1. BASIS OF PREPARATION

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 Stock Exchange of Hong Kong Limited (the "Exchange").

The Company is an investment holding company and the principal activities of its subsidiaries are set out in note 15 to the financial statements.

2. POTENTIAL IMPACT ARISING FROM RECENTLY ISSUED ACCOUNTING STANDARDS

The Hong Kong Institute of Certified Public Accountants (the "HKICPA") has issued a number of new and revised Hong Kong Financial Reporting Standards and Hong Kong Accounting Standards, (herein collectively referred to as the "new HKFRSs"), which are generally effective for accounting periods beginning on or after 1 January 2005.

The company has not early adopted these new HKFRSs in the financial statements for the year ended 30 April 2005.

HKFRS 3 "Business Combinations" applied to accounting for business combinations for which the agreement date is on or after 1 January 2005. The Group did not have any business combinations during the year nor the Group early adopted HKFRS 3 and accordingly, this HKFRS has no impact on the financial statements.

The Group has already commenced an assessment of the impact of these new HKFRSs but is not yet in a position to state whether these new HKFRSs would have a significant impact on its results of operations and financial position.

3. PRINCIPAL ACCOUNTING POLICIES

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

New accounting standard effective during the year

During the year the Company has adopted, for the first time, the SSAP 36 "Agriculture".

3. PRINCIPAL ACCOUNTING POLICIES (continued)

New accounting standard effective during the year (continued)

The principal effect of adoption of SSAP 36 is in relation to the agricultural activities. SSAP 36 requires the measurement of biological assets at their fair value less estimated point-of-sale costs at initial recognition and at each balance sheet date, while the agricultural produce harvested from the biological assets should be measured at its fair value less estimated point-of-sale costs at the point of harvest. The gain or loss arising on initial recognition of a biological asset and agricultural produce at fair value less estimated point-of-sale costs and from change in fair value less estimated point-of-sale costs of a biological asset shall be included in the income statement. Certain new disclosure requirements for biological assets and agricultural produce were introduced. The adoption of SSAP 36 has resulted in changing the Group's accounting policy and applied retrospectively. As a result, comparative figures have been restated.

(a) Revenue recognition

(i) Sales 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.

(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 financial 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.

3. PRINCIPAL ACCOUNTING POLICIES (continued)

(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 2005. 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 intercompany transactions and balances are eliminated on consolidation.

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 valuation 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% (over the lease term)
Buildings	5% – 6%
Infrastructure on cultivation bases	5% – 20%
Machinery	5% – 10%
Furniture, fixtures and office equipment	5% – 20%
Motor vehicles	20% – 33%

3. PRINCIPAL ACCOUNTING POLICIES (continued)

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

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.

Gains and losses on disposal of property, plant and equipment are recognised 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 at 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.

3. PRINCIPAL ACCOUNTING POLICIES (continued)

(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.

(l) 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.

(m) Inventories

The Company's inventories comprising raw materials, agricultural materials, consumable and packing materials, processing agricultural produce and finished goods are stated at the lower of cost or estimated net realisable value.

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

Cost of processing agricultural produce, including cost of agricultural produce, labour and indirect overheads, are accumulated and calculated on a weighted average basis.

Finished goods are calculated on a weighted average basis.

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

3. PRINCIPAL ACCOUNTING POLICIES (continued)

(n) 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.

(o) 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.

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.

(p) 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.

(q) 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 RMB 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.

3. PRINCIPAL ACCOUNTING POLICIES (continued)

(r) 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.

(s) Segment reporting

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

In accordance with the Group's internal financial reporting, the Group has 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.

4. TURNOVER AND REVENUES

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

	2005	2004
	RMB'000	*RMB'000*
		(As restated)
Turnover		
Sales of agricultural products	**470,537**	375,430
Other revenues		
Interest income	**2,089**	598
Rental income	**25**	34
Sundry income	**3**	–
Exchange gain	**55**	–
Revaluation gain	**–**	325
	2,172	957
Total revenues	**472,709**	376,387

5. SEGMENTAL REPORTING

(a) Business segment

For the year ended 30 April 2005, there was only one business segment of growing and sales of agricultural products.

	2005 *RMB'000*	2004 *RMB'000* (As restated)
Turnover		
Fresh produce	**293,026**	233,641
Processed products	**85,603**	95,831
Pickled products	**59,271**	45,958
Beverage products	**6,409**	–
Rice products	**26,228**	–
	470,537	375,430
Gross profit		
Fresh produce	**161,611**	133,231
Processed products	**48,369**	53,118
Pickled products	**34,202**	23,846
Beverage products	**3,246**	–
Rice products	**7,118**	–
	254,546	210,195

5. SEGMENTAL REPORTING (continued)

(b) Geographical segment

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

	2005 RMB'000	2004 RMB'000 (As restated)
Turnover		
Japan	**228,811**	219,514
PRC	**186,972**	124,674
Other South East Asian countries	**32,494**	31,242
Europe	**20,824**	–
Australia	**1,436**	–
	470,537	375,430
Gross profit		
Japan	**140,872**	138,385
PRC	**81,621**	54,310
Other South East Asian countries	**18,839**	17,500
Europe	**12,411**	–
Australia	**803**	–
	254,546	210,195

No analysis of assets and additions to property, plant and equipment by geographical location is presented as over 99% of the Group's assets are principally located in the PRC.

6. PROFIT BEFORE TAXATION

Profit before taxation are stated after crediting/charging the following:

	2005	2004
	RMB'000	*RMB'000*
		(As restated)
Crediting:		
Gain arising from changes in fair value less estimated point-of-sale costs of biological assets	**13,336**	13,887
Amortisation of negative goodwill	**451**	451
Charging:		
Auditors' remuneration	**819**	659
Depreciation of owned property, plant and equipment	**12,285**	7,035
Operating lease expenses		
– land and buildings	**1,372**	2,254
– other property, plant and equipment	**26**	–
Staff costs (including directors, emoluments)	**58,818**	49,759
Retirement cost	**169**	138
Interest expenses on bank overdraft	**–**	1
Research and development expenses	**4,143**	3,015
Amortisation of long-term prepaid rental included in cost of goods sold (net of amount capitalized in inventories)	**20,700**	16,376
Loss on disposal of property, plant and equipment	**46**	28
Exchange loss	**–**	92

7. TAXATION

	2005	2004
	RMB'000	*RMB'000*
		(As restated)
Hong Kong profits tax	**–**	–
PRC enterprise income tax	**24,329**	32,181
Overseas income tax	**–**	–
	24,329	32,181
Deferred taxation *(Note 25)*	**21**	1,280
	24,350	33,461

(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 (2004: Nil).

(b) PRC enterprise income tax

Zhonglu (Fujian) Agriculture Comprehensive Development Company Limited ("Zhonglu"), a principal wholly owned subsidiary of the Company is subject to PRC enterprise income tax at a rate of 24%. However, in September 2004, 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 [2004] No.5, domestic PRC State-Level Industrialized Agricultural Leading Enterprises are entitled to certain tax benefits including full exemption of PRC enterprise income tax. Other PRC subsidiaries incorporated during the year ended 30 April 2005 will be eligible to have exemption from PRC enterprise income tax 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.

(c) Overseas income tax

During the year, China Green (Thailand) Company Ltd. ("China Green (Thailand)"), a wholly owned overseas subsidiary of the Group was incorporated in Thailand. It is subject to the progressive tax rate on assessable profit. However, no overseas income tax has been provided for as the China Green (Thailand) did not have assessable profit for the year.

7. TAXATION (continued)

(d) The charges during the year ended 30 April 2005 can be reconciled to the profit of consolidated income statement as follows:

	2005 *RMB'000*	2004 *RMB'000* (As restated)
Profit before taxation	**207,802**	184,011
Tax at the respective applicable tax rates	**50,676**	44,344
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	**1,429**	488
Tax effect of income that are not taxable	**(195)**	(109)
Tax effect of profit exempted from income tax as a result of tax benefit	**(28,997)**	–
Tax effect of expenses that are not deductible	**540**	–
Tax effect of unrealized tax loss	**833**	–
Others	**64**	(7)
Tax expenses for the year	**24,350**	33,461

8. PROFIT ATTRIBUTABLE TO SHAREHOLDERS

The consolidated profit attributable to shareholders includes a profit of RMB52,375,000 (2004: RMB14,216,000) which has been deal with in the financial statements of the Company.

9. DIVIDENDS

	2005		2004	
	RMB per share	**RMB'000**	RMB per share	RMB'000
Interim dividend paid of HK$0.028 (2004 : HK$Nil) per ordinary share	**0.030**	**21,592**	–	–
Final dividend proposed of HK$0.038 (2004: HK$0.02) per ordinary share	**0.039**	**28,474**	0.021	13,197
Total		**50,066**		13,197

At a meeting held on 26 August 2005, the Directors proposed a final dividend of HK$0.038 (equivalent to RMB0.039) per ordinary share.

Proposed dividend is subject to the approval by the shareholders at the forthcoming annual general meeting and not yet accounted for in the current year's financial statements.

10. EARNINGS PER SHARE

The calculation of the basic earnings per share for the year ended 30 April 2005 is based on the profit attributable to shareholders during the year of RMB183,452,000 (2004: RMB150,550,000) and on the weighted average number of approximately 667,664,384 (2004: 501,372,951) ordinary shares in issue during the year.

There were no potential dilutive ordinary shares in existence for the years ended 30 April 2005 and 2004, therefore, no diluted earnings per share was presented.

11. 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 scheme at 5% of the employees' earnings as defined under the Mandatory Provident Fund Schemes Ordinance. 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.

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.

The subsidiary in Thailand participated in the state-sponsored retirement scheme and the subsidiary is required to contribute to the scheme monthly and has no further obligation to the retirement of employees beyond the contribution.

For the year ended 30 April 2005, the Group's retirement plan contribution amounted to approximately RMB169,000 (2004: RMB138,000).

12. DIRECTORS' AND SENIOR MANAGEMENT'S EMOLUMENTS

Details of Directors' emoluments, disclosed pursuant to the Rules Governing the Listing of Securities on the Stock Exchange and section 161 of the Hong Kong Companies Ordinance are as follows:

	2005 *RMB'000*	2004 *RMB'000*
Fees for non-executive Directors	**62**	15
Other emoluments for executive Directors		
– remuneration and other benefit	**1,500**	917
– retirement cost	**20**	24
	1,582	956

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

	Number of individuals	
	2005	2004
Emoluments		
Up to RMB1,000,000	**7**	7

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.

4 (2004: 3) of the five highest paid individuals are Directors whose emoluments have been included above. Details of the emoluments paid on the remaining 1 (2004: 2) highest paid individuals are as follows:

	2005 *RMB'000*	2004 *RMB'000*
Bonuses	**–**	–
Other emoluments		
– remuneration and other benefit	**177**	153
– pension	**–**	–
	177	153

The emolument of the above remaining 1 (2004: 2) highest paid individual is below RMB1,000,000.

13. PROPERTY, PLANT AND EQUIPMENT

The Group

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

	Land and 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 or Valuation							
At 1 May 2004	22,075	61,731	12,051	7,113	937	48,160	152,067
Additions during the year	15,327	–	13,519	630	332	51,174	80,982
Transfer from/(to)	2,527	69,370	25,871	–	–	(97,768)	–
Disposals	–	–	(27)	(88)	–	–	(115)
At 30 April 2005	39,929	131,101	51,414	7,655	1,269	1,566	232,934
Accumulated depreciation							
At 1 May 2004	611	6,693	2,815	1,241	625	–	11,985
Charges during the year	1,108	7,630	2,823	491	233	–	12,285
Written back on disposals	–	–	(12)	(57)	–	–	(69)
At 30 April 2005	1,719	14,323	5,626	1,675	858	–	24,201
Net book value							
At 30 April 2005	38,210	116,778	45,788	5,980	411	1,566	208,733
At 30 April 2004	21,464	55,038	9,236	5,872	312	48,160	140,082

13. PROPERTY, PLANT AND EQUIPMENT (continued)

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

	2005 *RMB'000*	2004 *RMB'000*
Construction cost of factory building structure	**1,566**	–
Construction cost of infrastructure on cultivation bases	**–**	30,623
Cost of machinery pending installation	**–**	17,537
	1,566	48,160

(c) The analysis of cost or valuation of the above:

	Land and 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*
At 30 April 2005							
At cost	19,229	131,101	51,414	7,655	1,269	1,566	212,234
At valuation	20,700	–	–	–	–	–	20,700
	39,929	131,101	51,414	7,655	1,269	1,566	232,934

Had the land and buildings been carried at cost less accumulated depreciation and impairment loss, the net book value of the Group's land and buildings as at 30 April 2005 would have been RMB25,690,000 (2004: RMB19,116,000).

13. PROPERTY, PLANT AND EQUIPMENT (continued)

The Company

	Furniture, fixtures and equipment *RMB'000*	Motor vehicles *RMB'000*	Total *RMB'000*
Cost			
At 1 May 2004	97	138	235
Additions	64	–	64
At 30 April 2005	161	138	299
Accumulated depreciation			
At 1 May 2004	14	12	26
Charges for the year	23	46	69
At 30 April 2005	37	58	95
Net book value			
At 30 April 2005	124	80	204
At 30 April 2004	83	126	209

14. NEGATIVE GOODWILL

	2005 ***RMB'000***	2004 *RMB'000*
Gross negative goodwill		
Brought forward and carried forward	**9,025**	9,025
Accumulated negative goodwill recognised as income		
Brought forward	**2,256**	1,805
Amount recognised as income during the year	**451**	451
Carried forward	**2,707**	2,256
Carrying value	**6,318**	6,769

14. NEGATIVE GOODWILL (continued)

The negative goodwill arose from the discount on acquisition of Zhonglu by Icatrad Enterprises Limited, 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.

15. INVESTMENTS IN SUBSIDIARIES

	2005	2004
	RMB'000	*RMB'000*
Unlisted shares, at cost	**296,893**	295,074
Due from subsidiaries	**204,174**	69,964
Due to subsidiaries	**(399)**	(218)
	500,668	364,820

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

Details of subsidiaries as at 30 April 2005 are as follows:

Name	**Place of incorporation/ operation**	**Issued/ paid up capital**	**Attributable equity interest**		**Principal activities**
			Direct	**Indirect**	
China Green (Hong Kong) Limited	Hong Kong	HK$10,000	100%	–	Dormant
Crop Harvest Enterprises Limited	British Virgin Islands	US$50,000	100%	–	Investment holding
Dragon Choice Enterprises Limited	British Virgin Islands	US$50,000	100%	–	Dormant
Goldprosper Enterprises Limited	British Virgin Islands	US$50,000	100%	–	Investment holding
Green Harvest Enterprises Limited	British Virgin Islands	US$50,000	100%	–	Investment holding

15. INVESTMENTS IN SUBSIDIARIES (continued)

Name	Place of incorporation/ operation	Issued/ paid up capital	Attributable equity interest Direct	Attributable equity interest Indirect	Principal activities
Icatrad Enterprises Limited ("Icatrad")	British Virgin Islands	US$50,000	100%	–	Investment holding
On Success Enterprises Limited	British Virgin Islands	US$50,000	100%	–	Investment holding
China Green (Thailand) Company Limited	Thailand	THB15,000,000	–	100%	Growing and sales of agricultural products
China Green Food Science Technique Limited#	People's Republic of China	HK$20,000,000	–	100%	Sales of agricultural products
China Green (Fujian) Food Import & Export Company Limited#	People's Republic of China	HK$1,600,000	–	100%	Not yet commenced business
Zhonglu (Fujian) Agriculture Comprehensive Development Company Limited ("Zhonglu")#	People's Republic of China	RMB68,000,000	–	100%	Growing, processing and sales of agricultural products
Zhonglu (Fujian) Food Industry Limited#	People's Republic of China	USD2,565,000	–	100%	Not yet commenced business
Zhonglu (Hebei) Food Development Limited*	People's Republic of China	USD386,000	–	100%	Not yet commenced business

* *Sino-foreign owned equity joint venture, in which all investors are the wholly owned subsidiaries of the Group*

\# *Wholly foreign owned enterprise*

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

16. 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 under operating leases. The movement of the long-term prepaid rental is summarised as follows:

	2005	2004
	RMB'000	*RMB'000*
Cost		
Brought forward	**107,080**	90,280
Amount capitalised for the year	**48,250**	16,800
Carried forward	**155,330**	107,080
Accumulated amortisation		
Brought forward	**38,160**	22,076
Amortisation	**20,344**	16,084
Carried forward	**58,504**	38,160
Carrying value	**96,826**	68,920
Current portion	**(25,144)**	(17,717)
Non-current portion	**71,682**	51,203

Included above the carrying value of the long-term prepaid rental for fruit farms was RMB22,963,000 (2004: RMB15,613,000) as at 30 April 2005.

17. INVENTORIES

Inventories represent the following:

	Note	2005 *RMB'000*	2004 *RMB'000* (As restated)
Raw materials	*(i)*	**602**	–
Work-in-progress	*(ii)*	**2,001**	2,756
Finished goods		**309**	–
Agricultural materials	*(iii)*	**490**	436
Consumable and packing materials	*(iv)*	**1,834**	1,216
Total		**5,236**	4,408

Note:

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

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

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

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

(v) As at 30 April 2005 and 2004, no inventory was stated at net realizable value.

18. BIOLOGICAL ASSETS

(a) Reconciliation of carrying amount of biological assets :

	2005	2004
	RMB'000	*RMB'000*
		(As restated)
At the beginning of the year	**29,087**	20,789
Gain arising from changes in fair value less estimated point-of-sale costs	**13,336**	13,887
Increase due to plantation	**90,721**	77,716
Decrease due to harvest	**(101,225)**	(83,305)
At the end of the year	**31,919**	29,087
Non-current portion	**(1,050)**	–
Current portion	**30,869**	29,087

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

	2005	2004
	RMB'000	*RMB'000*
		(As restated)
Vegetables	**19,854**	17,887
Fruit	**12,065**	11,200
	31,919	29,087

18. BIOLOGICAL ASSETS (continued)

(c) The analysis of cost or valuation of the above:

	2005 RMB'000	2004 RMB'000 (As restated)
At fair value less estimated point-of-sale costs	**30,869**	29,087
At cost	**1,050**	–
	31,919	29,087

As at 30 April 2005, the biological assets carried at cost represented the growing of asparagus. The asparagus was cultivated at initial stage and the Directors considered that the fair value of asparagus was largely the same as the cost incurred after taking into consideration the growing conditions and the period of plantation.

Other vegetables and fruit were stated at fair value less estimated point-of-sale costs as at 30 April 2005. The fair value was determined based on the market price of respective matured produces in the local market adjusted with reference to the growing conditions, cost 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 follows:

	2005		2004	
	Quantity (tons)	***RMB'000***	Quantity (tons)	*RMB'000*
Vegetables	**141,937**	**132,587**	131,060	115,755
Fruit	**18,183**	**25,862**	14,908	23,805
	160,120	**158,449**	145,968	139,560

19. ACCOUNTS RECEIVABLE

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

	2005 *RMB'000*	2004 *RMB'000*
Within 1 month	**9,118**	12,222
Over 1 month but within 3 months	**–**	5,209
Over 3 months but within 6 months	**63**	–
Over 6 months but within 1 year	**21**	–
	9,202	17,431

20. PREPAYMENT, DEPOSITS PAID AND OTHER RECEIVABLE

	2005 *RMB'000*	2004 *RMB'000*
Prepayments	**1,166**	566
Rental and utility deposits	**377**	120
Deposits for acquisition of land	**105,709**	24,557
Interest receivable	**414**	–
Other receivable	**62**	12,013
	107,728	37,256

21. BANK BALANCES AND CASH

As at 30 April 2005, RMB327,028,000 (2004: RMB124,421,000) of the Group's bank and cash balances were denominated in Renminbi and RMB36,818,000 (2004: RMB34,814,000) were denominated in United States Dollars and deposited with banks in the PRC. Others of RMB167,717,000 (2004: RMB194,326,000), RMB224,000 (2004: Nil) and RMB4,000 (2004: Nil) of the Group's bank and cash balances were denominated in Hong Kong Dollars, Thailand Baht and Japanese Yen respectively. 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.

22. DUE TO A DIRECTOR

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

23. ACCOUNTS PAYABLE AND ACCRUED EXPENSES

Accounts payable and accrued expenses consist of:

	2005	2004
	RMB'000	*RMB'000*
Payable on property, plant and equipment	**13,248**	612
Accrued salaries and wages	**5,846**	4,893
Other accrued expenses	**2,237**	1,390
Trade payables *(note 24)*	**1,650**	121
	22,981	7,016

24. TRADE PAYABLES

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

	2005	2004
	RMB'000	*RMB'000*
Within 1 month	**1,650**	121

25. DEFERRED TAXATION

	2005	2004
	RMB'000	*RMB'000*
		(As restated)
At the beginning of year	**4,309**	2,983
Transfer from taxation *(note 7)*	**21**	1,280
Transfer (to)/from equity	**(12)**	46
At the end of year	**4,318**	4,309
Provided for in respect of:		
Biological assets	**3,345**	3,362
Other timing differences	**973**	947
	4,318	4,309

At the balance sheet date, there was no material unprovided deferred tax liabilities.

26. SHARE CAPITAL

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

	Number of ordinary shares of HK$0.10 each	**Nominal value**	**RMB equivalent**
	'000	*HK$'000*	*RMB'000*
Authorised:			
At 30 April 2005 and 2004	2,000,000	200,000	212,000
Issued and fully paid:			
At 1 May 2003	1,000	100	106
Issued of shares on acquisition of Icatrad Enterprises Limited	3,900	390	413
Issue of shares through a placing and public offer	172,500	17,250	18,285
Capitalisation of share premium	445,100	44,510	47,181
At 30 April 2004	622,500	62,250	65,985
Issue of shares *(Note)*	105,000	10,500	11,130
At 30 April 2005	727,500	72,750	77,115

Note:

On 24 November 2004, the Company entered into a conditional top-up subscription agreement with Capital Mate Limited ("Capital Mate"), the controlling shareholder of the Company which is wholly and beneficially owned by Mr. Sun Shao Feng, the Chairman of the Company, for the subscription of 105,000,000 ordinary shares of par value of HK$0.10 each in the capital of the Company at a price of HK$1.46 per share upon the completion of placing of 105,000,000 shares by Capital Mate to certain independent investors. The subscription was completed on 8 December 2004 and the net proceeds of about HK$151 million had been used in investments in the foods processing projects in Jiangxi and Shanghai. Details of which were set out in the announcement of the Company dated 25 November 2004.

26. SHARE CAPITAL (continued)

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 out in the prospectus issued by 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 23 September 2004, being the date of refreshment of the limit under the Scheme 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.

(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.

27. RESERVES

The Company

	Share premium	Contributed surplus	(Accumulated losses)/ Retained profits	Total
		Note (iii)		
	RMB'000	RMB'000	RMB'000	RMB'000
At 1 May 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
At 30 April 2004	143,252	294,402	13,530	451,184
Issue of shares at premium	151,368	–	–	151,368
Share issuance expenses	(3,975)	–	–	(3,975)
Net profit for the year	–	–	52,375	52,375
Dividends paid	–	–	(34,789)	(34,789)
At 30 April 2005	290,645	294,402	31,116	616,163

Notes:

(i) According to 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) 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.

(iv) At 30 April 2005, the aggregate amount of reserves available for distribution to shareholders of the Company was RMB616,163,000 (2004: RMB451,184,000).

28. COMMITMENTS

a) Capital commitments

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

	2005	2004
	RMB'000	*RMB'000*
Contracted but not provided for		
– Purchase of property, plant and equipment	**17,991**	6,130

b) Operating lease commitments

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

The Group

	2005	2004
	RMB'000	*RMB'000*
Within one year	**9,382**	9,081
In the second to fifth years	**56,684**	53,946
After the fifth years	**176,760**	175,560
Total	**242,826**	238,587

The Company

	2005	2004
	RMB'000	*RMB'000*
Within one year	**383**	581
In the second to fifth years	**–**	376
Total	**383**	957

29. PRIOR YEAR ADJUSTMENTS

During the year, the Group changed its accounting policy in respect of the accounting for agricultural activities. The change was required as a result of the introduction of SSAP 36, which became effective from 1 May 2004 and was applied retrospectively. The accounting policy has been stated in note 3(l). The adoption of SSAP 36 has increased the shareholders' equity at 30 April 2004 from approximately RMB566,644,000 to RMB577,012,000 and profits attributable to the shareholders for the year ended 30 April 2004 from RMB146,489,000 to RMB150,550,000.

30. RELATED PARTY TRANSACTIONS

Pursuant to SSAP 20 issued by the Hong Kong Institute of Certified Public Accountants "Related Party Disclosures", other than the balances and information disclosed in note 22 "Due to a Director", there was no related party transaction during the years ended 30 April 2005 and 2004.

31. ULTIMATE PARENT ENTERPRISE

The Directors regard Capital Mate Limited, a company incorporated in the British Virgin Islands, as the ultimate parent enterprise.