Notes to the Financial Statements

30 June 2006

1. Background Information

Chaoda Modern Agriculture (Holdings) Limited (the "Company") is a limited liability company incorporated in the Cayman Islands and its registered office is P.O. Box 309, Ugland House, South Church Street, George Town, Cayman Islands, British West Indies. Its shares have been listed on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") since 15 December 2000.

The Company is an investment holding company. The principal activities and other particulars of the principal subsidiaries are set out in note 39 to the financial statements.

These financial statements are presented in thousands of units of Renminbi (RMB'000), unless otherwise stated.

2. Basis of Preparation and Potential Impact Arising from Recently Issued Accounting Standards

The consolidated financial statements have been prepared in accordance with generally accepted accounting principles in Hong Kong and comply with accounting standards issued by the Hong Kong Institute of Certified Public Accountants, the disclosure requirements of the Hong Kong Companies Ordinance and the Rules Governing the Listing of Securities on the Stock Exchange. The financial statements have been prepared under the historical cost convention except for certain assets and financial instruments which are stated at fair value, as explained in the significant accounting policies set out in note 4.

The accounting policies and method of computation used in the preparation of these financial statements are consistent with those used in the financial statements of the Group for the year ended 30 June 2005, except that the Group has changed certain of its accounting policies following its adoption of new/revised Hong Kong Financial Reporting Standards ("HKFRS") and Hong Kong Accounting Standards ("HKAS") (collectively referred to as the "New HKFRSs"), which have become effective for accounting periods beginning on or after 1 January 2005 and had not been early adopted by the Group for the preparation of the financial statements of the Group for the year ended 30 June 2005. The applicable New HKFRSs adopted in these financial statements are set out below and the comparatives have been restated in accordance with the relevant requirements.

HKAS 1	Presentation of Financial Statements
HKAS 2	Inventories
HKAS 7	Cash Flow Statements
HKAS 8	Accounting Policies, Changes in Accounting Estimates and Errors
HKAS 10	Events after the Balance Sheet Date
HKAS 12	Income Taxes
HKAS 14	Segment Reporting
HKAS 16	Property, Plant and Equipment
HKAS 17	Leases
HKAS 18	Revenue
HKAS 19	Employee Benefits
HKAS 21	The Effects of Changes in Foreign Exchange Rates
HKAS 23	Borrowing Costs

2. Basis of Preparation and Potential Impact Arising from Recently Issued Accounting Standards *(Continued)*

HKAS 24	Related Party Disclosures
HKAS 27	Consolidated and Separate Financial Statements
HKAS 28	Investments in Associates
HKAS 32	Financial Instruments: Disclosure and Presentation
HKAS 33	Earnings Per Share
HKAS 36	Impairment of Assets
HKAS 37	Provisions, Contingent Liabilities and Contingent Assets
HKAS 38	Intangible Assets
HKAS 39	Financial Instruments: Recognition and Measurement
HKAS 41	Agriculture
HKFRS 2	Share-based Payment
HKFRS 3	Business Combinations

The adoption of HKAS 2, 7, 8, 10, 12, 14, 16, 18, 19, 21, 23, 24, 27, 28, 32, 33, 36, 37, 38, 39 and 41 did not result in substantial changes to the accounting policies and the methods of computation used in the financial statements.

A summary of changes in principal accounting policies or presentation of the financial statements as a result of the adoption of the New HKFRSs is detailed in note 3 below.

As at the date of the approval of these financial statements, the following standards and interpretations were in issue but not yet effective:

HKAS 1 (Amendment)	*Note a*	Capital Disclosures
HKFRS 7	*Note a*	Financial Instruments: Disclosures
HK(IFRIC) — Int 7	*Note b*	Applying the Restatement Approach under HKAS 29 — Financial Reporting in Hyperinflationary Economies
HK(IFRIC) — Int 8	*Note c*	Scope of HKFRS 2
HK(IFRIC) — Int 9	*Note d*	Reassessment of Embedded Derivatives

Note a: effective for annual periods beginning on or after 1 January 2007
Note b: effective for annual periods beginning on or after 1 March 2006
Note c: effective for annual periods beginning on or after 1 May 2006
Note d: effective for annual periods beginning on or after 1 June 2006

The Group has begun to consider the potential impact of the above standards and amendment, but is not yet in the position to determine whether these HKFRSs would have a significant impact on how its results of operations and financial positions are prepared and presented. These standards and amendment may result in changes in the future as to how the results and financial position are prepared and presented.

3. Summary of Impact of Changes in Accounting Policies

The following is a summary of changes in principal accounting policies or presentation of the financial statements as a result of the adoption of the New HKFRSs:

(a) HKAS 1 "Presentation of Financial Statements"

The adoption of HKAS 1 has affected the presentation of minority interests and share of net profit of associated companies.

(b) HKAS 17 "Leases"

The adoption of HKAS 17 has resulted in a change in the accounting policy relating to the reclassification of leasehold land from fixed assets, long-term prepaid rentals and land use rights to prepaid premium for land leases. The up-front prepayments made for the leasehold land and land use rights are expensed in the consolidated income statement on a straight-line basis over the period of the lease or where there is impairment, the impairment is expensed in the consolidated income statement. In prior years, leasehold land, accounted for under fixed assets, is stated at its cost less accumulated depreciation and accumulated impairment whilst land use rights and long-term prepaid rentals under operating leases are stated at their costs and amortized over the period of the respective leases separately.

The revised accounting policy has been applied retrospectively with comparatives restated in accordance with HKAS 17.

(c) HKFRS 2 "Share-based Payment"

The adoption of HKFRS 2 has resulted in a change in the accounting policy for share-based payment. In prior years, no amounts were recognized for the equity-settled share based payment transactions in the Group, including share options granted to employees or directors of the Group to acquire shares of the Company at specified exercise prices under the share option schemes operated by the Group.

If the employees or directors of the Group chose to exercise the share options, the nominal amount of share capital and share premium were credited only to the extent of the share option's exercise price receivable.

With adoption of HKFRS 2, the cost of share options is charged to the consolidated income statement and the corresponding amount is recognized in the employee share-based compensation reserve under equity. Where the employees or directors are required to meet vesting conditions before they become entitled to the share options or shares, the Group recognizes the fair value of the share options or shares granted as an expense over the vesting period. If the employees or directors choose to exercise share options, the respective amount in employee share-based compensation reserve is transferred to share capital and share premium, together with exercise price. At each balance sheet date, the Group revises its estimates of the number of share options or shares that are expected to become vested. The impact of the revision of original estimates, if any, is recognized in the income statement with a corresponding adjustment to the employee share-based compensation reserve over the remaining vesting period.

The new accounting policy has been applied retrospectively with comparatives restated in accordance with HKFRS 2.

3. Summary of Impact of Changes in Accounting Policies *(Continued)*

(d) HKFRS 3 "Business Combinations"

In prior years, negative goodwill arising on consolidation was accounted for as follows:

— for acquisitions before 1 January 2001, negative goodwill was credited to capital reserve; and

— for acquisitions on or after 1 January 2001, to the extent that negative goodwill related to an expectation of future losses and expenses that were identified in the plan of acquisition and could be measured reliably, but which had not yet been recognized, it was recognized in the consolidated income statement when the future losses and expenses were recognized. Any remaining negative goodwill, but not exceeding the fair values of the non-monetary assets acquired, was recognized in the consolidated income statement over the weighted average useful life of those non-monetary assets that were depreciable/amortizable. Negative goodwill in excess of the fair values of the non-monetary assets acquired was recognized immediately in the consolidated income statement.

With adoption of HKFRS 3:

— negative goodwill is derecognized at the beginning of the year, with the corresponding adjustment to the opening balance of retained profits; and

— all excess of acquirer's interest in the fair value of the identifiable net assets, over cost is recognized in consolidated income statement immediately.

The new accounting policy has been applied prospectively taking effect from 1 July 2005, in accordance with HKFRS 3.

While adoption of HKAS 1 and HKAS 17 has no impact on the Group's consolidated income statement, effect of adopting HKFRS 2 and HKFRS 3 are as follows:

	2006 ***RMB'000***	2005 *RMB'000*
HKFRS 2: Increase in staff costs	**(28,711)**	(13,371)
HKFRS 3: Decrease in amortization of negative goodwill	**(8,136)**	—
Total decrease in profit attributable to equity shareholders	**(36,847)**	(13,371)
Decrease in basic earnings per share	**RMB0.016**	RMB0.006
Decrease in diluted earnings per share	**RMB0.015**	RMB0.006

3. Summary of Impact of Changes in Accounting Policies *(Continued)*

The adoption of HKFRS 2 resulted in a decrease in the opening retained profits as at 1 July 2004 and 1 July 2005 by RMB110,418,000 and RMB123,789,000 respectively. Effects of adopting HKAS 17, HKFRS 2 and HKFRS 3 on the consolidated balance sheets as at 30 June 2006 and 30 June 2005 are as follows:

	2006			2005	
	HKAS 17	HKFRS 2	HKFRS 3	HKAS 17	HKFRS 2
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Decrease in fixed assets	**(30,680)**	**—**	**—**	(31,426)	—
Decrease in long-term prepaid rentals	**(2,647,905)**	**—**	**—**	(1,869,500)	—
Decrease in land use rights	**(65,248)**	**—**	**—**	(23,091)	—
Increase in prepaid premium for land leases	**2,743,833**	**—**	**—**	1,924,017	—
Increase in interest in associates	**—**	**—**	**130,173**	—	—
Increase in employee share-based compensation reserve	**—**	**98,756**	**—**	—	74,661
Increase in share premium	**—**	**53,744**	**—**	—	49,128
(Decrease)/Increase in retained profits	**—**	**(152,500)**	**130,173**	—	(123,789)

4. Significant Accounting Policies

(a) Consolidation

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

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 recognized 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.

4. Significant Accounting Policies *(Continued)*

(b) Subsidiaries

A subsidiary is an enterprise in which the Company, directly or indirectly, controls more than half of its voting power or issued share capital, or controls the composition of its board of directors.

Interests in subsidiaries are included in the Company's balance sheet less any identified impairment loss.

(c) Associates

An associate is a company in which the Group or the Company has significant influence and which is neither a subsidiary nor a joint venture of the Group or the Company.

The interest in an associate is accounted for in the consolidated balance sheet under the equity method whereby the interest is initially recorded at cost and adjusted thereafter for the post acquisition change in the Group's share of net assets of the associates.

The results of the associate are accounted for in the consolidated income statement to the extent of the Group's share of associate's results of operations. The consolidated balance sheet includes the Group's share of the net assets of the associates and also goodwill (net of accumulated impairment losses) or negative goodwill on acquisition.

(d) Negative goodwill

Negative goodwill arising on acquisitions of controlled subsidiaries and associates represents the excess of the Group's share of the fair value of the identifiable assets and liabilities acquired over the cost of the acquisition. Prior to the adoption of HKFRS 3, negative goodwill was accounted for as follows:

— for acquisitions before 1 January 2001, negative goodwill was credited to capital reserve; and

— for acquisitions on or after 1 January 2001, to the extent that negative goodwill related to an expectation of future losses and expenses that were identified in the plan of acquisition and could be measured reliably, but which had not yet been recognized, it was recognized in the consolidated income statement when the future losses and expenses were recognized. Any remaining negative goodwill, but not exceeding the fair values of the non-monetary assets acquired, was recognized in the consolidated income statement over the weighted average useful life of those non-monetary assets that are depreciable/amortizable. Negative goodwill in excess of the fair values of the non-monetary assets acquired was recognized immediately in the consolidated income statement.

4. Significant Accounting Policies *(Continued)*

(d) Negative goodwill *(Continued)*

Negative goodwill not yet recognized in the consolidated income statement:

— for controlled subsidiaries, such negative goodwill was shown in the consolidated balance sheet as a deduction from assets in the balance sheet.

— for associates, such negative goodwill was included in the carrying amount of the interests in associates.

With adoption of HKFRS 3:

— negative goodwill is derecognized at the beginning of the year, with the corresponding adjustment to the opening balance of retained profits; and

— all excess of acquirer's interest in the fair value of the identifiable net assets, over cost is recognized in consolidated income statement immediately.

The new accounting policy has been applied prospectively taking effect from 1 July 2005, in accordance with HKFRS 3 and the impact of the adoption of HKFRS has been detailed in notes 3(d) and 24.

(e) Research and development costs

Expenditure on research activities is recognized as an expense in the period in which it is incurred. Expenditure on development activities is capitalized if the product or process is technically and commercially feasible and the Group has sufficient resources and the intention to complete development. Capitalized development costs are stated at cost less accumulated amortization and impairment losses *(see note 4(h))*. Other development expenditure is recognized as an expense in the period in which it is incurred. Amortization of capitalized development costs is charged to income statement on a straight-line basis over the assets' estimated useful lives of not more than five years. Both the period and method of amortization are reviewed annually.

4. Significant Accounting Policies *(Continued)*

(f) Leases

(i) Long-term prepaid rentals

Long term prepaid rentals under operating leases are recognized at cost less accumulated impairment losses and amortized on a straight-line basis over the period of the respective leases.

Long-term prepaid rentals also include the prepaid premium for land leases in the People's Republic of China (the "PRC") which were accounted for as land use rights under fixed assets in the previous years. Prior to adoption of HKAS 17, land use rights were stated at their costs less accumulated amortization and impairment losses. Cost represented consideration paid for the rights to use the land on which various warehouses, office premises and processing factories were situated. Amortization of land use rights were calculated on a straight-line basis over the period of the land use rights of 50 years.

With adoption of HKAS 17, the up-front prepayments made for the leasehold land and land use rights are expensed in the consolidated income statement on a straight-line basis over the respective period of the lease or where there is impairment, the impairment is expensed in the consolidated income statement.

The new accounting policy has been applied retrospectively with comparatives restated in accordance with HKAS 17 and the impact of the adoption of HKAS has been detailed in notes 3(b) and 19.

(ii) Operating leases

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

4. Significant Accounting Policies *(Continued)*

(g) Fixed assets and depreciation

Fixed assets are stated at cost less accumulated depreciation and accumulated impairment losses.

Depreciation is calculated on the straight-line basis to write off the cost of each asset over its estimated useful life. The principal annual rates used for this purpose are as follows:

Leasehold improvements	10% to 50%
Buildings	over the term of the lease
Furniture, fixtures and equipment	5% to 20%
Motor vehicles	20%
Farmland infrastructure	5% to 20%
Computer equipment	20%

Major costs incurred in restoring fixed assets to their normal working condition are charged to the income statement. Improvements are capitalized and depreciated over their expected useful lives.

The gain or loss on disposal of a fixed asset is the difference between the net sales proceeds and the carrying amount of the relevant asset, and is recognized in the consolidated income statement.

Subsequent expenditure relating to a fixed asset that has already been recognized is added to the carrying amount of the asset when it is probable that future economic benefits, in excess of the originally assessed standard of performance of the existing asset, will flow to the enterprise. All other subsequent expenditure is recognized as an expense in the period in which it is incurred.

(h) Impairment

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

If any such indication exists, the asset's recoverable amount is estimated. For intangible assets that are not yet available for use and intangible assets with indefinite useful lives, the recoverable amount is estimated annually whether or not there is any indication of impairment.

(i) Calculation of recoverable amount

The recoverable amount of an asset is the greater of its fair value less costs to sell 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).

4. Significant Accounting Policies (Continued)

(h) Impairment (Continued)

(ii) Recognition of impairment losses

An impairment loss is recognized in consolidated income statement whenever the carrying amount of an asset, or the cash-generating unit to which it belongs, exceeds its recoverable amount. Impairment losses recognized in respect of cash-generating units are allocated first to reduce the carrying amount of any goodwill allocated to the cash-generating unit (or group of units) and then, to reduce the carrying amount of the other 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.

(iii) Reversals of impairment losses

In respect of assets other than goodwill, an impairment loss is reversed if there has been a favorable change in the estimates used to determine the recoverable amount. An impairment loss in respect of goodwill is not reversed.

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

(i) Construction-in-progress

Construction-in-progress is stated at cost less accumulated impairment losses. Cost comprises all direct and indirect cost of construction. Construction-in-progress is transferred to fixed assets and depreciation commences when construction is completed and the asset is put into use.

(j) Biological assets

Biological assets are living animals and/or plants managed by the Group which is involved in the agricultural activities of the transformation of biological assets for sale, into agricultural produce, or into additional biological assets. Biological assets are measured at fair value less estimated point-of-sale costs at initial recognition and at each balance sheet date. The fair value of biological assets are determined based on either the present value of expected net cash flows from the biological assets discounted at a current market-determined pre-tax rate or 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 initial recognition of biological asset at fair value less estimated point-of-sale costs is recognized in the consolidated income statement for the period in which it arises.

4. Significant Accounting Policies *(Continued)*

(k) Deferred expenditure

Deferred expenditure includes farmland expenditure, site preparation work and costs capitalized in relation to the guaranteed senior notes issued in prior year.

Deferred farmland expenditure and site preparation work are stated at cost less accumulated amortization. Amortization is charged on a straight-line basis over three to ten years.

(l) Provisions

Provisions are recognized when the Group has a present legal or constructive obligation as a result of past events and it is probable that an outflow of economic benefits which can be reliably estimated will be required to settle such obligation.

Provisions are reviewed at each balance sheet date and adjusted to reflect the current best estimate. Where the effect of the time value of money is material, the amount of a provision is the present value of the expenditures expected to be required to settle the obligation.

(m) Contingent liabilities and contingent assets

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

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

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

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

(n) Revenue recognition

(i) Revenue from the sales of crops, livestock and supermarkets chain operation are recognized on the transfer of risks and rewards of ownership, which generally coincides with the time when the goods are delivered to customers and title has passed.

(ii) Interest income is recognized as it accrues using the effective interest method.

4. Significant Accounting Policies *(Continued)*

(o) Translation of foreign currencies

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates ("the functional currency"). The consolidated financial statements are presented in Renminbi ("RMB"), which is the Group's functional and presentation currency.

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transaction. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognized in the income statement.

The results and financial position of all the group entities that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

(i) assets and liabilities for each balance sheet presented are translated at the closing rate at the date of that balance sheet;

(ii) income and expenses for each income statement are translated at average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the dates of the transactions); and

(iii) all resulting exchange differences are recognized as a separate component of equity.

(p) Employee benefits

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

(ii) Contributions to mandatory provident funds as required under the Hong Kong Mandatory Provident Fund Schemes Ordinance, are recognized as an expense in the income statement as incurred.

(iii) The employees of the Group's subsidiaries which operate in the PRC are required to participate in a pension scheme operated by the local municipal government. These subsidiaries are required to contribute certain percentage of its payroll costs to the pension scheme. The contributions are charged to the income statement as they become payable in accordance with the rules of the pension scheme.

4. Significant Accounting Policies *(Continued)*

(p) Employee benefits *(Continued)*

(iv) The fair value of share options granted to employees is recognized as an employee cost with a corresponding increase in the employee share-based compensation reserve within equity. The fair value is measured at grant date using the Binomial Option Pricing 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 share options, the total estimated fair value of the share 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 recognized in prior years is charged/credited to income statement for the year of the review, unless the original employee expenses qualify for recognition as an assets, with a corresponding adjustment to the capital reserve. On vesting date, the amount recognized as an expense is adjusted to reflect the actual number of share options that vest (with a corresponding adjustment to the employee share-based compensation reserve) except where forfeiture is only due to not achieving vesting conditions that relate to the market price of the Company's shares. The equity amount is recognized in the employee share-based compensation reserve until either the option is exercised (when it is transferred to the share premium account) or the option expires (when it is released directly to retained profits).

(q) Inventories

The Group's inventories, comprising agricultural materials and merchandise purchased for resale are carried at the lower of cost and net realizable value.

Costs of agricultural materials and merchandise purchased for resale are stated at their purchase costs calculated on a first-in, first-out basis.

Net realizable 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.

(r) Accounts receivable and other receivables

Accounts receivable and other receivables are recognized initially at fair value and subsequently measured at amortized cost using the effective interest method, less provision for impairment. A provision for impairment of accounts receivable and other receivables are established when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of receivables. The receivables in the balance sheet are stated net of such provision.

4. Significant Accounting Policies *(Continued)*

(s) 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. 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 cash flow statement.

(t) Deferred taxation

Deferred taxation is provided in full, using the liability method, for all temporary differences arising between the tax bases of assets and liabilities and their carrying values in the accounts. Deferred tax liabilities are provided in full of all taxable temporary differences while deferred tax assets are recognized to the extent that it is probable that future taxable profits will be available against which the deductible temporary differences can be utilized.

(u) Financial instruments

(i) Interest-bearing loans and borrowings

Borrowings are recognized initially at fair value, net of transaction cost incurred. Transaction costs are incremental costs that are directly attributable to the acquisition, issue or disposal of the borrowing. Borrowings are subsequently stated at amortized cost with any differences between the proceeds (net of transaction costs) and the redemption value being recognized in the income statement over the period of the borrowings using the effective interest method.

(ii) Convertible bonds at fair value through profit or loss

Convertible bonds that will or may not be settled by the exchange of a fixed amount of cash for a fixed number of the Company's own equity instruments are accounted as financial liabilities with embedded derivatives. Derivatives embedded in a financial instrument are treated as separate derivatives when their economic risk and characteristics are not closely related to those of the host contract (the liability component) and the host contract is not carried at fair value through profit or loss.

The convertible bonds with embedded derivatives as a whole are designated as financial liabilities at fair value through profit or loss. At each balance sheet date subsequent to initial recognition, the entire convertible bond is measured at fair value, with changes in fair value recognized directly in the income statement in the period in which they arise.

Transaction costs that are directly attributable to the issue of the convertible bond designated as financial liabilities at fair value through profit or loss are recognized immediately in income statement.

4. Significant Accounting Policies *(Continued)*

(v) 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 decision, or vice versa, or where the Company and the party are subject to common control or common significant influence. Related parties may be individuals (being members of key management personnel, significant shareholders and/or their close family members) or other parties and include entities which are under the significant influence of related parties of the Company where those parties are individuals, and post-employment benefit plans which are for the benefit of employees of the Company or of any entity that is a related party of the Company.

(w) 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 fixed assets. 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's 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, guaranteed senior notes, convertible bonds, borrowings and corporate and financing expenses.

5. Turnover

The principal activities of the Group are the growing and sales of crops, breeding and sales of livestock, and the supermarkets chain operation.

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

	2006 *RMB'000*	2005 *RMB'000*
Sales of crops	**2,698,357**	2,113,294
Sales of livestock	**40,671**	41,354
Supermarkets chain operation	**58,679**	83,806
	2,797,707	2,238,454

6. Other Revenues

	2006 *RMB'000*	2005 *RMB'000*
Interest income	**53,237**	23,004
Investment income	**37,266**	28,299
Agency fee income	**8,064**	10,837
Amortization of negative goodwill	**—**	8,136
Others	**18,078**	13,517
	116,645	83,793

7. Segment Information

Analysis of business segment results for the year ended 30 June 2006

	Growing and sales of crops *RMB'000*	Breeding and sales of livestock *RMB'000*	Supermarkets chain operation *RMB'000*	Inter-segment elimination *RMB'000*	Total *RMB'000*
Sales to external customers	**2,698,357**	**40,671**	**58,679**	**—**	**2,797,707**
Inter-segment sales	**3,473**	**—**	**—**	**(3,473)**	**—**
Cost of sales	**(839,398)**	**(14,239)**	**(53,982)**	**3,473**	**(904,146)**
Gross profit	**1,862,432**	**26,432**	**4,697**	**—**	**1,893,561**
Unallocated items:					
Gain arising from changes in fair value less estimated point-of-sale costs of biological assets					**153,059**
Change in fair value of convertible bonds					**(5,135)**
Other revenues					**116,645**
Selling and distribution expenses					**(293,615)**
General and administrative expenses					**(153,228)**
Research expenses					**(64,350)**
Other operating expenses					**(160,810)**
Profit from operations					**1,486,127**
Finance costs					**(193,626)**
Share of net profit of associates					**103,313**
Loss on deemed disposal of interest in associates					**(37,530)**
Profit before income tax					**1,358,284**
Income tax					**(344)**
Profit for the year					**1,357,940**

7. Segment Information *(Continued)*

Analysis of business segment results for the year ended 30 June 2005

	Growing and sales of crops *RMB'000*	Breeding and sales of livestock *RMB'000*	Supermarkets chain operation *RMB'000*	Inter-segment elimination *RMB'000*	Total *RMB'000* (As restated)
Sales to external customers	2,113,294	41,354	83,806	—	2,238,454
Inter-segment sales	2,303	—	—	(2,303)	—
Cost of sales	(640,399)	(13,075)	(78,548)	2,303	(729,719)
Gross profit	1,475,198	28,279	5,258	—	1,508,735
Unallocated items:					
Gain arising from changes in fair value less estimated point-of-sale costs of biological assets					175,620
Other revenues					83,793
Selling and distribution expenses					(228,090)
General and administrative expenses					(130,791)
Research expenses					(67,763)
Other operating expenses					(89,945)
Profit from operations					1,251,559
Finance costs					(75,674)
Share of net profit of associates					121,400
Profit before income tax					1,297,285
Income tax					(361)
Profit for the year					1,296,924

7. Segment Information *(Continued)*

Inter-segment revenue represents the sales of fruits and vegetables from the crop segment to the supermarket segment. Sales between business segments are accounted for at competitive market prices charged to unaffiliated customers for similar goods.

Growing and sales of crops is the Group's primary business segment. The turnover, operating profit, total assets, total liabilities and capital expenditures attributable to this business segment accounted for over 90% of the Group's consolidated totals for the years ended 30 June 2006 and 2005. Consequently, no further segment information by business activity is presented.

The Group's operations are primarily in the PRC and the Group's sales, gross profit and total assets attributable to other geographical areas are less than 5% of the Group's corresponding consolidated totals for the years ended 30 June 2006 and 2005. Consequently, no segment information by geographical area is presented.

8. Other Operating Expenses

	2006 *RMB'000*	2005 *RMB'000*
Expenses incurred for idle farmland	**70,688**	30,987
Loss on disposal of fixed assets	**32,307**	20,872
Compensation paid for land leasing	**25,850**	19,704
Plantation cost for windbreaks	**13,973**	11,964
Exchange loss, net	**6,123**	—
Others	**11,869**	6,418
	160,810	89,945

9. Profit before Income Tax

Profit before income tax is arrived at after charging/(crediting):

(a) Finance costs

	2006 *RMB'000*	2005 *RMB'000*
Interest on the guaranteed senior notes issued	**142,428**	57,204
Issue expenses of convertible bonds	**38,931**	—
Bank and finance charges	**11,593**	12,307
Interest on bank loans wholly repayable within five years	**674**	6,163
	193,626	75,674

9. Profit before Income Tax *(Continued)*

Profit before income tax is arrived at after charging/(crediting): *(Continued)*

(b) Staff costs

	2006 *RMB'000*	2005 *RMB'000* (As restated)
Salaries, wages and other benefits	**260,601**	182,916
Employee share option benefits	**28,711**	13,371
Retirement benefits costs	**1,846**	1,059
	291,158	197,346

(c) Other items

	2006 *RMB'000*	2005 *RMB'000* (As restated)
Amortization of negative goodwill	**—**	(8,136)
Auditors' remuneration	**4,518**	4,070
Amortization of computer software development cost	**—**	19,724
Amortization of deferred development costs	**13,850**	12,100
Amortization of prepaid premium for land leases, net of amount capitalized	**45,984**	25,934
Amortization of deferred expenditure, net of amount capitalized	**18,257**	9,316
Bad debts written off	**6,808**	—
Cost of inventories sold	**904,146**	729,719
Depreciation of fixed assets, net of amount capitalized	**150,904**	109,601
Exchange loss/(gain), net	**6,123**	(4,658)
Operating lease expenses		
— land and buildings	**79,879**	62,523
— motor vehicles	**102**	102
Loss on disposal of fixed assets	**32,307**	20,872
Loss on disposal of projects giving rise to deferred expenditure	**—**	600
Share of associates' income tax	**20,164**	10,233

10. Income Tax

No provision for Hong Kong profits tax has been made as there is no estimated assessable profits (2005: Nil) for the Company and its subsidiaries operating in Hong Kong during the year. The amount of income tax charged to the consolidated income statement represents:

	2006	2005
	RMB'000	*RMB'000*
		(As restated)
PRC income tax		
— Current year	**344**	190
— Under-provision in previous year	**—**	171
	344	361

Fuzhou Chaoda Modern Agriculture Development Company Limited, the Group's principal subsidiary, was awarded as "State-Level Agricultural Leading Enterprise" of the nation by the central government of the PRC in December 2002. According to the circular Nong Jing Fa [2000] No. 8 and No. 10 jointly issued by Agricultural Ministry, State Development Planning Commission, State Economic & Trade Commission, Ministry of Finance, Ministry of Foreign Trade & Economic Cooperation, People's Bank of China, State Administration of Taxation, Securities Regulatory Commission and Chinese Supply and Marketing Cooperatives, domestic PRC State-Level Agricultural Leading Enterprises are entitled to certain tax benefits including full exemption of income tax. These tax benefits are also applied to other PRC subsidiaries engaged in agricultural business.

Other subsidiaries not engaged in agricultural business are subject to the PRC income tax at the rates of 15% to 33%.

The charge for the year is reconciled to the profit before income tax per income statement as follows:

	2006	2005
	RMB'000	*RMB'000*
		(As restated)
Profit before income tax	**1,358,284**	1,297,285
Notional tax on profit before income tax, calculated at the rate applicable to profits in the countries concerned	**488,474**	419,869
Net tax effect of expense and income that are not deductible and taxable in determining taxable profit and tax allowance	**(53,749)**	(25,474)
Tax effect of non-taxable offshore profit	**(1,589)**	(800)
Tax effect of unrecognized tax losses	**17,903**	27,263
Tax effect of exemption benefits under State-Level Agricultural Leading Enterprise	**(450,695)**	(420,668)
Under-provision in previous year	**—**	171
Income tax	**344**	361

11. Profit Attributable to Equity Shareholders

The consolidated profit attributable to equity shareholders includes a loss of RMB187,395,000 (2005: RMB69,112,000 (As restated)) 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:

	2006 *RMB'000*	2005 *RMB'000* (As restated)
Loss dealt with in the Company's financial statements included in the consolidated profit attributable to equity shareholders	**(187,395)**	(69,112)
Final dividends from subsidiaries related to the profits of the previous financial year, approved and paid during the year	**262,364**	198,494
Company's profit for the year *(Note 35(b))*	**74,969**	129,382

12. Earnings Per Share

(a) Basic earnings per share

The calculation of the earnings per share is based on the profit attributable to equity shareholders of RMB1,358,235,000 (2005: RMB1,297,632,000 (As restated)) and the weighted average number of 2,364,426,579 (2005: 2,350,153,816) ordinary shares in issue during the year.

(b) Diluted earnings per share

The calculation of diluted earnings per share is based on the profit attributable to equity shareholders of RMB1,363,370,000 (2005: RMB1,297,632,000 (As restated)) and the weighted average number of 2,451,461,346 (2005: 2,394,606,167) ordinary shares after adjusting for the effects of all dilutive potential ordinary shares under the Company's share option scheme and convertible bonds.

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

	2006 *RMB'000*	2005 *RMB'000*
Profit attributable to ordinary equity shareholders	**1,358,235**	1,297,632
Change in fair value of convertible bonds	**5,135**	—
Profit used for determining diluted earnings per share	**1,363,370**	1,297,632

12. Earnings Per Share *(Continued)*

(b) Diluted earnings per share *(Continued)*

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

	2006 Number of shares	2005 Number of Shares
Weighted average number of ordinary shares used in calculating basic earnings per share	**2,364,426,579**	2,350,153,816
Deemed issue of ordinary shares		
— share options	**57,445,726**	44,452,351
— convertible bonds	**29,589,041**	—
Weighted average number of ordinary shares used in calculating diluted earnings per share	**2,451,461,346**	2,394,606,167

13. Dividends

	2006		2005	
	RMB per share	***RMB'000***	RMB per share	*RMB'000*
Final dividend proposed of HK$0.114 (2005: HK$0.107) per ordinary share	**0.115**	**272,538**	0.111	262,364

At a meeting held on 20 October 2006, the Directors proposed a final dividend of HK$0.114 (equivalent to RMB0.115) per ordinary share. The proposed final dividend is subject to approval by the equity shareholders in the forthcoming annual general meeting and has not yet been accounted for in the current year's financial statements, but will be reflected as an appropriation of retained profits in the financial statements for the year ending 30 June 2007.

14. Retirement Benefit Costs

The Group joined a pension scheme organized by relevant local municipal governments for its PRC eligible employees and is required to contribute 21% (2005: 21%) of its eligible employees' basic salaries to the scheme.

The Group also operates a MPF Scheme for the eligible employees in Hong Kong. The Group contributes 5% (2005: 5%) of the employees' relevant income each month as defined in the MPF Schemes Ordinance, subject to a maximum of HK$1,000 per person.

15. Directors' Remuneration

Emoluments paid and payable to the Company's Directors for the year ended 30 June 2006 were as follows:

Name of Directors	Fees *RMB'000*	Basic salaries, allowance and bonus *RMB'000*	Retirement benefit scheme contributions *RMB'000*	Employee share option benefits *RMB'000*	Total emoluments *RMB'000*
Executive Directors					
Kwok Ho	—	1,753	12	—	1,765
Ip Chi Ming	—	1,083	12	2,871	3,966
Chan Chi Po, Andy (Appointed on 17 August 2005)	—	1,326	12	3,218	4,556
Chen Jun Hua (Appointed on 17 August 2005)	—	89	—	2,871	2,960
Wong Hip Ying	—	135	—	1,546	1,681
Fong Jao	—	135	—	1,546	1,681
Lee Yan	—	122	—	1,546	1,668
Independent Non-executive Directors					
Fung Chi Kin	—	175	—	—	175
Tam Ching Ho	—	175	—	—	175
Luan Yue Wen	—	59	—	—	59
Lin Shun Quan	—	24	—	—	24
	—	5,076	36	13,598	18,710

15. Directors' Remuneration *(Continued)*

Emoluments paid and payable to the Company's Directors for the year ended 30 June 2005 were as follows:

Name of Directors	Fees	Basic salaries, allowance and bonus	Retirement benefit scheme contributions	Employee share option benefits	Total emoluments
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
				(As restated)	(As restated)
Executive Directors					
Kwok Ho	—	1,376	13	4,911	6,300
Ip Chi Ming	—	688	13	—	701
Wong Hip Ying	—	137	—	—	137
Fong Jao	—	137	—	—	137
Lee Yan	—	72	—	—	72
Chiu Na Lai (Resigned on 20 September 2004)	—	3,335	3	—	3,338
Chan Hong (Resigned on 1 July 2005)	—	137	—	—	137
Independent Non-executive Directors					
Fung Chi Kin	—	127	—	—	127
Tam Ching Ho	—	127	—	—	127
Luan Yue Wen (Appointed on 20 September 2004)	—	47	—	—	47
Lin Shun Quan	—	24	—	—	24
	—	6,207	29	4,911	11,147

15. Directors' Remuneration *(Continued)*

The aggregate amounts of emoluments paid and payable to the Directors of the Company during the year are:

	2006 *RMB'000*	2005 *RMB'000* (As restated)
Fees	**—**	—
Salaries and other emoluments		
Executive Directors	**4,643**	5,882
Independent Non-executive Directors	**433**	325
Retirement benefit costs		
Executive Directors	**36**	29
Independent Non-executive Directors	**—**	—
Employee share option benefits		
Executive Directors	**13,598**	4,911
Independent Non-executive Directors	**—**	—
	18,710	11,147

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.

16. Individuals with Highest Emoluments

Four (2005: Two) of the five highest paid individuals are Directors whose emoluments have been included above. Details of the emoluments paid to the remaining one (2005: three) highest paid individual(s) are as follows:

	2006 *RMB'000*	2005 *RMB'000* (As restated)
Salaries and other emoluments	**996**	1,772
Retirement benefit costs	**12**	25
Employee share option benefits	**6,489**	5,423
	7,497	7,220

The emoluments of one (2005: three) individual(s) with the highest emoluments are within the following band:

	2006 No. of individuals	2005 No. of individuals (As restated)
Emoluments		
RMB1,030,000 to RMB2,060,000		
(equivalent to HK$1 million to HK$2 million)	**—**	1
RMB2,060,001 to RMB3,090,000		
(equivalent to HK$2 million to HK$3 million)	**—**	1
RMB3,090,001 to RMB4,120,000		
(equivalent to HK$3 million to HK$4 million)	**—**	1
RMB7,210,001 to RMB8,240,000		
(equivalent to HK$7 million to HK$8 million)	**1**	—

17. Fixed Assets

The Group

	Leasehold improvements *RMB'000*	Buildings *RMB'000*	Furniture, fixtures and equipment *RMB'000*	Motor vehicles *RMB'000*	Farmland infrastructure *RMB'000*	Computer equipment *RMB'000*	Orchards *RMB'000*	Intermediate life plants *RMB'000*	Total *RMB'000*
Cost									
At 1 July 2004, as previously reported	51,618	153,561	76,547	9,780	1,040,112	22,000	244,612	944	1,599,174
Effect of adoption of HKAS 17 *(Note 3(b)) and 19(a))*	—	(33,109)	—	—	—	—	—	—	(33,109)
At 1 July 2004, as restated	51,618	120,452	76,547	9,780	1,040,112	22,000	244,612	944	1,566,065
Additions	133	—	2,518	10,811	77,950	—	22,971	—	114,383
Transferred from construction-in-progress *(Note 18)*	8,322	—	61,468	—	702,863	—	—	—	772,653
Reclassified to biological assets *(Note 20)*	—	—	—	—	—	—	(255,470)	—	(255,470)
Disposals	(9,802)	—	(793)	(860)	(36,853)	—	(12,113)	(944)	(61,365)
At 30 June 2005, as restated	50,271	120,452	139,740	19,731	1,784,072	22,000	—	—	2,136,266
At 1 July 2005, as restated	50,271	120,452	139,740	19,731	1,784,072	22,000	—	—	2,136,266
Additions	—	—	6,505	19,609	104,837	—	—	—	130,951
Transferred from construction-in-progress *(Note 18)*	1,738	—	3,452	594	517,469	—	—	—	523,253
Disposals	(15,298)	—	(11,662)	(705)	(100,425)	—	—	—	(128,090)
Currency translation difference	(34)	—	(54)	(24)	—	—	—	—	(112)
At 30 June 2006	36,677	120,452	137,981	39,205	2,305,953	22,000	—	—	2,662,268
Accumulated depreciation									
At 1 July 2004, as previously reported	4,734	4,546	16,120	3,219	127,515	8,800	7,954	354	173,242
Effect of adoption of HKAS 17 *(Notes 3(b) and 19(a))*	—	(937)	—	—	—	—	—	—	(937)
At 1 July 2004, as restated	4,734	3,609	16,120	3,219	127,515	8,800	7,954	354	172,305
Charge for the year, as restated	2,595	2,514	9,105	1,542	99,202	4,400	8,505	74	127,937
Reclassified to biological assets *(Note 20)*	—	—	—	—	—	—	(16,459)	—	(16,459)
Disposals	(1,861)	—	(339)	(344)	(11,349)	—	—	(428)	(14,321)
At 30 June 2005, as restated	5,468	6,123	24,886	4,417	215,368	13,200	—	—	269,462
At 1 July 2005, as restated	5,468	6,123	24,886	4,417	215,368	13,200	—	—	269,462
Charge for the year	1,968	3,177	22,396	3,348	145,238	4,400	—	—	180,527
Disposals	(5,373)	—	(1,444)	(339)	(24,210)	—	—	—	(31,366)
Currency translation difference	(29)	—	(33)	(12)	—	—	—	—	(74)
At 30 June 2006	2,034	9,300	45,805	7,414	336,396	17,600	—	—	418,549
Net book value									
At 30 June 2006	34,643	111,152	92,176	31,791	1,969,557	4,400	—	—	2,243,719
At 30 June 2005, as restated	44,803	114,329	114,854	15,314	1,568,704	8,800	—	—	1,866,804

17. Fixed Assets *(Continued)*

The Group *(Continued)*

Farmland infrastructure includes films, green house facilities, ditches, roads and others.

With adoption of HKAS 41 (formerly applicable as SSAP 36) for the year ended 30 June 2005, orchards which are managed by the Group were reclassified under biological assets. As it is impracticable to measure the fair values of the biological assets at the beginning of that financial year, no adjustment on the balance as at 1 July 2004 was made.

The Company

	Leasehold improvements *RMB'000*	Furniture, fixtures and equipment *RMB'000*	Total *RMB'000*
Cost			
Additions for the year and at 30 June 2005	134	130	264
Additions	—	58	58
Disposals	—	(8)	(8)
Currency translation difference	(4)	(3)	(7)
At 30 June 2006	130	177	307
Accumulated depreciation			
Charge for the year and at 30 June 2005	12	98	110
Charge for the year	26	48	74
Disposals	—	(3)	(3)
Currency translation difference	—	(3)	(3)
At 30 June 2006	38	140	178
Net book value			
At 30 June 2006	92	37	129
At 30 June 2005	122	32	154

18. Construction-in-Progress

The Group

	2006 *RMB'000*	2005 *RMB'000*
Balance as at 1 July	466,069	409,332
Additions	828,155	829,390
Transferred to fixed assets *(Note 17)*	(523,253)	(772,653)
Balance as at 30 June	770,971	466,069

19. Prepaid Premium for Land Leases

The Group

	Long-term prepaid rentals	Land use rights	Total
	RMB'000	*RMB'000*	*RMB'000*
Cost			
Balance as at 1 July 2004, as previously reported	1,179,905	23,665	1,203,570
Effect of adoption of HKAS 17 *(Note (a))*	—	33,109	33,109
Balance as at 1 July 2004, as restated	1,179,905	56,774	1,236,679
Additions	789,068	376	789,444
Early termination of leases *(Note (b))*	(32,170)	—	(32,170)
Balance as at 30 June 2005, as restated	1,936,803	57,150	1,993,953
Balance as at 1 July 2005, as restated	1,936,803	57,150	1,993,953
Additions	888,370	43,814	932,184
Early termination of leases *(Note (b))*	(61,300)	—	(61,300)
Balance as at 30 June 2006	2,763,873	100,964	2,864,837
Accumulated amortization			
Balance as at 1 July 2004, as previously reported	41,605	274	41,879
Effect of adoption of HKAS 17 *(Note (a))*	—	937	937
Balance as at 1 July 2004, as restated	41,605	1,211	42,816
Amortization for the year	29,594	1,422	31,016
Early termination of leases *(Note (b))*	(3,896)	—	(3,896)
Balance as at 30 June 2005, as restated	67,303	2,633	69,936
Balance as at 1 July 2005, as restated	67,303	2,633	69,936
Amortization for the year	51,536	2,403	53,939
Early termination of leases *(Note (b))*	(2,871)	—	(2,871)
Balance as at 30 June 2006	115,968	5,036	121,004
Net carrying value as at 30 June 2006	2,647,905	95,928	2,743,833
Net carrying value as at 30 June 2005, as restated	1,869,500	54,517	1,924,017

19. Prepaid Premium for Land Leases *(Continued)*

	2006 *RMB'000*	2005 *RMB'000*
Non-current portion	**2,653,230**	1,863,812
Current portion	**90,603**	60,205
	2,743,833	1,924,017

Notes:

(a) With adoption of revised HKAS 17, leasehold land, previously accounted for as fixed assets was reclassified to prepaid premium for land leases. The revised accounting policy has been applied retrospectively with comparatives restated in accordance with HKAS 17.

(b) During the year, four major long-term operating leases on farmland (2005: four major long-term operating leases on farmland and livestock ranches) were terminated. Pursuant to the termination agreements, the relevant unamortized long-term prepaid rentals of RMB58,429,000 (2005: RMB28,274,000) had been refunded to the Group.

(c) The Group's interest in long-term prepaid rentals and land use rights represent prepaid operating lease payments and their net book value are analyzed as follows:

	2006 *RMB'000*	2005 *RMB'000*
In PRC held on:		
Leases of over 50 years	**351,253**	356,529
Leases of between 10 to 50 years	**2,392,580**	1,566,621
Lease of less than 10 years	**—**	867
	2,743,833	1,924,017

(d) As at 30 June 2006, long-term prepaid rentals for the farmland which has not yet been occupied by the Group amounted to RMB780,500,000 (2005: RMB586,500,000).

20. Biological Assets

The Group

	Fruit trees and tea trees *RMB'000*	Livestock *RMB'000*	Vegetables *RMB'000*	Tress in plantation forest *RMB'000*	Total *RMB'000*
Reclassified from fixed assets *(Note 17)*	233,832	—	—	5,179	239,011
Reclassified from inventories	23,984	13,670	91,566	—	129,220
Gain arising from changes in fair value less estimated point-of-sale costs	3,276	2,304	170,040	—	175,620
Balance as at 30 June 2005	261,092	15,974	261,606	5,179	543,851
Balance as at 1 July 2005	261,092	15,974	261,606	5,179	543,851
Additions	138,247	37,546	821,982	19,550	1,017,325
Decrease due to sales	(47,374)	(14,239)	(768,329)	—	(829,942)
Gain/(Loss) arising from changes in fair value less estimated point-of-sale costs	21,816	(6,085)	137,328	—	153,059
Balance as at 30 June 2006	373,781	33,196	452,587	24,729	884,293

Biological assets as at 30 June 2006 and 30 June 2005 are stated at fair values less estimated point-of-sale costs and are analyzed as follows:

	Fruit trees and tea trees *RMB'000*	Livestock *RMB'000*	Vegetables *RMB'000*	Trees in plantation forest *RMB'000*	**2006 Total** ***RMB'000***	2005 Total *RMB'000*
Non-current portion	373,781	33,196	—	24,729	**431,706**	282,245
Current portion	—	—	452,587	—	**452,587**	261,606
	373,781	33,196	452,587	24,729	**884,293**	543,851

(a) In accordance with the valuation report issued by Sallmanns, an independent professional valuer, the fair value less estimated point-of sale costs of the biological assets is determined under the following basis:

(i) Fruit trees and tea trees: present value of expected net cash flows from the biological assets discounted at a current market-determined pre-tax rate; and

(ii) Livestock: market-determined prices of biological assets with similar size, species and age.

20. Biological Assets *(Continued)*

(b) The fair value of vegetables are determined by the Directors with reference to market-determined prices, cultivation area, species, growing conditions, cost incurred and expected yield of the crops.

(c) The trees in plantation forest represented the growing of eucalyptus and were cultivated at initial stage. The Directors considered that the fair value of eucalyptus was largely approximate to the cost incurred after taking into consideration the growing conditions and the period of plantation.

(d) The valuation methodology is in compliance with HKAS 41 (formerly applicable as SSAP 36) to determine the fair values of biological assets in their present location and condition.

(e) The fair value less estimated point-of-sale costs of the quantity and amount of agricultural produce harvested during the year were as follows:

	2006		2005	
	Quantity	**Amount**	Quantity	Amount
	Tonnes	***RMB'000***	*Tonnes*	*RMB'000*
Fruit and tea leaves	**14,965**	**46,251**	12,746	38,571
Vegetables	**1,102,954**	**1,809,966**	879,208	1,422,325
	1,117,919	**1,856,217**	891,954	1,460,896

21. Deferred Development Costs

The Group

	2006	2005
	RMB'000	*RMB'000*
		(As restated)
Cost		
Balance as at 1 July	**99,399**	87,799
Additions	**24,450**	28,200
Write off	**(23,730)**	(16,600)
Balance as at 30 June	**100,119**	99,399
Accumulated amortization		
Balance as at 1 July	**25,141**	13,041
Amortization for the year	**13,850**	12,100
Write off	**(9,160)**	—
Balance as at 30 June	**29,831**	25,141
Net carrying value		
Balance as at 30 June	**70,288**	74,258

22. Deferred Expenditure

	The Group		The Company	
	2006	2005	**2006**	2005
	RMB'000	*RMB'000*	***RMB'000***	*RMB'000*
Cost				
Balance as at 1 July	**114,846**	67,425	**38,406**	—
Additions	**88,305**	55,776	**—**	38,406
Disposals	**(15,963)**	(8,355)	**—**	—
Currency translation difference	**(1,045)**	—	**(1,045)**	—
Balance as at 30 June	**186,143**	114,846	**37,361**	38,406
Accumulated amortization				
Balance as at 1 July	**35,164**	24,191	**3,200**	—
Amortization for the year	**27,281**	12,824	**7,472**	3,200
Disposals	**(15,032)**	(1,851)	**—**	—
Currency translation difference	**(87)**	—	**(87)**	—
Balance as at 30 June	**47,326**	35,164	**10,585**	3,200
Net carrying value				
Balance as at 30 June	**138,817**	79,682	**26,776**	35,206

23. Investment in and Amounts due from Subsidiaries

	The Company	
	2006	2005
	RMB'000	*RMB'000*
Investment in unlisted shares, at cost	**200,665**	200,665
Amounts due from subsidiaries	**3,954,515**	2,795,732

Amounts due from subsidiaries are unsecured, interest free and have no fixed terms of repayment.

The Company's interests in certain subsidiaries have been pledged as securities for the Company's issued guaranteed senior notes and convertible bonds as shown in notes 31 and 32.

Particulars of the principal subsidiaries of the Group at 30 June 2006 are set out in note 39.

24. Interests in Associates

	Notes	The Group 2006 RMB'000	2005 RMB'000 (As restated)
Share of net assets			
Balance as at 1 July		**527,581**	406,181
Share of associates' results for the year			
— profit before income tax		**123,477**	131,633
— income tax	*(a)*	**(20,164)**	(10,233)
		103,313	121,400
Increase in equity interest in an associate company		**30**	—
Loss on deemed disposal of interest in associates	*(d)*	**(37,530)**	—
Balance as at 30 June		**593,394**	527,581
Negative goodwill on acquisition less accumulated amortization	*(b)*	**—**	(130,173)
Amount due from an associate	*(c)*	**403**	13,559
		593,797	410,967

Notes:

(a) The amounts represent the share of PRC income tax charged on the assessable profits of Lucky Team Biotech Development (Hepu) Limited ("Hepu"), a wholly owned subsidiary of Asian Citrus Holdings Limited ("Asian Citrus") which is 39% (2005: 49%) indirectly owned by a wholly owned subsidiary of the Group.

Hepu is a foreign investment enterprise ("FIE") and with its businesses being operated in Guangxi Province in the PRC. The preferential foreign enterprise income tax rate for productive FIEs in the region is 15% up to the year 2010 in accordance with the policy in relation to promoting the economic development of Central and Western China. Hepu is entitled to FIE tax holidays in accordance with the relevant tax rules and regulations applicable to FIEs in the PRC starting from the year ended 30 June 2001 and the tax holidays exemption has been lapsed during the year ended 30 June 2005. Accordingly, Hepu has been subject to a FIE tax rate of 15% for the year ended 30 June 2006.

(b) With the adoption of HKFRS 3, negative goodwill on acquisition less accumulated amortization, amounting to RMB130,173,000 has been derecognized as at 1 July 2005 with the corresponding adjustment to the opening balance of retained profits.

(c) Amount due from an associate is unsecured, interest-free and has no fixed terms of repayment.

24. Interests in Associates *(Continued)*

(d) Particulars of the principal associate of the Group at 30 June 2006 are as follows:

Company	Place of incorporation	Principal activity and place of operation	Particulars of issued and paid up capital	Interest held indirectly
Asian Citrus	Bermuda	Investment holding in Hong Kong	62,201,949 (2005: 50,000,000) ordinary shares of HK$0.1 each	39% (2005: 49%)

Note: This associate company has been listed in the Alternative Investment Market of London Stock Exchange on 3 August 2005. As a result, the interest held indirectly by the Group was diluted from 49% as at 1 July 2005 to 39% as at 30 June 2006. The loss on deemed disposal of interest in associates amounted to RMB37,530,000.

The key consolidated financial information of the associate as at 30 June 2006 and 2005 is as follows:

	2006 *RMB'000*	2005 *RMB'000*
Non-current assets	**1,502,837**	1,161,418
Current assets	**130,044**	90,760
Non-current liabilities	**(73,511)**	(98,619)
Current liabilities	**(53,721)**	(63,071)
Turnover	**404,566**	322,313
Profit for the year	**257,926**	248,808

25. Inventories

	The Group 2006 *RMB'000*	 2005 *RMB'000*
Agricultural materials	**19,672**	15,654
Merchandise for resale	**6,965**	6,077
	26,637	21,731

Agricultural materials mainly include seeds, fertilizers and pesticides not yet utilized at year end. At 30 June 2006 and 2005, all inventories were stated at cost.

26. Accounts Receivable

The Group's trading terms for its local wholesale and retail sales are cash on delivery whereas local sales to institutional customers and export trading companies are mainly on credit. The credit period is generally for a period from one month to three months depending on customers' credit worthiness.

The ageing of the Group's accounts receivable is analyzed as follows:

	The Group	
	2006	2005
	RMB'000	*RMB'000*
0 — 1 month	**87,825**	87,806
1 — 3 months	**3,167**	395
Over 3 months	**5,621**	8,777
	96,613	96,978

27. Cash and Bank Balances

	The Group				
	2006				
	Kept in PRC		**Kept in Hong Kong and Japan**		**Total**
	In RMB	**In foreign currencies**	**In RMB**	**In foreign currencies**	
	RMB'000	***RMB'000***	***RMB'000***	***RMB'000***	***RMB'000***
Cash and bank balances in consolidated balance sheet	**748,223**	**5,530**	**—**	**1,859,970**	**2,613,723**
Cash and cash equivalents in consolidated cash flow statement	**748,223**	**5,530**	**—**	**1,859,970**	**2,613,723**

27. Cash and Bank Balances *(Continued)*

	The Group 2005				
	Kept in PRC		Kept in Hong Kong and Japan		Total
	In RMB	In foreign currencies	In RMB	In foreign currencies	
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Cash and bank balances in consolidated balance sheet	342,891	484,388	—	1,121,692	1,948,971
Less: Pledged time deposit against short term bank loans *(Note 30)*	—	—	—	(499,648)	(499,648)
Cash and cash equivalents in consolidated cash flow statement	342,891	484,388	—	622,044	1,449,323

The conversion of the RMB denominated balances into foreign currencies and the transfer of these balances out of PRC are subject to the rules and regulations of foreign exchange control promulgated by the PRC government.

The Company's cash and bank balances of RMB1,077,327,000 (2005: RMB1,057,664,000) were all denominated in foreign currencies and kept in Hong Kong.

Amounts denominated in a currency other than the functional currency of the Group included in the cash and cash equivalents are mainly as follows:

	The Group		**The Company**	
	2006	2005	**2006**	2005
	'000	*'000*	***'000***	*'000*
Hong Kong Dollars	**HK$780,008**	HK$506,608	**HK$517,794**	HK$132,168
United States Dollars	**US$132,601**	US$111,567	**US$67,700**	US$111,123

28. Amounts due to a Related Company

The balance arose from purchases of agricultural materials, as detailed in note 38 below, from a company of which Mr. Kwok Ho, the Chairman and a controlling shareholder of the Company, is a major shareholder. They are trading in nature and aged within 30 days.

29. Accounts and Bills Payable

The ageing of the Group's accounts and bills payable is analyzed as follows:

	The Group	
	2006	2005
	RMB'000	*RMB'000*
0 — 1 month	**7,265**	2,015
1 — 3 months	**1,378**	1,713
Over 3 months	**2,202**	1,278
	10,845	5,006

29. Accounts and Bills Payable *(Continued)*

At the balance sheet date, bills payable amounting to RMB4,139,000 (2005: RMB Nil) were secured by a corporate guarantee provided by one of the subsidiaries *(Note 30)*.

30. Bank Loans — Secured

At 30 June 2006, the bank loans were repayable as follows:

	The Group	
	2006	2005
	RMB'000	*RMB'000*
Within 1 year or on demand	**10,000**	16,890

At 30 June 2006, the Group has total banking facilities amounted to RMB65,000,000 in which RMB10,000,000 of bank loans and RMB4,139,000 of bills payable *(note 29)* have been utilized. These banking facilities were secured by a corporate guarantee provided by one of the subsidiaries.

At 30 June 2005, the Group had total banking facilities amounted to RMB530,000,000 in which RMB16,890,000 of bank loans had been utilized. These banking facilities were secured by a corporate guarantee provided by one of the subsidiaries and a fixed deposit of US$60,500,000 (equivalent to RMB499,648,000) of the Company.

31. Guaranteed Senior Notes

The Company issued US$225,000,000, 7.75% guaranteed senior notes due on 8 February 2010 (the "Guaranteed Senior Notes") in February 2005 at an issue price of 98.985% (equivalent to RMB1,840,905,000, net of discount capitalized). The Guaranteed Senior Notes are listed on the Singapore Exchange Securities Trading Limited and are guaranteed by certain subsidiaries bearing interest at 7.75% per annum, payable semi-annually in arrear. At any time prior to 7 February 2008, the Company may redeem up to 35% of the principal amount of the Guaranteed Senior Notes with the cash proceeds of one or more sales of the Company's shares in an offering at a redemption price of 107.75% of the principal amount of the Guaranteed Senior Notes, plus accrued and unpaid interest, if any, to the redemption date.

32. Convertible Bonds

In May 2006, the Company issued HK$1,344,000,000 (equivalent to RMB1,384,320,000) zero coupon convertible bonds to the bond holders with a maturity date due on 8 May 2011. The convertible bonds are listed on the Stock Exchange and are guaranteed by certain subsidiaries of the Group.

Each convertible bond would, at the option of the bond holder, be convertible on or after 15 May 2006 up to and including 28 April 2011 into ordinary share (the "Shares") of the Company at an initial conversion price of HK$6.72 per share subject to adjustment. The conversion price will be reset to the average market price of the Shares on 8 November 2008 if such average market price is less than the applicable conversion price on such dates. The convertible bonds that are not converted into ordinary shares will be redeemed at 128.01% of its principal amount on the maturity date. Please refer to the Company's issuing circular dated 3 May 2006 for the details of the terms of the convertible bonds.

32. Convertible Bonds *(Continued)*

The Company incurred one-off expenses of RMB38,931,000 for the issuance of convertible bonds. Such expenses have been recognized in the income statement for the year.

The functional currency of the Company is Renminbi and the conversion option of these convertible bonds is denominated in Hong Kong dollars. Since the conversion price for the convertible bonds is subject to change, the conversion will not result in settlement by the exchange of a fixed number of equity instrument. Therefore, upon application of HKAS 32 and HKAS 39, the Group determined that the convertible bonds do not contain any equity component and the entire convertible bonds were designated as "financial liabilities at fair value through profit or loss" which requires the convertible bonds to be carried at fair value at the balance sheet date and the changes in fair values are recognized in the income statement. During the year, a loss on change in its fair value of RMB5,135,000 is recognized in the income statement.

The fair value of the convertible bonds was calculated using the market value basis. The inputs into the model were as follows:

Stock price	HK$4.85
Expected volatility	43%
Stock borrow cost	10%
Issuer's credit spread	2%
Expected dividend yield	2%

33. Share Capital

	Authorized ordinary shares of HK$0.1 each		
	No. of shares	*HK$'000*	*RMB'000*
At 30 June 2005 and 2006	5,000,000,000	500,000	527,515

	Issued and fully paid ordinary shares of HK$0.1 each		
	No. of shares	*HK$'000*	*RMB'000*
At 1 July 2004	2,342,084,000	234,209	248,479
Repurchase of shares	(1,890,000)	(189)	(200)
New shares issued under share option scheme *(Note 34)*	22,536,250	2,254	2,386
At 30 June 2005	2,362,730,250	236,274	250,665
New shares issued under share option scheme *(Note 34)*	3,932,000	393	406
At 30 June 2006	2,366,662,250	236,667	251,071

34. Share Option Scheme

Pursuant to the resolution of an extraordinary general meeting of the Company held on 19 June 2002, the share option scheme adopted on 23 November 2000 was terminated and a new share option scheme (the "New Scheme") was approved and adopted. Under the New Scheme, the Company may grant options to various classes of participants, among others, including Directors (whether executive or non-executive) and employees of the Group. During the year ended 30 June 2006, 32,760,000 options (2005: Nil) were granted to the relevant participants under the New Scheme.

	2006	2005
	No. of shares	*No. of shares*
Balance as at 1 July	**86,904,850**	109,841,100
Granted during the year	**32,760,000**	—
Exercised during the year	**(3,932,000)**	(22,536,250)
Forfeited during the year	**(100,000)**	(400,000)
Balance as at 30 June	**115,632,850**	86,904,850

During the year, share options were exercised by the participants to subscribe 3,932,000 (2005: 22,536,250) shares at a weighted average exercise price of HK$2.18 (2005: HK$1.22).

As mentioned in note 2, the Group has, for the first time, applied HKFRS 2 "Share-based Payment" to account for its share options in the current year and the impact of the adoption of HKFRS 2 has been summarized in note 3(c).

The fair value of share options are determined at the dates of grant under Binominal Option Pricing Model by an independent valuer and the following assumptions were used to calculate the fair value of share options:

	Date of grant						
	28 January 2003	**19 June 2003**	**24 June 2003**	**28 May 2004**	**17 August 2005**	**1 November 2005**	**4 November 2005**
Option value	HK$0.83 — HK$0.86	HK$0.56 — HK$0.57	HK$0.56	HK$1.20 — HK$1.40	HK$1.59 — HK$1.79	HK$1.55 — HK$1.68	HK$1.50 — HK$1.67
Exercise price	HK$1.58	HK$1.08	HK$1.09	HK$2.4	HK$3.09	HK$2.95	HK$2.965
Risk-free interest rate	4.45%	3.78%	3.74%	4.54%	4.01%	4.46%	4.57%
Expected volatility	64%	64%	64%	64%	64%	64%	64%
Dividend yield	2.6%	2.6%	2.6%	2.6%	2.6%	2.6%	2.6%
Life of options	10 years	10 years	10 years	10 years	10 years	10 years	10 years

34. Share Option Scheme *(Continued)*

Details of the movements of the outstanding share options granted under the Scheme of the Company were as follows:

(a) For the year ended 30 June 2006

	Number of Shares in respect of Options								Weighted
Name or Category of participant	Balance as at 1 July 2005	Granted during the year	Exercised during the year	Lapsed during the year	Outstanding as at 30 June 2006	Date of grant	Exercisable period	Exercise price per share *HK$*	average closing price *HK$*
Directors:									
Kwok Ho	21,000,000	—	—	—	21,000,000	28/01/2003	01/07/2003 — 27/01/2013	1.58	—
	21,000,000	—	—	—	21,000,000	28/01/2003	01/01/2004 — 27/01/2013	1.58	—
	21,000,000	—	—	—	21,000,000	28/01/2003	01/01/2005 — 27/01/2013	1.58	—
Ip Chi Ming	—	600,000	600,000	—	—	17/08/2005	17/08/2005 — 16/08/2015	3.09	4.850
	—	600,000	—	—	600,000	17/08/2005	17/08/2006 — 16/08/2015	3.09	—
	—	600,000	—	—	600,000	17/08/2005	17/08/2007 — 16/08/2015	3.09	—
	—	600,000	—	—	600,000	17/08/2005	17/08/2008 — 16/08/2015	3.09	—
	—	600,000	—	—	600,000	17/08/2005	17/08/2009 — 16/08/2015	3.09	—
Lee Yan	2,100,000	—	—	—	2,100,000	28/01/2003	01/07/2003 — 27/01/2013	1.58	—
	1,075,000	—	—	—	1,075,000	24/06/2003	01/07/2003 — 23/06/2013	1.09	—
	—	400,000	—	—	400,000	04/11/2005	04/11/2005 — 03/11/2015	2.965	—
	—	400,000	—	—	400,000	04/11/2005	04/11/2006 — 03/11/2015	2.965	—
	—	400,000	—	—	400,000	04/11/2005	04/11/2007 — 03/11/2015	2.965	—
	—	400,000	—	—	400,000	04/11/2005	04/11/2008 — 03/11/2015	2.965	—
	—	400,000	—	—	400,000	04/11/2005	04/11/2009 — 03/11/2015	2.965	—

34. Share Option Scheme *(Continued)*

(a) For the year ended 30 June 2006 *(Continued)*

	Number of Shares in respect of Options								Weighted
Name or Category of participant	Balance as at 1 July 2005	Granted during the year	Exercised during the year	Lapsed during the year	Outstanding as at 30 June 2006	Date of grant	Exercisable period	Exercise price per share *HK$*	average closing price *HK$*
Directors: *(Continued)*									
Wong Hip Ying	575,000	—	—	—	575,000	28/01/2003	01/07/2003 — 27/01/2013	1.58	—
	1,100,000	—	—	—	1,100,000	19/06/2003	01/07/2003 — 18/06/2013	1.08	—
	—	400,000	—	—	400,000	04/11/2005	04/11/2005 — 03/11/2015	2.965	—
	—	400,000	—	—	400,000	04/11/2005	04/11/2006 — 03/11/2015	2.965	—
	—	400,000	—	—	400,000	04/11/2005	04/11/2007 — 03/11/2015	2.965	—
	—	400,000	—	—	400,000	04/11/2005	04/11/2008 — 03/11/2015	2.965	—
	—	400,000	—	—	400,000	04/11/2005	04/11/2009 — 03/11/2015	2.965	—
Fong Jao	1,600,000	—	—	—	1,600,000	28/01/2003	01/07/2003 — 27/01/2013	1.58	—
	1,600,000	—	—	—	1,600,000	19/06/2003	01/07/2003 — 18/06/2013	1.08	—
	—	400,000	—	—	400,000	04/11/2005	04/11/2005 — 03/11/2015	2.965	—
	—	400,000	—	—	400,000	04/11/2005	04/11/2006 — 03/11/2015	2.965	—
	—	400,000	—	—	400,000	04/11/2005	04/11/2007 — 03/11/2015	2.965	—
	—	400,000	—	—	400,000	04/11/2005	04/11/2008 — 03/11/2015	2.965	—
	—	400,000	—	—	400,000	04/11/2005	04/11/2009 — 03/11/2015	2.965	—
Chen Jun Hua *(Note 1)*	39,900	—	—	—	39,900	19/06/2003	01/07/2003 — 18/06/2013	1.08	—
	2,000,000	—	—	—	2,000,000	28/05/2004	01/01/2005 — 27/05/2014	2.40	—
	—	600,000	—	—	600,000	17/08/2005	17/08/2005 — 16/08/2015	3.09	—
	—	600,000	—	—	600,000	17/08/2005	17/08/2006 — 16/08/2015	3.09	—
	—	600,000	—	—	600,000	17/08/2005	17/08/2007 — 16/08/2015	3.09	—
	—	600,000	—	—	600,000	17/08/2005	17/08/2008 — 16/08/2015	3.09	—
	—	600,000	—	—	600,000	17/08/2005	17/08/2009 — 16/08/2015	3.09	—

34. Share Option Scheme *(Continued)*

(a) For the year ended 30 June 2006 *(Continued)*

	Number of Shares in respect of Options								
Name or Category of participant	Balance as at 1 July 2005	Granted during the year	Exercised during the year	Lapsed during the year	Outstanding as at 30 June 2006	Date of grant	Exercisable period	Exercise price per share *HK$*	Weighted average closing price *HK$*
Directors: *(Continued)*									
Chan Chi Po, Andy *(Note 1)*	850,000	—	850,000	—	—	19/06/2003	01/07/2004 — 18/06/2013	1.08	4.765
	500,000	—	—	—	500,000	28/05/2004	01/07/2005 — 27/05/2014	2.40	—
	500,000	—	—	—	500,000	28/05/2004	01/07/2006 — 27/05/2014	2.40	—
	—	600,000	—	—	600,000	17/08/2005	17/08/2005 — 16/08/2015	3.09	—
	—	600,000	—	—	600,000	17/08/2005	17/08/2006 — 16/08/2015	3.09	—
	—	600,000	—	—	600,000	17/08/2005	17/08/2007 — 16/08/2015	3.09	—
	—	600,000	—	—	600,000	17/08/2005	17/08/2008 — 16/08/2015	3.09	—
	—	600,000	—	—	600,000	17/08/2005	17/08/2009 — 16/08/2015	3.09	—
Employees:									
In aggregate	4,324,950	—	—	—	4,324,950	19/06/2003	01/07/2003 — 18/06/2013	1.08	—
	2,850,000	—	750,000	—	2,100,000	19/06/2003	01/07/2004 — 18/06/2013	1.08	2.85
	3,090,000	—	260,000	—	2,830,000	28/05/2004	01/01/2005 — 27/05/2014	2.40	3.92
	850,000	—	250,000	50,000	550,000	28/05/2004	01/01/2006 — 27/05/2014	2.40	3.55
	850,000	—	—	50,000	800,000	28/05/2004	01/01/2007 — 27/05/2014	2.40	—
	—	400,000	110,000	—	290,000	17/08/2005	17/08/2005 — 16/08/2015	3.09	5.47
	—	1,000,000	1,000,000	—	—	17/08/2005	01/09/2005 — 16/08/2015	3.09	5.12
	—	400,000	—	—	400,000	17/08/2005	17/08/2006 — 16/08/2015	3.09	—
	—	1,400,000	—	—	1,400,000	17/08/2005	01/09/2006 — 16/08/2015	3.09	—
	—	400,000	—	—	400,000	17/08/2005	17/08/2007 — 16/08/2015	3.09	—
	—	1,400,000	—	—	1,400,000	17/08/2005	01/09/2007 — 16/08/2015	3.09	—

34. Share Option Scheme *(Continued)*

(a) For the year ended 30 June 2006 *(Continued)*

Name or Category of participant	Number of Shares in respect of Options: Balance as at 1 July 2005	Granted during the year	Exercised during the year	Lapsed during the year	Outstanding as at 30 June 2006	Date of grant	Exercisable period	Exercise price per share HK$	Weighted average closing price HK$
Employees: *(Continued)*									
	—	400,000	—	—	400,000	17/08/2005	17/08/2008 — 16/08/2015	3.09	—
	—	1,400,000	—	—	1,400,000	17/08/2005	01/09/2008 — 16/08/2015	3.09	—
	—	400,000	—	—	400,000	17/08/2005	17/08/2009 — 16/08/2015	3.09	—
	—	1,400,000	—	—	1,400,000	17/08/2005	01/09/2009 — 16/08/2015	3.09	—
	—	1,400,000	—	—	1,400,000	17/08/2005	01/09/2010 — 16/08/2015	3.09	—
	—	1,552,000	112,000	—	1,440,000	01/11/2005	01/11/2005 — 31/10/2015	2.95	4.21
	—	1,552,000	—	—	1,552,000	01/11/2005	01/11/2006 — 31/10/2015	2.95	—
	—	1,552,000	—	—	1,552,000	01/11/2005	01/11/2007 — 31/10/2015	2.95	—
	—	1,552,000	—	—	1,552,000	01/11/2005	01/11/2008 — 31/10/2015	2.95	—
	—	1,552,000	—	—	1,552,000	01/11/2005	01/11/2009 — 31/10/2015	2.95	—
Total	86,904,850	32,760,000	3,932,000	100,000	115,632,850				

Notes:

1. Mr. Chen Jun Hua and Mr. Chan Chi Po, Andy were appointed as directors of the Company on 17 August 2005.

34. Share Option Scheme *(Continued)*

(b) For the year ended 30 June 2005

	Number of Shares in respect of Options							
Name or Category of participant	Balance as at 1 July 2004	Exercised during the year	Lapsed during the year	Outstanding as at 30 June 2005	Date of grant	Exercisable period	Exercise price per share *HK$*	Weighted average closing price *HK$*
Directors:								
Kwok Ho	21,000,000	—	—	21,000,000	28/01/2003	01/07/2003 — 27/01/2013	1.58	—
	21,000,000	—	—	21,000,000	28/01/2003	01/01/2004 — 27/01/2013	1.58	—
	21,000,000	—	—	21,000,000	28/01/2003	01/01/2005 — 27/01/2013	1.58	—
Lee Yan	2,100,000	—	—	2,100,000	28/01/2003	01/07/2003 — 27/01/2013	1.58	—
	1,575,000	500,000	—	1,075,000	24/06/2003	01/07/2003 — 23/06/2013	1.09	2.80
Chan Hong *(Note 1)*	1,600,000	1,600,000	—	—	28/01/2003	01/07/2003 — 27/01/2013	1.58	2.98
Wong Hip Ying	1,075,000	500,000	—	575,000	28/01/2003	01/07/2003 — 27/01/2013	1.58	2.98
	1,600,000	500,000	—	1,100,000	19/06/2003	01/07/2003 — 18/06/2013	1.08	2.98
Fong Jao	2,100,000	500,000	—	1,600,000	28/01/2003	01/07/2003 — 27/01/2013	1.58	3.04
	1,600,000	—	—	1,600,000	19/06/2003	01/07/2003 — 18/06/2013	1.08	—

34. Share Option Scheme *(Continued)*

(b) For the year ended 30 June 2005 *(Continued)*

Name or Category of participant	Number of Shares in respect of Options: Balance as at 1 July 2004	Exercised during the year	Lapsed during the year	Outstanding as at 30 June 2005	Date of grant	Exercisable period	Exercise price per share *HK$*	Weighted average closing price *HK$*
Employees:								
In aggregate	2,550,000	2,550,000	—	—	28/01/2003	01/07/2003 — 27/01/2013	1.58	3.02
	16,641,100	12,276,250	—	4,364,850	19/06/2003	01/07/2003 — 18/06/2013	1.08	2.91
	6,300,000	2,600,000	—	3,700,000	19/06/2003	01/07/2004 — 18/06/2013	1.08	2.73
	5,550,000	460,000	—	5,090,000	28/05/2004	01/01/2005 — 27/05/2014	2.40	3.06
	500,000	—	—	500,000	28/05/2004	01/07/2005 — 27/05/2014	2.40	—
	1,050,000	—	200,000	850,000	28/05/2004	01/01/2006 — 27/05/2014	2.40	—
	500,000	—	—	500,000	28/05/2004	01/07/2006 — 27/05/2014	2.40	—
	1,050,000	—	200,000	850,000	28/05/2004	01/01/2007 — 27/05/2014	2.40	—
Other Participants:								
In aggregate	1,050,000	1,050,000	—	—	19/06/2003	01/07/2004 — 18/06/2013	1.08	2.28
Total	109,841,100	22,536,250	400,000	86,904,850				

Notes:

1. Mr. Chan Hong resigned as a director of the Company on 1 July 2005.

35. Reserves

(a) The Group

The amounts of the Group's reserves and the movements therein for the current and prior years are presented in the consolidated statement of changes in equity on page 45 of the financial statements.

(b) The Company

	Share premium	Employee share-based compensation reserve	Capital redemption reserve	Exchange reserve	Accumulated losses	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
At 1 July 2004, as previously reported	2,074,310	—	523	—	(72,412)	2,002,421
Retrospective effect of adoption of HKFRS 2	34,195	76,223	—	—	(110,418)	—
At 1 July 2004, as restated	2,108,505	76,223	523	—	(182,830)	2,002,421
Premium on repurchased shares	(3,802)	—	—	—	—	(3,802)
New shares exercised and issued under share option scheme	41,692	(14,933)	—	—	—	26,759
Employee share option benefits	—	13,371	—	—	—	13,371
Transfer to capital redemption reserve	—	—	200	—	(200)	—
Profit for the year, as restated	—	—	—	—	129,382	129,382
2003/2004 final and special dividends paid	—	—	—	—	(198,494)	(198,494)
At 30 June 2005, as restated	2,146,395	74,661	723	—	(252,142)	1,969,637
At 1 July 2005, as previously reported	2,097,267	—	723	—	(128,353)	1,969,637
Retrospective effect of adoption of HKFRS 2	49,128	74,661	—	—	(123,789)	—
At 1 July 2005, as restated	2,146,395	74,661	723	—	(252,142)	1,969,637
New shares exercised and issued under share option scheme	13,064	(4,616)	—	—	—	8,448
Employee share option benefits	—	28,711	—	—	—	28,711
Profit for the year	—	—	—	—	74,969	74,969
2004/2005 final dividends paid	—	—	—	—	(262,364)	(262,364)
Currency translation differences	—	—	—	(54,950)	—	(54,950)
At 30 June 2006	2,159,459	98,756	723	(54,950)	(439,537)	1,764,451

36. Unrecognized Deferred Taxation

At the balance sheet date, the Group had unrecognized deferred taxation assets as follows:

	The Group	
	2006	2005
	RMB'000	*RMB'000*
		(As restated)
Taxation effect of temporary differences arising from:		
Tax losses available to set off future assessable profits *(Notes (a) and (b))*	**96,947**	38,196
Excess of depreciation charged in the financial statements over depreciation allowance claimed for tax purposes	**(352)**	(87)
	96,595	38,109

Notes:

(a) The tax effect on tax losses of RMB48,525,000 (2005: RMB12,446,000 (As restated)) is attributable to the expenses incurred by the Company that are available indefinitely for offsetting against future taxable profits of the Company. Since the principal activity of the Company is investment holding, no taxable revenue inflow is expected in the foreseeable future.

(b) The tax effect on tax losses of RMB29,848,000 (2005: RMB21,395,000) is attributable to the supermarkets chain operation.

No provision for deferred taxation has been recognized in respect of the tax losses as it is not certain that they can be utilized in the foreseeable future.

The amount of unrecognized deferred taxation credit for the year is as follows:

	The Group	
	2006	2005
	RMB'000	*RMB'000*
		(As restated)
Taxation effect of timing differences arising as a result of:		
Tax losses	**58,751**	6,555
Excess of depreciation charged in the financial statements over depreciation allowance claimed for tax purposes	**(265)**	(87)
	58,486	6,468

The Company had unrecognized deferred tax asset of RMB48,525,000 (2005: RMB12,446,000 (As restated)) at the balance sheet date.

37. Commitments

(a) Capital commitments

At 30 June 2006, the Group had the following capital commitments:

	2006 *RMB'000*	2005 *RMB'000*
Contracted but not provided for		
— Research and development expenditures	**27,400**	76,200
— Purchase of fixed assets	**68,754**	209,987
— Premium payment for land leases	**10,600**	15,600
	106,754	301,787
Authorized but not contracted for		
— Purchase of fixed assets	**—**	181,622
Total	**106,754**	483,409

(b) Operating lease commitments

As lessee

At 30 June 2006, the Group had future minimum lease payments for land and buildings under non-cancellable operating leases that are payable as follows:

	2006 *RMB'000*	2005 *RMB'000*
Within 1 year	**100,488**	72,654
After 1 year but within 5 years	**386,082**	272,764
After 5 years	**1,795,239**	1,334,928
Total	**2,281,809**	1,680,346

37. Commitments *(Continued)*

(b) Operating lease commitments *(Continued)*

As lessor

As at 30 June 2006, the Group had future minimum lease receipts of land and buildings under non-cancellable operating leases that are receivables as follows:

	2006 *RMB'000*	2005 *RMB'000*
Within 1 year	**886**	—
After 1 year but within 5 years	**3,620**	—
After 5 years	**3,855**	—
Total	**8,361**	—

38. Related Party Transactions

The Group entered into the following material transactions with related parties during the year:

	2006 *RMB'000*	2005 *RMB'000*
Fujian Chaoda Agricultural Produce Trading Company Limited		
— Purchase of organic fertilizers	**300,168**	214,741
福建超大集團有限公司		
— Rental and management fees received	**1,137**	704
福建超大現代種業有限公司		
— Rental and management fees received	**270**	167

Notes:

(a) The above related parties are companies in which Mr. Kwok Ho, the chairman and a controlling shareholder of the Company, is a major shareholder.

(b) The Directors are of the opinion that these transactions were conducted in the normal course of business at prices and terms no less than those charged to or contracted with other third parties.

39. Particulars of Principal Subsidiaries

Particulars of principal subsidiaries of the Group at 30 June 2006 are as follows:

Company	Place of incorporation	Principal activities and place of operation	Particulars of issued/ registered and paid up capital	Interest held
Held directly:				
Timor Enterprise Limited	British Virgin Islands	Investment holding in Hong Kong	60,000 ordinary shares of US$1 each	100%
Insight Decision Limited	British Virgin Islands	Investment holding in Hong Kong	1 ordinary share of US$1	100%
Huge Market Investments Limited	British Virgin Islands	Investment holding in Hong Kong	1 ordinary share of US$1	100%
Worthy Year Investments Limited	British Virgin Islands	Investment holding in Hong Kong	1 ordinary share of US$1	100%
Great Challenge Developments Limited	British Virgin Islands	Investment holding in Hong Kong	1 ordinary share of US$1	100%
Held indirectly:				
Fuzhou Chaoda Modern Agriculture Development Company Limited**	PRC	Growing and sales of crops, breeding and sales of livestock in the PRC	HK$906,000,000	100%
Fujian Chaoda Green Agriculture Development Company Limited *	PRC	Breeding and sales of livestock in the PRC	RMB79,983,000	100%
Fujian Chaoda Livestock Company Limited ***	PRC	Agency service in the PRC	RMB80,000,000	100%
Chaoda Vegetable & Fruits Limited	Hong Kong	Distribution and trading of crops in Hong Kong	100,000 ordinary shares of HK$1 each	100%

39. Particulars of Principal Subsidiaries *(Continued)*

Company	Place of incorporation	Principal activities and place of operation	Particulars of issued/ registered and paid up capital	Interest held
Held indirectly: *(Continued)*				
臨海超大現代農業發展有限公司 *	PRC	Growing and sales of crops in the PRC	US$390,000	100%
Fujian Chaoda Liancheng Foodstuffs Company Limited *	PRC	Sales of ancillary food products in the PRC	RMB15,000,000	91%
福州超大超市發展有限公司 ***	PRC	Supermarkets chain operation in the PRC	RMB20,000,000	95%
Desire Star (Fujian) Development Company Limited **	PRC	Property holding in the PRC	US$5,000,000	100%
Jiangxi Nanfeng Chaoda Fruits Company Limited *	PRC	Growing and sales of fruits in the PRC	RMB10,000,000	100%
福州超大嘉和茶業有限公司 ***	PRC	Growing and sales of tea leaves in the PRC	RMB6,000,000	100%
雲霄超大木業有限公司 ***	PRC	Growing and sales of timbers in the PRC	RMB6,000,000	100%
慶元超大運輸有限公司 ***	PRC	Transportation services in the PRC	RMB20,000,000	80%
Inner Mongolia Chaoda Stockbreeding Co., Ltd *	PRC	Breeding and sales of livestock in the PRC	RMB100,000,000	100%
福州超大貿易有限公司 ***	PRC	Sales of crops in the PRC	RMB30,000,000	100%

* Sino-foreign owned equity joint ventures
** Wholly foreign owned enterprises
*** Private limited liability companies

40. Financial Risk Management

(a) Financial risk factors

The Group's activities expose it to a variety of financial risks: market risk (including currency risk and price risk), credit risk, liquidity risk and cash flow interest-rate risk. The Group's overall risk management programme focuses on the unpredictability of financial market and seeks to minimize potential adverse effects on the Group's financial performance.

(i) Currency risk

As the Group's sales and purchases are mainly in Renminbi, the currency risk is considered not significant. The Group currently does not have a foreign currency hedging policy. However, the management monitors foreign exchange exposure and will consider hedging significant foreign currency exposure should the need arise.

(ii) Credit risk

The Group has no significant concentration of credit risk. The Group has also policies in place to ensure that service are rendered to customers with appropriate credit history and the Group performs periodic credit evaluations of its customers. The Group's historical experience in collection of trade and other receivables falls within the recorded allowances.

(iii) Liquidity risk

Prudent liquidity risk management implies maintaining sufficient cash and the availability of funding through an adequate amount of committed credit facilities. The Group aims to maintain flexibility in funding by keeping committed credit lines available.

(iv) Cash flow and fair value interest rate risk

The Group's exposure to changes to interest rates is mainly attributable to its fixed deposits with banks and borrowings.

As the fixed deposits with banks are usually short-term in nature, the exposure is considered not significant. Borrowings at variable rates expose the Group to cash flow interest-rate risk. Borrowings at fixed rates expose the Group to fair value interest-rate risk. The Group has not used any interest rate swaps to hedge its exposure to interest rate but may enter into interest rate hedging instruments in the future to hedge any significant interest rate exposure should the need arise.

(b) Fair value estimation

The estimate of fair values of biological assets, convertible bonds and share-based transactions have been disclosed in notes 20, 32 and 34 respectively.

41. Critical Accounting Estimates and Judgements

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

(a) Depreciation

Fixed assets are depreciated on a straight-line basis over the estimated useful lives of the assets. The Group reviews the estimated useful lives of the assets annually 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 technological changes. The depreciation expense for future periods is adjusted if there are material changes from previous estimates.

(b) Impairments

Internal and external sources of information are reviewed by the Group at each balance sheet date to assess whether there is any indication that fixed assets may be impaired. If any such indication exists, the recoverable amount of the asset is estimated to determine impairment losses on the assets. Changes in facts and circumstances may affect the conclusion of whether an indication of impairment exists and result in revised estimates of recoverable amounts, which would affect profit or loss in future years.

Impairment losses on receivables are assessed and provided based on the directors' regular review of ageing analysis and evaluation of collectibility. A considerable level of judgement is exercised by the directors when assessing the creditworthiness and past collection history of each individual customer. Any increase or decrease in impairment losses would affect profit or loss in future years.

42. Comparative Figures

Certain comparative figures have been reclassified to conform with the current year's presentation.