Notes to the Financial Statements

30 April 2004

1. GROUP RESTRUCTURING AND BASIS OF PRESENTATION

The Company was incorporated in Bermuda under the Companies Act 1981 of Bermuda as an exempted company with limited liability on 26 July 2002 and its shares have been listed on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") with effect from 13 January 2004.

Under a group reorganization scheme (the "Reorganization") to rationalize the structure of the Company and its subsidiaries (collectively referred as the "Group") in preparation for the listing of the Company's shares on the Stock Exchange, the Company became the holding company of the Group on 12 December 2003. It was accompanied by acquiring the entire issued share capital of Icatrad Enterprises Limited (the "Icatrad"), the previous holding company of the Group, in consideration of and in exchange for the allotment and issue of a total of 3,900,000 shares of HK$0.1 each in the share capital of the Company, credited as fully paid, to the former shareholders of Icatrad. Details of the Reorganization were set out in the Prospectus issued by the Company dated 31 December 2003 (the "Prospectus").

Upon completion of the Reorganization, the Group is regarded as a continuing entity. Accordingly, the financial statements of the Group have been prepared using the principles of merger accounting in accordance with the Statement of Standard Accounting Practice 27 "Accounting for Group Reconstructions" issued by the Hong Kong Society of Accountants ("HKSA"). The consolidated accounts of the Group for the year ended 30 April 2004, including the comparative figures, are prepared on a combined basis as if the Company and its subsidiaries had been in the Group since 1 May 2002. The comparative figures of the consolidated accounts for the year ended 30 April 2004 have been restated to reflect the adoption of merger accounting.

The Company acted as an investment holding company. The principal activities of its subsidiaries are set out in note 13 to the financial statements.

2. PRINCIPAL ACCOUNTING POLICIES

The financial statements have been prepared in accordance with generally accepted accounting principles in Hong Kong and comply with the Statements of Standard Accounting Practice ("SSAP") and Interpretations issued by the HKSA, accounting principles generally accepted in Hong Kong and the disclosure requirements of the Hong Kong Companies Ordinance and the Rules Governing the Listing of Securities on the Stock Exchange ("Listing Rules"). The financial statements are prepared under the historical cost convention as modified by the revaluation of certain property, plant and equipment. A summary of the significant accounting policies adopted by the Group is set out below.

a) Revenue recognition

(i) Sales of agricultural products are recognised on the transfer of ownership, which coincides with the time of delivery of the products.

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

Notes to the Financial Statements

30 April 2004

2. PRINCIPAL ACCOUNTING POLICIES (Continued)

a) Revenue recognition (Continued)

(iii) Rental income is recognised on a straight-line basis over the period of the respective leases.

b) Borrowing costs

All borrowing costs are charged to the income statement in the year in which they are incurred.

c) Income tax

Income tax comprises current tax and deferred tax. Income tax is recognised in the income statement or in equity if it related to items that are recognised in the same or a different period, directly or indirectly.

Deferred tax is provided, using the liability method, on all temporary differences at the balance sheet date between the tax bases of assets and liabilities and their carrying amounts for finance reporting purpose.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the assets is realised or the liability is settled, based on tax rates and tax laws that have been enacted or substantively enacted at the balance sheet date.

d) Research and development costs

Research costs are charged to the income statement in the year in which they are incurred. Development costs are expensed as incurred, except where a specific project is undertaken, the technical feasibility of the product under development has been demonstrated, costs are identifiable and a market exists for the product such that the development costs are recoverable from related future economic benefits. Such development costs are recognised as deferred development costs in the balance sheet and amortised on a straight-line basis over a period of not more than 5 years.

e) Employee retirement benefits

Costs of employee retirement benefits are recognised as an expense in the period in which they are incurred.

f) Consolidation

The consolidated financial statements include the financial statements of the Company and all of its subsidiaries for the year ended 30 April 2004. The results of subsidiaries acquired or disposed of during the year are included in the consolidated income statement from or to the date of their acquisition or disposal, as appropriate.

All material inter-company transactions and balances are eliminated on consolidation.

2. PRINCIPAL ACCOUNTING POLICIES (Continued)

f) Consolidation (Continued)

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

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

In the Company's balance sheet, the interests in subsidiaries are stated at cost less provision for impairment losses. The results of subsidiaries are accounted for by the Company on the basis of dividends received and receivable.

g) Property, plant and equipment and depreciation

Property, plant and equipment are stated at cost/valuation less accumulated depreciation and accumulated impairment losses. Major expenditures on modifications and betterments of property, plant and equipment which will result in future economic benefits are capitalised, while expenditures on maintenance and repairs are expensed when incurred. Depreciation is provided on straight-line basis to write off the cost/valuation less estimated residual value of each asset over its estimated useful life. The annual rates of depreciation are as follows:

Land	2% (lease term)
Buildings	5% – 6%
Infrastructure on farmland	5% – 20%
Machinery	5% – 10%
Furniture, fixtures and office equipment	5% – 20%
Motor vehicles	20% – 33%

Land and buildings are stated at valuation. Increases in valuation are credited to the revaluation reserve. Decreases in valuation are first set off against increases on earlier valuations in respect of the same property and are thereafter debited to operating profit. Any subsequent increases are credited to operating profit up to the amount previously debited.

Construction-in-progress represents buildings under construction and machinery pending installation. It is stated at cost, which includes construction expenditures incurred, cost of machinery and other direct costs capitalised during the construction and installation period. No depreciation is provided in respect of construction-in-progress until the construction and installation work is completed.

Notes to the Financial Statements

30 April 2004

2. PRINCIPAL ACCOUNTING POLICIES (Continued)

g) Property, plant and equipment and depreciation (Continued)

Gains and losses on disposal of property, plant and equipment are recognsied in the income statement based on the net disposal proceeds less the then carrying amount of the assets.

h) Subsidiaries

A subsidiary is a company in which the Company has the power to exercise control governing the financial and operating policies of that company so as to obtain benefits from their activities.

i) Goodwill

Goodwill which represents the excess of purchase consideration over the fair values ascribed to the separable net assets of subsidiaries, associates and jointly controlled entities acquired the date of acquisition, is stated at cost and amortized by equal instalments over its estimated useful economic life not exceeding 20 years.

Negative goodwill is presented in the same balance sheet classification as goodwill. To the extent that negative goodwill relates to expectations of future losses and expenses that are identified in the Group's plan for the acquisition and can be measured reliably, but which do not represent identifiable liabilities at the date of acquisition, that portion or negative goodwill is recognised in the income statement when the future losses and expenses are recognised. Any remaining negative goodwill, not exceeding the fair values of those non-monetary assets acquired, is recognised in the income statement over the remaining weighted average useful life at those assets; negative goodwill in excess of the fair values of those non-monetary assets is recognised in the income statement immediately.

j) Operating leases

Leases of assets, including cultivation bases, under all the risks and benefits of ownership are effectively retained by the lessor are classified as operating leases. Operating lease payments are charged to operating profit on a straight-line basis over the period of the respective leases.

k) Long-term prepaid rental

Long-term prepaid rental under operating leases as at the balance sheet date is recognised at cost and amortised on a straight-line basis over the respective lease period.

2. PRINCIPAL ACCOUNTING POLICIES (Continued)

l) Inventories

The company's inventories comprising growing crops, agricultural materials, consumable and packing material and finished goods are stated at the lower of cost or estimated net realisable value.

Costs of growing crops, including seeds, fertilisers, pesticides, labour and indirect overheads, are accumulated until the time of harvest. Indirect overheads common to various products, including rental of cultivation bases, depreciation of infrastructure, land preparation, irrigation and indirect labour, are allocated to products based on production areas.

Costs of agricultural materials and consumable and packing materials are stated at their purchase costs calculated on weighted average basis.

Finished goods are calculated on weighted average basis.

Estimated net realisable value is determined on the basis of anticipated sales proceeds less estimated selling expenses.

m) Accounts receivable

Provision is made against accounts receivable to the extent which they are considered to be doubtful. Accounts receivable in the balance sheet are stated net of such provision if any.

n) Impairment

At the relevant reporting date, the company reviews the carrying amount of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exits, the recoverable amount of the assets is estimated in order to determine the extent of the impairment loss (if any). Where it is not possible to estimate the recoverable amount of an individual asset, the company estimates the recoverable amount of the cash-generating unit to which the asset belongs.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or cash-generating unit) is reduced to its recoverable amount. Impairment losses are recognised as an expense immediately.

Notes to the Financial Statements

30 April 2004

2. PRINCIPAL ACCOUNTING POLICIES (Continued)

n) Impairment (Continued)

Where an impairment loss is subsequently reversed, the carrying amount of the asset (or cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (or cash-generating unit) in prior years. A reversal of an impairment loss is recognised as income immediately.

o) Provision

Provisions are recognised when the company has a present obligation as a result of a past event from which it can be reasonably estimated that an outflow of economic benefits will probably result.

p) Translation of foreign currencies

Foreign currency transactions are translated into Renminbi (the "RMB") at the rates of exchange prevailing at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies are incorporated into the accounts by translating currencies into Renminbi at exchange rates prevailing at the balance sheet date. Exchange differences arising therefrom are included in the operating results.

On consolidation, the results and balance sheet items of foreign enterprises are translated at the rates of exchange ruling at the balance sheet date. The resulting exchange differences are dealt with as a movement in reserves.

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

q) Related parties

For the purposes of these financial statements, parties are considered to be related to the company if the company has the ability, directly or indirectly, to control the party or exercise significant influence over the party in making financial and operating decisions, or vice versa, or where the company and the party are subject to common control or common significant influence. Related parties may be individuals or entities.

r) 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.

2. PRINCIPAL ACCOUNTING POLICIES (Continued)

r) Segment Reporting (Continued)

In accordance with the group's internal financial reporting, the group has chosen business segment information as the primary reporting format and geographical segment information as the secondary reporting format.

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 enterprises within a single segment. Inter-segment pricing is based on similar terms 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, corporate and financing expenses and minority interests.

3. TURNOVER AND REVENUES

The Group is principally engaged in the planting and sales of agricultural products. Turnover represents sales of agricultural products received and receivable net of discounts. Revenues recognsied by the Group are summarised as follows:

	2004	2003
	RMB'000	RMB'000
Turnover		
Sales of agricultural products	**375,430**	258,473
Other revenues		
Interest income	**598**	119
Rental income	**34**	34
Revaluation gain	**325**	–
	957	153
Total revenues	**376,387**	258,626

Pursuant to the People's Republic of China ("PRC") tax rules, self-produced agricultural products are exempted from value-added tax.

Notes to the Financial Statements

30 April 2004

4. SEGMENTAL REPORTING

(a) Business segment

The Group conducted in one business segment, that was planting and selling of agricultural products. An analysis of the Group's turnover and gross profit by products categories for the year is as follows:

	2004	2003
	RMB'000	RMB'000
Turnover		
Fresh produce	**233,641**	156,899
Processed products	**95,831**	58,619
Pickled products	**45,958**	42,955
	375,430	258,473
Gross profit		
Fresh produce	**135,983**	99,150
Processed products	**55,942**	35,131
Pickled products	**26,816**	26,854
	218,741	161,135

4. SEGMENTAL REPORTING (Continued)

(b) Geographical segment

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

	2004	2003
	RMB'000	RMB'000
Turnover		
Japan	**219,514**	203,889
PRC	**124,674**	45,166
England	**–**	3,545
Philippines	**3,643**	3,988
Malaysia	**26,342**	996
Singapore	**1,257**	889
	375,430	258,473
Gross profit		
Japan	**143,761**	131,863
PRC	**57,410**	22,724
England	**–**	2,686
Philippines	**2,322**	2,669
Malaysia	**14,404**	629
Singapore	**844**	564
	218,741	161,135

No analysis of assets and liabilities and additions to property, plant and equipment by geographical location is presented as over 99% of the Group's assets and liabilities in terms of net book value at each respective balance sheet date are located in the PRC.

Notes to the Financial Statements

30 April 2004

5. PROFIT BEFORE TAXATION

Profit before taxation is stated after charging the following:

	2004	2003
	RMB'000	RMB'000
Auditors' remuneration	659	–
Depreciation of owned property, plant and equipment	7,034	2,591
Revaluation deficit on owned property, plant and equipment	–	561
Operating lease expenses		
– land and building	2,244	2,154
Staff costs (including directors emoluments)	49,759	30,927
Interest expenses on bank overdraft	1	–
Research and development expenses	3,015	1,540
Amortisation of long-term prepaid rental included in cost of goods sold (net of amount capitalized in inventory)	15,383	9,797
Loss on disposal of property, plant and equipment	28	6
Exchange loss	92	10

6. TAXATION

	2004	2003
	RMB'000	RMB'000
Hong Kong profits tax	–	–
PRC enterprise income tax	32,181	15,815
	32,181	15,815

(a) Hong Kong profits tax

No Hong Kong profits tax has been provided as the Group had no assessable profit arising in or derived from Hong Kong.

6. TAXATION (Continued)

(b) PRC enterprises income tax ("EIT")

Zhonglu (Fujian) Agriculture Comprehensive Development Company Limited (the "Zhonglu"), a wholly-owned indirectly held subsidiary of the Company established in the Coastal Open Economic Area of the PRC, is subject to the PRC EIT at a rate of 24%. However, it is exempted from the PRC EIT for two years starting from the first year of profitable operations after offsetting prior year tax losses, followed by a 50% reduction in state income tax for the next three years. Zhonglu became profitable after offsetting prior year losses in the year ended 31 December 1999 and, accordingly, exempted from the PRC EIT for the years ended 31 December 1999 and 2000 and subject to the PRC EIT at a reduced rate of 12% for the years ended 31 December 2001, 2002 and 2003.

(c) Deferred taxation

As at the balance sheet date, no provision for deferred tax has been recognised in the accounts as there have been no material temporary differences for tax purposes.

(d) As the Group's major operation and income were located in the PRC, the applicable tax rate of 24% (2003: 12%) applicable to the PRC subsidiary as stated in (b) above was applicable to the Group for the year ended 30 April 2004.

The charges during the year ended 30 April 2004 can be reconciled to the profit of consolidated income statements as follows:

	2004	2003
	RMB'000	RMB'000
Profit before taxation	**178,670**	132,793
Tax at the applicable tax rate of 24% (2003: 12%)	**42,881**	15,935
Tax effect of change in tax rate from 12% to 24% during the year	**(11,255)**	–
Tax effect of loss of group's companies not subject to income tax	**669**	82
Tax effect of income that are not taxable	**(108)**	(270)
Tax effect of expenses that are not deductible	**–**	68
Tax effect of temporary difference not recognised	**(6)**	–
Tax expenses for the year	**32,181**	15,815

Notes to the Financial Statements

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7. DIVIDENDS

	2004		2003	
	RMB per share	RMB'000	RMB per share	RMB'000
Final dividend proposed of HK$0.02 (2003: HK$Nil) per ordinary share	0.021	13,197	–	–

At a meeting held on 25 August 2004, the directors proposed a final dividend of HK$0.02 (equivalent to RMB0.021) per ordinary share.

Dividend is subject to the approval by the shareholders in general meeting and not yet accounted for in current year's financial statements.

8. EARNINGS PER SHARE

The calculation of the basic earnings per share for the year ended 30 April 2004 is based on the profit attributable to shareholders during the year of RMB146,489,000 (2003: RMB116,978,000) and on the weighted average number of approximately 501,372,951 (2003: 450,000,000) ordinary shares in issue during the year. The weighted average of 450,000,000 ordinary shares for 2003 were deemed to have been in issue, comprising 4,900,000 ordinary shares in issue as at the date of the Prospectus and 445,100,000 ordinary shares issued pursuant to the Capitalisation Issue as described in the section headed "Further information about the Company" in Appendix IV to the Prospectus.

There was no significant potential dilutive ordinary shares in existence for the years ended 30 April 2004 and 2003, therefore, no diluted earnings per share was presented.

9. EMPLOYEE RETIREMENT BENEFITS

The Group has arranged its Hong Kong employees to join the Mandatory Provident Fund Scheme (the "MPF Scheme"), a defined contribution scheme managed by an independent trustee. Under the MPF Scheme, each of the Group (the employer) and its employees makes monthly contributions to the MPF Scheme at 5% of the employees' earnings as defined under the Mandatory Provident Fund legislation. The contributions from each of the employer and employee are subject to a cap of HK$1,000 per month and thereafter contributions are voluntary.

Pursuant to the relevant regulations of the government in the PRC, the PRC subsidiary participated in the state-sponsored retirement scheme whereby the subsidiary is required to contribute to the scheme for the retirement benefit of eligible employees.

Notes to the Financial Statements

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9. EMPLOYEE RETIREMENT BENEFITS (Continued)

The state-sponsored retirement plan is responsible for the entire pension obligations payable to retired employees and the PRC subsidiary has no further obligations for the actual pension payments or other post-retirement benefits beyond the annual contributions.

For the year ended 30 April 2004, the Group's retirement plan contribution amounted to approximately RMB138,000 (2003: RMB113,000).

10. DIRECTORS' AND SENIOR MANAGEMENT'S EMOLUMENTS

Details of directors' emoluments, disclosed pursuant to the Listing Rules and section 161 of the Hong Kong Companies Ordinance are as follows:

	2004	2003
	RMB'000	RMB'000
Fees for non-executive directors	**14**	–
Other emoluments for executive directors		
– remuneration	**932**	279
– pension	**24**	18
	970	297

The emoluments of the above directors fall within the following bands:

	Number of individuals	
	2004	2003
Emoluments		
Up to RMB1,000,000	**7**	5

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 year.

Notes to the Financial Statements

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10. DIRECTORS' AND SENIOR MANAGEMENT'S EMOLUMENTS (Continued)

3 (2003: 3) of the five highest paid individuals are directors whose emoluments have been included above. Details of the emoluments paid on the remaining 2 (2003: 2) highest paid individuals are as follows:

	2004	2003
	RMB'000	RMB'000
Bonuses	**–**	–
Other emoluments		
– remuneration	**153**	105
– pension	**–**	21
	153	126

The emoluments of the above remaining 2 (2003: 2) highest paid individuals are below RMB1,000,000.

Notes to the Financial Statements

30 April 2004

11. PROPERTY, PLANT AND EQUIPMENT

The Group

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

	Land	Building	Infrastructure on cultivation bases	Machinery	Furniture fixtures and office equipment	Motor vehicles	Construction-in-progress	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Cost								
As at 1 May 2003	7,959	14,492	50,679	8,994	7,007	799	17,058	106,988
Additions during the year	–	–	8,648	2,837	140	138	33,726	45,489
Transfer from/(to)	–	–	2,404	220	–	–	(2,624)	–
Disposals	–	–	–	–	(34)	–	–	(34)
Reallocation	(190)	(701)	–	–	–	–	–	(891)
Revaluation surplus	190	325	–	–	–	–	–	515
As at 30 April 2004	**7,959**	**14,116**	**61,731**	**12,051**	**7,113**	**937**	**48,160**	**152,067**
Accumulated depreciation								
As at 1 May 2003	120	421	2,050	1,990	806	461	–	5,848
Charges during the year	173	788	4,643	825	441	164	–	7,034
Reallocation	(190)	(701)	–	–	–	–	–	(891)
Written back on disposal	–	–	–	–	(6)	–	–	(6)
As at 30 April 2004	**103**	**508**	**6,693**	**2,815**	**1,241**	**625**	**–**	**11,985**
Net book value								
As at 30 April 2004	**7,856**	**13,608**	**55,038**	**9,236**	**5,872**	**312**	**48,160**	**140,082**
As at 30 April 2003	7,839	14,071	48,629	7,004	6,201	338	17,058	101,140

Notes to the Financial Statements

30 April 2004

11. PROPERTY, PLANT AND EQUIPMENT (Continued)

The Group (Continued)

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

	2004 RMB'000	2003 RMB'000
Construction cost of infrastructure on cultivation bases	30,623	17,058
Cost of machinery pending installation	17,537	–
	48,160	17,058

(c) Land and buildings were revalued on 30 September 2003 on the basis of their open market value in existing use carried out by DTZ Debenham Tie Leung Limited, an independent firm of property valuer. The surplus on revaluation of land of RMB190,000 has been credited to revaluation reserve. The surplus on revaluation of buildings of RMB325,000 has been credited to income statement to recover the deficit debited to income statement in last year.

The carrying amount of the land and buildings would have been RMB19,116,000 (2003: RMB19,996,000) as at 30 April 2004 had they been stated at cost less accumulated depreciation.

The analysis of cost or valuation of the above:

	Land RMB'000	Building 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
As at 30 April 2004								
At cost	–	1,375	61,731	12,051	7,113	937	48,160	131,367
At valuation	7,959	12,741	–	–	–	–	–	20,700
	7,959	14,116	61,731	12,051	7,113	937	48,160	152,067

Notes to the Financial Statements

30 April 2004

11. PROPERTY, PLANT AND EQUIPMENT (Continued)

The Group (Continued)

(d) As at 30 April 2004, the Group leased out a portion of the buildings with carrying amount of approximately RMB167,000 (2003: RMB214,000) of the buildings under operating leases.

The Group's total future minimum lease receivable is as follows:

	2004 RMB'000	2003 RMB'000
Within one year	34	34
In the second to fifth years	–	34
	34	68

The Company

	Furniture, fixtures and office equipment RMB'000	Motor vehicles RMB'000	Total RMB'000
Cost			
As at 1 May 2003	67	–	67
Additions	64	138	202
Disposals	(34)	–	(34)
As at 30 April 2004	**97**	**138**	**235**
Accumulated depreciation			
As at 1 May 2003	8	–	8
Charges for the year	12	12	24
Written back on disposal	(6)	–	(6)
As at 30 April 2004	**14**	**12**	**26**
Net book value			
As at 30 April 2004	**83**	**126**	**209**
As at 30 April 2003	59	–	59

Notes to the Financial Statements

30 April 2004

12. NEGATIVE GOODWILL

	2004 RMB'000	2003 RMB'000
Gross negative goodwill		
Brought forward and carried forward	**9,025**	9,025
Accumulated negative goodwill recognised as income		
Brought forward	**1,805**	1,353
Amount recognised as income during the year	**451**	452
Carried forward	**2,256**	1,805
Carrying value	**6,769**	7,220

The negative goodwill arose from the discount on acquisition of Zhonglu by Icatrad, a wholly-owned subsidiary of the Group in April 1999. The discount represented the excess of net assets value acquired over the considerations paid by Icatrad Enterprises Limited in the course of the acquisition of Zhonglu. The negative goodwill was recognised as income over 20 years by straight-line method commencing from the year ended 30 April 2000.

13. INVESTMENTS IN SUBSIDIARIES

	2004 RMB'000	2003 RMB'000
Unlisted shares, at cost	**295,074**	–
Due from subsidiaries	**69,964**	–
Due to subsidiaries	**(218)**	–
	364,820	–

Amounts due from subsidiaries are unsecured, non-interest bearing and not repayable until the subsidiaries are financially capable to do so.

Notes to the Financial Statements

30 April 2004

13. INVESTMENTS IN SUBSIDIARIES

Details of subsidiaries as at 30 April 2004 are as follows:

Name	Country of incorporation/ operation	Issued capital	Attributable equity interest Direct	Attributable equity interest Indirect	Principal activities
China Green (Hong Kong) Limited	Hong Kong	HK$10,000	100%	–	Dormant
Crop Harvest Enterprises Limited	British Virgin Islands	US$50,000	100%	–	Dormant
Dragon Choice Enterprises Limited	British Virgin Islands	US$50,000	100%	–	Dormant
Green Harvest Enterprises Limited	British Virgin Islands	US$50,000	100%	–	Dormant
Icatrad Enterprises Limited ("Icatrad")	British Virgin Islands	US$50,000	100%	–	Investment holding
Zhonglu (Fujian) Agriculture Comprehensive Development Company Limited ("Zhonglu") *	People's Republic of China	RMB62,906,000	–	100%	Growing, processing and sales of agricultural products

* Zhonglu was incorporated in the PRC on 29 June 1998 as a wholly-foreign owned enterprise and the registered capital was increased from RMB150,000,000 to RMB622,500,000 during the year.

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

Notes to the Financial Statements

30 April 2004

14. LONG-TERM PREPAID RENTAL

This represents the prepayment of long-term rental of cultivation bases and factory land as at the financial year end date with lease term of 15 to 25 years under operating leases. Generally, according to the terms of lease arrangement, a lump sum lease payment covering 4 to 10 years' rentals were prepaid. The movement of the long-term prepaid rental is summarised as follows:

	2004	2003
	RMB'000	RMB'000
Cost		
Brought forward	90,280	52,600
Amount capitalised for the year	16,800	37,680
Carried forward	107,080	90,280
Accumulated amortisation		
Brought forward	22,076	9,067
Amortisation	16,084	13,009
Carried forward	38,160	22,076
Carrying value	68,920	68,204
Current portion	(17,717)	(15,606)
Non-current portion	51,203	52,598

Included above the carrying value of the long-term prepaid rental for fruit farms were RMB15,613,000 (2003: RMB14,563,000) as at 30 April 2004.

15. INVENTORIES

Inventories represent the following:

	Note	2004 RMB'000	2003 RMB'000
Work-in-progress	(i)	17,166	13,921
Finished goods		–	59
Agricultural materials	(ii)	436	630
Consumable and packing materials	(iii)	1,216	1,286
Total		18,818	15,896

15. INVENTORIES (Continued)

Note:

(i) Work-in-progress includes growing crops and harvested crops but not yet ready to sell.

(ii) Agricultural materials include seeds, fertilisers, pesticides and processing materials not yet utilised as at each year end.

(iii) Consumable and packing materials include office materials, packing materials and other consumable materials not yet utilised as at each year end.

(iv) As at 30 April 2004 and 2003, no inventory was stated at net realizable value.

16. ACCOUNTS RECEIVABLE

Included in accounts receivable are balances with the following aging analysis:

	2004	2003
	RMB'000	RMB'000
Within 1 month	**12,222**	7,169
Over 1 month but less than 3 months	**5,209**	2,820
	17,431	9,989

17. PREPAYMENT AND DEPOSITS PAID

Deposits paid represents:

	2004	2003
	RMB'000	RMB'000
Prepayments	**566**	–
Rental and utility deposits	**120**	147
Deposits for acquisition of bases and production	**24,557**	–
Other receivable	**12,013**	15,013
	37,256	15,160

Notes to the Financial Statements

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18. BANK BALANCES AND CASH

As at 30 April 2004, RMB124,421,000 (2003: RMB35,895,000) of the Group's bank and cash balances were denominated in Renminbi and RMB34,814,000 (2003: RMB1,751,000) were denominated in United States Dollars and deposited with banks in the PRC. Others of RMB194,326,000 (2003: Nil) of the Group's bank and cash balances were denominated in Hong Kong Dollars. The conversion of Renminbi denominated balances into foreign currencies is subject to the rules and regulations of foreign exchange control promulgated by the PRC government.

19. DUE TO A DIRECTOR

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

20. ACCOUNTS PAYABLE AND ACCRUED EXPENSES

Accounts payable and accrued expenses consist of:

	2004	2003
	RMB'000	RMB'000
Payable on acquisition of property, plant and equipment	**612**	–
Accrued salaries and wages	**4,893**	3,077
Accrued rental expenses	**–**	93
Other accrued expenses	**1,390**	4
Trade payables (Note 21)	**121**	122
	7,016	3,296

21. TRADE PAYABLES

Included in trade payables are balances with the following aging analysis:

	2004	2003
	RMB'000	RMB'000
Within 1 month	**121**	122

Notes to the Financial Statements

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22. SHARE CAPITAL

The following is a summary of movements in the authorised and issued share capital of the Company:

	Note	Number of ordinary shares of HK$0.10 each '000	Nominal value HK$'000	RMB equivalent RMB'000
Authorised:				
On incorporation and at 30 April 2003	(i)	1,000	100	106
Increase in authorised share capital	(ii)	1,999,000	199,900	211,894
At 30 April 2004		**2,000,000**	**200,000**	**212,000**
Issued and fully paid:				
Allotted and issued at nil paid	(i)	1,000	–	–
Nil paid shares offsetting against amount due to a director	(i)	–	100	106
At 30 April 2003		1,000	100	106
Issued of shares on acquisition of Icatrad Enterprises Limited	(iii)	3,900	390	413
Issue of shares through a placing and public offer	(iv)	172,500	17,250	18,285
Capitalisation of share premium	(v)	445,100	44,510	47,181
At 30 April 2004		**622,500**	**62,250**	**65,985**

Notes to the Financial Statements

30 April 2004

22. SHARE CAPITAL (Continued)

Notes:

(i) Upon incorporation on 26 July 2002, the Company had authorised share capital of HK$100,000, divided into 1,000,000 shares of HK$0.10 each. On the same date, 1,000,000 shares were allotted and issued as nil paid shares, which were subsequently credited as fully paid at par as noted in (iii) below.

(ii) On 12 December 2003, the Company's authorised share capital was increased from HK$100,000 to HK$200,000,000 by the creation 1,999,000,000 shares of HK$0.10 each ranking pari passu with the existing shares in all respects.

(iii) On the same date, the Company allotted and issued 3,900,000 shares, together with the 1,000,000 shares allotted and issued on 26 July 2002 as noted in (i) above, of HK$0.10 each, credited as fully paid, in exchange for the acquisition by the Company of the entire issued share capital of Icatrad, the then holding company of the Group.

(iv) On 12 January 2004, 172,500,000 (including overallotment of 22,500,000 shares) shares of HK$0.10 each were issued at HK$1.28 per share through a placing and public offer, resulting in cash proceeds (net of share issuance expenses) of approximately HK$196,904,000.

(v) Immediately after the aforementioned placing and public offer, share premium of approximately HK$44,510,000 was capitalised for the issuance of 445,100,000 shares of HK$0.10 each on a pro-rata basis to the Company's shareholders immediately before the placing and public offer.

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) 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 in aggregate exceed thirty (30) per cent. of the shares in issue from time to time.

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

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

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

22. SHARE CAPITAL (Continued)

Share options (Continued)

(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.

No share option was granted by the Company since its adoption.

23. RESERVES

The Company

	Share premium	Contributed surplus	(Accumulated losses)/ Retained profits	Total
	RMB'000	RMB'000	RMB'000	RMB'000
		Note (iv)		
Net loss for the period and as at 30 April 2003	–	–	(686)	(686)
Share issued on reorganisation	–	294,402	–	294,402
Issue of shares at premium	215,763	–	–	215,763
Share issuance expenses	(25,330)	–	–	(25,330)
Capitalisation of premium	(47,181)	–	–	(47,181)
Net profit for the year	–	–	14,216	14,216
As at 30 April 2004	**143,252**	**294,402**	**13,530**	**451,184**

Notes to the Financial Statements

30 April 2004

23. RESERVES (Continued)

The Company (Continued)

Notes:

(i) According to the PRC rules and regulations, PRC enterprises are required to transfer 10 percent and 5 percent of its profits after tax to Statutory Common Reserve and Statutory Welfare Reserve respectively. The transfer to the Statutory Common Reserve is required until it aggregates to 50 percent of the company's registered capital. The Statutory Common Reserve can be used to make good previous year's losses while the Statutory Welfare Reserve can be utilised for employees' welfare facilities.

(ii) The merger reserve of the Group represents the differences between the nominal value and premium of the shares of the acquired subsidiaries and the nominal value of the Company's shares issued for the acquisition at the time of the reorganisation.

(iii) On 30 September 2003, DTZ Debenham Tie Leung Limited, an independent property valuer, revalued the land and building of the Group on the basis of their open market value. The surplus on revaluation of land of RMB190,000 has been credited to revaluation reserve.

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

24. COMMITMENTS

a) Capital commitments

At the end of each financial year, the Group had the following capital commitments:

	2004	2003
	RMB'000	RMB'000
Contracted but not provided for		
– Acquisition of property, plant and equipment	**6,130**	2,000

24. COMMITMENTS (Continued)

b) Operating lease commitments

At the balance sheet date, the Group had total future minimum lease payments under non-cancellable operating leases in respect of rented premises for each of the following periods:

	2004	2003
	RMB'000	RMB'000
Within one year	**9,081**	4
In the second to fifth years	**53,946**	71,700
After the fifth year	**175,560**	165,180
Total	**238,587**	236,884

25. RELATED PARTY TRANSACTIONS

Pursuant to SSAP 20 issued by the HKSA "Related Party Disclosures", other than the balances and information disclosed in note 19 "Due to a director", there was no related party transaction during the years ended 30 April 2004 and 2003.

26. ULTIMATE HOLDING COMPANY

The directors regard Capital Mate Limited, a company incorporated in the British Virgin Islands, as the ultimate holding company.