	–	**–**	355
Financial liabilities measured at amortised cost	**20,518**	14,267	**975**	1,193
Payable for the acquisition of property, plant and equipment	**–**	5,109	**–**	–
Value-added tax payable	**3,538**	3,051	**–**	–
	24,056	22,427	**975**	1,193

25. TRADE AND OTHER PAYABLES (continued)

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	
	2008	2007
	RMB'000	RMB'000
Within 1 month	**1,795**	1,144
Over 1 month but less than 3 months	**–**	89
Over 3 months but less than 6 months	**–**	3
	1,795	1,236

26. INCOME TAX IN THE CONSOLIDATED BALANCE SHEET

a) Current taxation in the balance sheet represents:

	The Group	
	2008	2007
	RMB'000	RMB'000
At 1 May	**67,596**	67,325
Provision for the PRC enterprise income tax for the year	**31,196**	11,345
Over-provision in previous year	**(18,402)**	(11,074)
Tax paid during the year	**(25,488)**	–
At 30 April	**54,902**	67,596

b) Movement of deferred taxation during the year is as follow:

	The Group	
	2008	2007
	RMB'000	RMB'000
Deferred tax arising from other timing difference:		
At 1 May	**–**	516
Credited to income statement	**–**	(516)
At 30 April	**–**	–

There were no material unprovided deferred tax assets or liabilities as at 30 April 2008.

27. CONVERTIBLE BONDS

The Group and the Company

a) Pursuant to a bond placement agreement dated 22 October 2007, the Company issued zero coupon convertible bonds ("Bond A") for an aggregate principal amount of RMB1,000,000,000 (approximately of HK$1,032,098,256) to independent investors on 29 October 2007. The initial conversion price is HK$11 per ordinary share (subject to adjustment) at any time during the period beginning on and after 9 December 2007 to 22 October 2010.

   On the maturity date, the outstanding convertible bonds will be redeemed by the Company at 104.6% of the principal amount.

   During the year, no Bond A has been converted into the Company's ordinary shares.

   The fair value of the liability component was determined by an independent professional valuer, RHL Appraisal Limited.

   The fair value of the liability component is estimated by computing the present value of all future cash flows discounted by the prevailing market rate of interest for a similar instrument.

   Interest expense on Bond A is calculated using the effective interest method by applying the effective interest rate of 5.8021%.

b) Pursuant to a bond placement agreement dated 25 January 2006, the Company issued convertible bonds ("Bond B") 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.

   Bond B bear interest at 2.125% per annum payable by the Company semi-annually in arrear 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 principal amount.

   During the year, Bond B with an aggregate principal amount of HK$65,000,000 (2007: HK$250,000,000) were converted into the Company's new 24,482,110 (2007: 94,161,955) ordinary shares. As at balance sheet date, Bond B was fully converted into the Company's ordinary shares.

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

   The market value of the liability component was determined by an independent professional valuer, Sallmanns (Far East) Limited.

   The market value of the liabilities component is the estimated amount for which an asset should exchange on the date of valuation between a willing buyer and a willing seller in an arm's-length transaction after proper marketing wherein the parties had each acted knowledgeably, prudently and without compulsion.

28. CAPITAL AND RESERVES

(a) The Group

	Share capital	Share premium	PRC statutory reserves	Merger reserve	Share-based compensation reserve	Convertible bonds reserve	Exchange reserves	Retained profits	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
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 payment	–	–	–	–	26,660	–	–	–	26,660
Shares issued upon conversion of convertible bonds	9,284	236,608	–	–	–	(12,363)	–	–	233,529
Shares issued upon 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)	–
Dividend 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

28. CAPITAL AND RESERVES (continued)

(a) The Group (continued)

	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 reserves RMB'000	Retained profits RMB'000	Total RMB'000
As at 1 May 2007	88,921	592,241	101,011	14,694	18,866	4,067	(15,480)	881,216	1,685,536
Equity-settled share-based payment	–	–	–	–	33,593	–	–	–	33,593
Equity component of convertible bonds issued	–	–	–	–	–	94,040	–	–	94,040
Shares issued upon exercise of share options	990	42,915	–	–	(9,270)	–	–	–	34,635
Shares issued upon conversion of convertible bonds	2,194	61,558	–	–	-	(4,067)	–	–	59,685
Exchange differences or translation into presentation currency	–	–	–	–	–	–	(35,722)	–	(35,722)
Profit for the year	–	–	-	–	–	–	–	470,952	470,952
Profit appropriation to PRC statutory reserve	–	–	39,035	–	–	–	–	(39,035)	–
Dividends approved in respect of the previous year	–	–	–	–	–	–	–	(49,306)	(49,306)
Dividends declared in respect of the current year	–	–	–	–	–	–	–	(53,793)	(53,793)
As at 30 April 2008	**92,105**	**696,714**	**140,046**	**14,694**	**43,189**	**94,040**	**(51,202)**	**1,210,034**	**2,239,620**

28. CAPITAL AND RESERVES (continued)

(b) The Company

	Share capital RMB'000	Share premium RMB'000	Contributed surplus RMB'000	Share-based compensation reserve RMB'000	Convertible bonds reserve RMB'000	Retained profits/ (accumulated losses) RMB'000	Exchange reserves RMB'000	Total RMB'000
At 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
Share issued upon exercise of share options	2,130	55,006	–	(13,476)	–	–	–	43,660
Shares issued upon conversion of convertible bonds	9,284	236,608	–	–	(12,363)	–	–	233,529
Exchange differences on translation into presentation currency	–	–	–	–	–	–	(33,119)	(33,119)
Profit for the year	–	–	–	–	–	27,530	–	27,530
Dividends approved in respect of the previous year	–	–	–	–	–	(44,934)	–	(44,934)
Dividends declared in respect 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
At 1 May 2007	88,921	592,241	294,402	18,866	4,067	126	(46,200)	952,423
Equity-settled share-based transactions	–	–	–	33,593	–	–	–	33,593
Equity components of convertible bonds	–	–	–	–	94,040	–	–	94,040
Share issued upon exercise of share option	990	42,915	–	(9,270)	–	–	–	34,635
Shares issued upon conversion of convertible bonds	2,194	61,558	–	–	(4,067)	–	–	59,685
Exchange differences on translation into presentation currency	–	–	–	–	–	–	(85,458)	(85,458)
Profit for the year	–	–	–	–	–	174,626	–	174,626
Dividends approved in respect of the previous year	–	–	–	–	–	(49,306)	–	(49,306)
Dividends declared in respect of the current year	–	–	–	–	–	(53,793)	–	(53,793)
At 30 April 2008	**92,105**	**696,714**	**294,402**	**43,189**	**94,040**	**71,653**	**(131,658)**	**1,160,445**

28. CAPITAL AND RESERVES (continued)

(c) Share capital

(i) Authorised and issued share capital:

	Number of ordinary shares of HK$0.10 each '000	**Nominal value** HK$'000	**RMB equivalent** RMB'000
Authorised:			
At 30 April 2008 and 2007, 1 May 2006	2,000,000	200,000	212,000
Issued and fully paid:			
At 1 May 2006	731,266	73,127	77,507
Shares issued upon exercise of share options	21,600	2,160	2,130
Shares issued upon conversion of convertible bonds	94,162	9,416	9,284
At 30 April 2007 and 1 May 2007	847,028	84,703	88,921
Shares issued upon exercise of share options	11,040	1,104	990
Shares issued upon conversion of convertible bonds	24,482	2,448	2,194
At 30 April 2008	882,550	88,255	92,105

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 upon conversion of convertible bonds

During the year, convertible bonds with an aggregate principal amount of HK$65,000,000 (2007: HK$250,000,000) were converted at a conversion price of HK$2.6550 per share into new 24,482,110 (2007: 94,161,955) ordinary shares of the Company (note 27).

(iii) Shares issued upon exercise of share options

During the year, share options were exercised at an exercise price of HK$3.50 (2007: HK$2.05) per share to subscribe for 11,040,000 (2007: 21,600,000) ordinary shares in the Company.

28. 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 comprises 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(n)(ii).

(v) Convertible bonds reserve

Convertible bonds reserve comprises 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(k).

(vi) Exchange reserve

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

(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 reorganization prior to the listing of the company's shares on 13 January 2004.

28. CAPITAL AND RESERVES (continued)

(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 2008, the aggregate amount of reserves available for distribution to equity holders of the Company, including the share premium and contributed surplus, was approximately RMB931,111,000 (2007: RMB840,569,000). After the balance sheet date, the directors proposed a final dividend of HK$0.09 per share (2007: HK$0.063 per share), amounting to approximately RMB71,315,000 (2007: RMB52,526,000). This dividend has not been recognised as a liability at the balance sheet date.

(f) Capital management

The Group's primary objectives when managing capital are to safeguard the Group's ability to continue as a going concern, so that it can continue to provide returns for shareholders and benefits for other stakeholders, by pricing products and services commensurately with the level of risk and by securing access to finance at a reasonable cost.

The Group actively and regularly reviews and manages its capital structure to maintain a balance between the higher shareholder returns that might be possible with higher level of borrowings and the advantages and security afforded by a sound capital position. The Group's overall strategy remains unchanged from prior years.

The capital structure of the Group consists of equity reserves attributable to equity holders of the Company, comprising issued share capital, reserves and retained earnings.

During 2008, the Group's strategy, which was unchanged from 2007, was to maintain the net debt-to-equity ratio at the lower end by having sufficient cash and cash equivalent over total debt and proposed dividends. In order to maintain or adjust the ratio, the Group may adjust the amount of dividends paid to shareholders, issue new shares, return capital to shareholders, raise new debt financing or sell assets to reduce debt.

28. CAPITAL AND RESERVES (continued)

(f) Capital management (continued)

The net debt-to-equity ratio at 30 April 2008 and 2007 was as follows:

		The Group		The Company	
	Note	**2008**	2007	**2008**	2007
		RMB'000	RMB'000	**RMB'000**	RMB'000
Current liabilities:					
Trade and other payables	25	**24,056**	22,427	**975**	1,193
Due to directors	24	**6,046**	819	**5,292**	65
		30,102	23,246	**6,267**	1,258
Non-current liabilities:					
Convertible bonds	27	**843,185**	64,605	**843,185**	64,605
Total debt		**873,287**	87,851	**849,452**	65,863
Add: Proposed dividends	12(a)	**71,315**	52,516	**71,315**	52,516
Less: Cash and cash equivalents	23	**(2,097,974)**	(1,050,537)	**(742,449)**	(254,491)
Net debt		**(1,153,372)**	(910,170)	**178,318**	(136,112)
Total equity	28	**(2,239,620)**	1,685,536	**1,160,445**	952,423
Net debt-to-equity ratio		**N/A**	N/A	**15%**	N/A

Neither the Company nor any of its subsidiaries are subject to externally imposed capital requirements.

29. EQUITY SETTLED SHARE-BASED TRANSACTIONS

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.

29. EQUITY SETTLED SHARE-BASED TRANSACTIONS (continued)

(a) The terms and conditions of the grants that existed as at 30 April 2008 and 2007 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 directors and employees outstanding at 30 April 2008:			
Options granted to directors			
– 30 May 2007	8,400	1 year from the date of grant (70%) 2 years from the date of grant (30%)	7.53 years
Options granted to employees			
– 19 April 2006	9,360	1 year from the date of grant	7.65 years
– 30 May 2007	10,500	1 year from the date of grant (70%) 2 years from the date of grant (30%)	7.53 years
– 3 April 2008	600	1 year from the date of grant (70%) 2 years from the date of grant (30%)	4.09 years
	28,860		
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

29. EQUITY SETTLED SHARE-BASED TRANSACTIONS (continued)

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

	2008		2007	
	Weighted average exercise price	Number of options '000	Weighted average exercise price	Number of options '000
Outstanding at the beginning of the year	HK$3.5	20,400	HK$2.75	42,000
Granted during the year	HK$7.33	19,500	–	–
Exercised during the year	HK$3.5	(11,040)	HK$2.05	(21,600)
Outstanding at the end of the year	HK$6.09	28,860	HK$3.50	20,400
Exercisable at the end of the year	HK$3.50	9,360	HK$3.50	14,280

The weighted average share price at the date of exercise for share options exercised during the year was HK$3.50 (2007: HK$3.42). The outstanding options at 30 April 2008 had an exercise price of HK$3.50, HK$7.29 or HK$8.50 and a weighted average remaining contractual life of 5.31 years (2007: 6.65 years).

29. EQUITY SETTLED SHARE-BASED TRANSACTIONS (continued)

(c) Fair value of share options and assumptions

The fair value of services received in return for share options granted is 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.

Fair value of share options and assumptions

	Share option granted on			
	15 December 2005	**19 April 2006**	**30 May 2007**	**3 April 2008**
Fair value at measurement date	HK$0.62	HK$0.94	1 year vesting HK$2.50 2 years vesting HK$2.68	1 year vesting HK$2.96 2 years vesting HK$3.01
Share price at grant date	HK$2.05	HK$3.20	HK$7.08	HK$8.57
Exercise price (weighted average)	HK$2.05	HK$3.50	HK$7.29	HK$8.50
Expected volatility (expressed as weighted average volatility used in the modeling under B-S model)	43%	43%	44%	45%
Option life	8 years	7.65 years	7.53 years	4.09 years
Expected dividends	3%	3%	HK$0.017 in February HK$0.041 in September	1.54%
Risk-free interest rate	4.27%	4.45%	1 year vesting 4.406% 2 years vesting HK$2.68	2.08%

Fair value of share options and assumptions

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 due to 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.

30. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group's major financial instruments include financial asset at fair value through profit or loss, convertible bonds, trade receivable and trade payables. Details of the financial instruments are disclosed in respective notes. The risks associated with these financial instruments include credit risk, liquidity risk, currency risk and interest rate risk. The policies on how to mitigate these risks are set out in below. The management manages and monitors these exposure to ensure appropriate measures are implemented on a timely and effective manner.

a) Credit risk

As at 30 April 2008, the Group's maximum exposure to credit risk which will cause a financial loss to the Group due to failure to discharge the obligation by the counterparties is arising from the carrying amount of the respective recognised financial assets as stated in the consolidated balance sheet.

In respect of trade and other receivable, credit evaluations are performed on all customers requiring credit over a certain amount. The evaluations focus on the customer's past history of making payment when due and current ability to pay, and take into account information specific to the customer as well as pertaining to the economic environment in which the customer operates. Most of trade receivables are due usually within one month from the date of billing. Debtors with balance overdue are requested to settle all outstanding balances before any further credit is granted. Normally, except the trade deposits received, the Group does not request other collateral from customers. In addition, the Group reviews the recoverable amount of each individual trade debt at each balance sheet date to ensure that adequate impairment losses are made for irrecoverable amounts and to ensure that follow-up action is taken to recover overdue debts. In this regard, the directors of the Company consider that the Group's credit risk is significantly reduced.

The Group's exposure to credit risk is influenced mainly by the individual characteristics of each customer. Trade receivables consist of a large number of customers with five largest customers accounted for 9% (2007: 22%) of total trade receivables at the balance sheet date. The default risk of the industry and country in which customers operate also has an influence on credit risk but to a lesser extent. On the other hand, at the balance sheet date the Group's concentration of credit risk by geographical locations is mainly in the PRC, which accounted for 40% (2007: 4%) of the total trade receivables.

The credit risk on liquid funds is limited because the counterparties are banks with good reputation and long operating history.

Other than concentration of credit risk on liquid funds which are deposits with several banks with good reputation, the Group does not have any other significant concentration of credit risk.

The Group does not provide any guarantee which would expose the Group or the Company to credit risk.

30. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

b) Liquidity risk

In the management of the liquidity risk, the Group monitors and maintains a level of cash and cash equivalents deemed adequate by the management to finance the Group's operations and mitigate the effects of fluctuations in cash flows. The Group's policy is to regularly monitor current and expected liquidity requirements and its compliance with lending covenants.

The following table details the Group's remaining contractual maturity for its financial liabilities. The table has been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Group can be required to pay.

The Group

2008

	Carrying amount at 30 April RMB'000	Total undiscounted cash flow RMB'000	Within 1 year or on demand RMB'000	More than 1 year but less than 2 years RMB'000	More than 2 years but less than 5 years RMB'000
Due to directors	6,046	6,046	6,046	–	–
Trade payables	24,056	24,056	24,056	–	–
Convertible bonds	843,185	1,045,000	–	1,045,000	–
	873,287	1,075,102	30,102	1,045,000	–

2007

	Carrying amount at 30 April RMB'000	Total undiscounted cash flow RMB'000	Within 1 year or on demand RMB'000	More than 1 year but less than 2 years RMB'000	More than 2 years but less than 5 years RMB'000
Due to directors	819	819	819	–	–
Trade and other payable	22,427	22,427	22,427	–	–
Convertible bonds	64,605	69,183	1,362	1,362	66,459
	87,851	92,429	24,608	1,362	66,459

30. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

b) Liquidity risk (continued)

The Company

2008

	Carrying amount at 30 April RMB'000	Total undiscounted cash flow RMB'000	Within 1 year or on demand RMB'000	More than 1 year but less than 2 years RMB'000	More than 2 years but less than 5 years RMB'000
Due to directors	5,292	5,292	5,292	–	–
Trade and other payable	975	975	975	–	–
Convertible bonds	843,185	1,045,000	–	1,045,000	–
	849,452	1,051,267	6,267	1,045,000	–

2007

	Carrying amount at 30 April RMB'000	Total undiscounted cash flow RMB'000	Within 1 year or on demand RMB'000	More than 1 year but less than 2 years RMB'000	More than 2 years but less than 5 years RMB'000
Due to directors	65	65	65	–	–
Trade and other payable	1,193	1,193	1,193	–	–
Convertible bonds	64,605	69,183	1,362	1,362	66,459
	65,863	70,441	2,620	1,362	66,459

30. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

c) Interest rate risk

Fair value interest rate risk

The Group is exposed to fair value interest rate risk in relation to fixed-rate bank deposits. However, since the fixed-rate bank deposits were usually made with short maturity period, the management does not expect there would be significant impact on the results of the Group. Besides, the Group is also exposed to fair value interest rate risk in relation to the convertible bond issued by the Group (Note 27).

The Group does not have derivative financial instruments to hedge its debt obligations. Any future variations in interest rate would not have a significant impact on the results of the Group.

Cash flow interest rate risk

As at 30 April 2008, the management does not expect there would be significant interest rate risk since the Group does not have variable-rate borrowings.

The Group currently does not have interest rate hedging policy. However, the management will consider hedging significant interest rate exposure should the need arise.

d) Currency risk

The Group is exposed to currency risk primarily through sales that are denominated in a currency other than the functional currency of the operation to which they relate. Besides, the Group is also exposed to currency risk in the bank deposits denominated in other currencies. The currencies giving rise to this risk are primarily United States dollars. Currently, the Group does not have a foreign currency hedging policy. However, the management will consider hedging significant foreign currency exposure should the need arises.

In order to mitigate the currency risk from sales denominated in other currencies, the Group would shorten the credit period granted to the customers in order to minimize the risk from fluctuation of exchange rate.

Several subsidiaries of the Company have foreign currency sales, which expose the Group to foreign currency risk. Approximately 47% of the Group's sales are denominated in currencies other than the functional currency of the group entity making the sale.

30. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

d) Currency risk (continued)

The carrying amounts of the Group's foreign currency denominated monetary assets and monetary liabilities at the reporting date are as follows:

The Group

	2008 USD'000	2008 HK$'000	2007 USD'000	2007 HKD'000
Assets				
Financial asset at fair value through profit or loss	19,920	–	–	–
Due from a director	–	–	–	136
Trade and other receivables	1,239	7,916	1,425	5,806
Cash and cash equivalents	86,846	168,632	4,266	254,455
Liabilities				
Due to directors	–	5,905	–	202
Trade and other payables	–	1,087	12	849
Dividend payable	–	–	–	1
Convertible bonds	–	–	–	65,522

The Company

	2008 USD'000	2008 HK$'000	2007 USD'000	2007 HKD'000
Assets				
Financial asset at fair value through profit and loss	19,920	–	–	–
Trade and other receivables	–	716,283	–	332,137
Cash and cash equivalents	84,791	168,607	3,962	227,232
Liabilities				
Due to directors	–	5,905	–	202
Trade and other payables	–	1,087	–	849
Convertible bonds	–	–	–	65,522

30. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

d) Currency risk (continued)

Sensitivity analysis

The following table details the Group's sensitivity to a 5% increase and 5% decrease in Renminbi against the relevant foreign currencies. 5% is the sensitivity rate used when reporting foreign currency risk internally to key management personnel. The sensitivity analysis includes only outstanding foreign currency denominated monetary items and adjusts their translation at the year end for a 5% change in foreign currency rates and assumes that the change in foreign change rates occurred at the balance sheet date with other variables such as interest rates remaining constant. A negative number below indicates a decrease in profit where Renminbi strengthen 5% against the relevant currency. For a 5% weakening of Renminbi against the relevant currency, there would be an equal and opposite impact on the profit, and the balances below would be positive.

	2008 RMB'000	2007 RMB'000	2008 RMB'000	2007 RMB'000
Income statement	**(41,752)**	(2,195)	**(8,359)**	(7,229)

In management's opinion, the sensitivity analysis is unrepresentative of the inherent foreign exchange risk as at the year end exposure does not reflect the exposure during the year. USD denominated sales are seasonal with higher sales volumes in the second half of the financial year, which results in an increase in USD receivables at year end.

e) Fair values

All financial instruments are carried at amounts not materially different from their fair value as at 30 April 2008 and 2007.

The fair value of financial assets and financial liabilities are determined as follows:

- the fair value of financial instruments (including derivative instruments) with standard terms and conditions and traded on active liquid markets are determined with reference to quoted market prices respectively;

- the fair value of biological asset is measured based on the market price of those biological assets in local market with reference to the growing condition.

The directors consider that the carrying amount of financial assets and financial liabilities record at amortised cost in the consolidated financial statements approximate their fair value.

31. COMMITMENTS

a) Capital commitments

Capital commitments of the Group at 30 April 2008 not provided for in the financial statements were as follows:

	2008 RMB'000	2007 RMB'000
Contracted but not provided for		
– Purchase of property, plant and equipment	11,972	24,979

b) Operating lease commitments

At 30 April 2008, the total future minimum lease payments under non-cancellable operating leases are repayable as follows:

	2008 RMB'000	2007 RMB'000
The Group		
Within one year	27,356	27,907
After one year but within five years	92,369	79,442
After five years	194,500	220,100
Total	314,225	327,449
The Company		
Within one year	806	1,519
After one year but within five years	–	886
Total	806	2,405

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.

32. 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 9 and certain of the highest paid employees as disclosed in note 10, is as follows:

	2008	2007
	RMB'000	RMB'000
Short-term employee benefits	12,754	2,934
Post-employment benefits	23	18
Equity compensation benefits	14,901	8,253
	27,678	11,205

Total remuneration is included in "staff costs" (see note 7).

b) Transactions with other related parties

Except for amounts due to directors as disclosed in note 24, during the year, the Group did not enter into any material related party transactions.

33. COMPARATIVE FIGURES

As a result of adopting HKFRS 7, *Financial instruments: Disclosures,* and the amendments to HKAS1, *Presentation of financial statements: Capital disclosures,* certain comparative figures have been adjusted to conform with changes in disclosures in the current year and to show separately comparative amounts in respect of items disclosed for the first time in 2007. Further details of these development in note 3.

34. ACCOUNTING ESTIMATES AND JUDGEMENTS

Key sources of estimation uncertainty

In the process of applying the Group's accounting policies which are described in note 2, management has made certain key assumptions concerning the future, and other key sources of estimated uncertainty at the balance sheet date, but may have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, as discussed below.

(a) Impairments

In considering the impairment losses that may be required for certain of the Group's assets which include property, plant and equipment, 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 is 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 a reasonable approximation of the 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 makes 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 form previous estimates.

(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.

34. ACCOUNTING ESTIMATES AND JUDGEMENTS (continued)

Key sources of estimation uncertainty (continued)

(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 2008

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 2008 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 result in new or amended disclosures in the consolidated financial statements:

		Effective for accounting periods beginning on or after
HKAS 1 (Revised)	Presentation of Financial Statements	1 January 2009
HKAS 23 (Revised)	Borrowing Costs	1 January 2009
HKAS 27 (Revised)	Consolidated and Separate Financial Statements	1 July 2009
HKAS 32 & 1 (Amendments)	Puttable Financial Instruments and Obligations Arising on Liquidation	1 January 2009
HKFRS 2 (Amendment)	Share-based Payment: Vesting Conditions and Cancellations	1 January 2009
HKFRS 3 (Revised)	Business Combinations	1 July 2009
HKFRS 8	Operating segments	1 January 2009
HK (IFRIC) – Int 12	Service Concession Arrangements	1 January 2008
HK (IFRIC) – Int 13	Customer Loyalty Programmes	1 July 2008
HK (IFRIC) – Int 14	HKAS 19 – The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction	1 January 2008

FINANCIAL SUMMARY

	For the year ended 30 April				
	2004	2005	2006	2007	**2008**
	RMB'000	RMB'000	RMB'000	RMB'000	**RMB'000**
	(As restated)	(As restated)			
Turnover	375,430	470,537	686,602	954,149	**1,267,094**
Gross profit	210,195	254,546	354,416	497,926	**676,644**
Profit before tax	184,062	207,853	262,266	345,750	**483,746**
Profit attributable to shareholders	150,601	183,502	271,275	345,995	**470,952**
Non-current assets	188,884	279,056	532,422	652,248	**788,798**
Negative goodwill	(6,769)	(6,318)	–	–	**–**
Current assets	459,857	710,549	986,005	1,188,735	**2,379,011**
Current liabilities	(62,927)	(96,937)	(83,495)	(90,842)	**(85,004)**
Non-current liabilities	(3,752)	(3,773)	(302,302)	(64,605)	**(843,185)**
Shareholders' equity	575,293	882,577	1,132,630	1,685,536	**2,239,620**

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.