Notes to the Financial Statements

30 April 2006

1. BASIS OF PREPARATION

(a) General Information

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

The Company is an investment holding Company and the principal activities of its subsidiaries are set out in note 16 to the financial statements.

(b) Consolidated Financial Statements

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

All significant intercompany transactions and balances within the Group are eliminated on consolidation.

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

2. PRINCIPAL ACCOUNTING POLICIES

(a) Statement of compliance

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

The HKICPA has issued a number of new and revised HKFRSs that are effective or available for early adoption for accounting periods beginning on or after 1 January 2005. Information on the changes in accounting policies resulting from initial application of these new and revised HKFRSs for the current and prior accounting periods reflected in these financial statements is provided in note 3 to the consolidated financial statements.

2. PRINCIPAL ACCOUNTING POLICIES (Continued)

(b) Basis of preparation of the financial statements

The consolidated financial statements for the year ended 30 April 2006 comprise the Company and its subsidiaries (together referred to as the "Group").

The measurement basis used in the preparation of the financial statements is the historical cost basis except that the following assets and liabilities are stated at their fair values as explained in the accounting policies set out below:

– biological assets

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

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods. Judgment made by management in the application of HKFRSs that have significant effect on the financial statements are disclosed in note 3.

c) Revenue recognition

(i) Sale of goods

Revenue from the sale of goods is recognised on the transfer of risks and rewards of ownership, which generally coincides with the time when the goods are delivered to customers and title has passed.

(ii) Interest income

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

(iii) Handling income

Handling income is recognised when the services are rendered.

2. PRINCIPAL ACCOUNTING POLICIES (Continued)

c) Revenue recognition (Continued)

(iv) Rental income

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

d) Borrowing costs

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

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

e) Goodwill

Goodwill represents the excess of the cost of a business combination over the Group's interest in the net fair value of the acquiree's identifiable assets, liabilities and contingent liabilities.

Goodwill is stated at cost less accumulated impairment losses. Goodwill is allocated to cash-generating units and is tested annually for impairment (see note 2(l)).

Any excess of the Group's interest in the net fair value of the acquiree's identifiable assets, liabilities and contingent liabilities over the cost of a business combination is recognised immediately in profit or loss.

f) Income tax

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

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

2. PRINCIPAL ACCOUNTING POLICIES (Continued)

f) Income tax (Continued)

Deferred tax assets and liabilities arise from deductible and taxable temporary differences respectively, being the differences between the carrying amounts of assets and liabilities for financial reporting purposes and their tax bases. Deferred tax assets also arise from unused tax losses and unused tax credit. Apart from differences which arise on initial recognition of assets and liabilities, all deferred tax liabilities, and all deferred tax assets to the extent that it is probable that future taxable profits will be available against which the asset can be utilised, are recognised.

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

g) Research and development costs

Research and development costs are expensed as incurred, except where the product or process is clearly defined and the costs attributable to the product or process can be separately identified and measured reliably; is technically feasible; the Group intends to produce and market, or use, the product or process; the existence of a market for the product or process or, if it is to be used internally rather than sold, its usefulness to the Group, can be demonstrated; and adequate resources exist, or their availability can be demonstrated, to complete the project and market or use the product or process.

Such development costs are recognised as an asset to the extent of the amount that, taken together with further development costs, related production costs, and selling and administrative costs directly incurred in marketing the product, is probable of being recovered from related future economic benefits. The excess amount is written off as incurred.

The development costs, recognised as an asset, are amortized on a straight-line basis over a period of not more than 5 years to reflect the pattern in which the related economic benefits are recognised.

2. PRINCIPAL ACCOUNTING POLICIES (Continued)

h) Employee benefits

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

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

(ii) Share based payments

The fair value of share options granted to employees is recognised as an employee cost with a corresponding increase in a capital reserve within equity. The fair value is measured at grant date using the Binomial Model taking into account the terms and condition 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 recognised in prior years is charged/credited to the profit or loss for the year of the review, unless the original employee expenses qualify for recognition as an asset, with a corresponding adjustment to the capital reserve. On vesting date, the amount recognised as an expense is adjusted to reflect the actual number of share options that vest (with a corresponding adjustment to the special reserve) except where forfeiture is only due to not achieving vesting conditions that relate to the market price of the Company's shares. The equity amount is recognised in the special 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).

(iii) Termination benefits

Termination benefits are recognised when, and only when, the Group demonstrably commits itself to terminate employment or to provide benefits as a result of voluntary redundancy by having a detailed formal plan which is without realistic possibility of withdrawal.

2. PRINCIPAL ACCOUNTING POLICIES (Continued)

i) Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation (see note 2(j)) and impairment losses (see note 2(l)).

The cost of an item of property, plant and equipment comprises its purchase price and any directly attributable costs of bringing the asset to its normal working condition and location for its intended use. Major costs incurred in restoring property, plant and equipment to their normal working condition are charged to the income statement. In situation where it can be clearly demonstrated that the expenditure has resulted in an increase in the future economic benefits expected to be obtained from the use of an item in property, plant and equipment, and where the cost can be reliably measured, the expenditure is capitalized and depreciated over their expected useful live.

Where parts of an item of property, plant and equipment have different useful lives, the cost of that item is allocated on a reasonable basis among the parts and each part is depreciated separately.

The gain or loss on disposal of property, plant and equipment is the difference between the net sales proceeds and the carrying amount of the relevant asset, and is recognised in the income statement.

j) Amortisation and depreciation

Property, plant and equipment are depreciated at rates sufficient to write off their cost/valuation less accumulated impairment loss over their estimated useful lives on a straight-line basis. The principal annual rates are as follows:

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

2. PRINCIPAL ACCOUNTING POLICIES (Continued)

k) Assets under leases

i) Operating leases

Leases where substantially all the rewards and risks of ownership of assets remain with the lessors are accounted for as operating leases. Rentals receivables/payables under such operating leases are accounted for in the income statement on a straight-line basis over the periods of the respective lease.

ii) Assets held for use in operating leases

Where the Group leases out assets under operating leases, the assets are included in the balance sheet according to their nature and, where applicable, are depreciated in accordance with the Group's depreciation policies, as set out in note 2(j). Impairment losses are accounted for in accordance with the accounting policy as set out in note 2(l). Revenue arising from operating leases is recognised in accordance with the group's revenue recognition policies, as set out in note 2(c)(iv).

iii) Operating leases charges

Where the Group has the use of assets under operating leases, payments made under the lease are charged to the income statement in equal instalments over the accounting periods covered by the lease term, except where an alternative basis is more representative of the pattern of benefits to be derived from the leased asset. Lease incentive received are recognised 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.

l) Impairment of assets

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

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

– investments in subsidiaries (except for those accounted for at fair value).

If any such indication exists, the asset's recoverable amount is estimated. An impairment loss is recognised whenever the carrying amount of an asset exceeds its recoverable amount.

2. PRINCIPAL ACCOUNTING POLICIES (Continued)

l) Impairment of assets (continued)

(i) Calculation of recoverable amount

The recoverable amount of an asset is the greater of its net selling price and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of time value of money and the risks specific to the asset. Where an asset does not generate cash inflows largely independent of those from other assets, the recoverable amount is determined for the smallest group of assets that generates cash inflows independently (i.e. a cash-generating unit).

(ii) Reversals of impairment losses

In respect of assets other than goodwill, an impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss in respect of goodwill is reversed only if the loss was caused by a specific external event of an exceptional nature that is not expected to recur, and the increase in recoverable amount relates clearly to the reversal of the effect of that specific event.

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

m) Subsidiaries

A subsidiary is a company in which the Group or 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. Subsidiaries are considered to be controlled if the Company has the power, directly or indirectly, to govern the financial and operating policies, so as to obtain benefits from their activities.

Investments in subsidiaries in the balance sheet are stated at cost less identified impairment loss. The results of subsidiaries are accounted to the extent of dividends received and receivable.

2. PRINCIPAL ACCOUNTING POLICIES (Continued)

n) Related parties

Parties are considered to be related to the Company if the Company has the ability directly or indirectly, to control the party or exercise significant influence over the party in making financial and operating decisions, or vice versa, or where the Company and the party are subject to common control or common significant influence. Related parties may be individuals (being members of key management personnel, significant shareholders and/or their close family members) or other entities and include entities which are under the significant influence of related parties of the Company where these 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.

o) Long-term prepaid rental

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

p) Biological assets

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

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

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

q) Inventories

Inventories comprising raw materials, agricultural materials, consumable and packing material, processing agricultural produce and finished goods are stated at the lower of cost and net realisable value. Cost, calculated on a weighted average basis, comprises all costs of purchases, costs of processing agricultural produce, including cost of agricultural produce, labour and indirect overheads, and other costs incurred in bringing the inventories to their present location and condition.

2. PRINCIPAL ACCOUNTING POLICIES (Continued)

q) Inventories (Continued)

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

When inventories are sold, the carrying amount of those inventories is recognised as an expense in the period in which the related revenue is recognised. The amount of any write-down of inventories to net realisable value and all losses of inventories are recognised as an expense in the period the write-down or loss occurs. The amount of any reversal of any write-down of inventories, arising from an increase in net realisable value, is recognised as a reduction in the amount of inventories recognised as an expense in the period in which the reversal occurs.

r) Trade receivable

Provision is made against trade receivable to the extent that they are considered to be doubtful. Trade receivable in the balance sheet is stated net of such provision.

s) Convertible bonds

Convertible bonds that can be converted into share capital at the option of the holder, where the number of shares issued does not vary with changes in their fair values, are accounted for as compound financial instruments. At initial recognition the liability component of the convertible bonds is calculated as the present value of the future interest and principal payments, discounted at the market rate of interest applicable at the time of initial recognition to similar liabilities that do not have a conversion option. Any excess of proceeds over the amount initially recognised as the liability component is recognised as the equity component. Transaction costs that relate to the issue of a compound financial instruments are allocated to the liability and equity components in proportion to the allocation of proceeds.

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

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

2. PRINCIPAL ACCOUNTING POLICIES (Continued)

t) Provisions and contingent liabilities

Provisions are recognised for liabilities of uncertain timing or amount when the Group has a legal or constructive obligation arising as a result of a past event, it is probable that an outflow of economic benefits will be required to settle the obligation and a reliable estimate can be made. Where the time value of money is material, provisions are stated at the present value of the expenditure expected to settle the obligation.

Where it is not probable that an outflow of economic benefits will be required, or the amount cannot be estimated reliably, the obligation is disclosed as a contingent liability, unless the probability of outflow of economic benefits is remote. Possible obligations, whose existence will only be confirmed by the occurrence or non-occurrence of one or more future events are also disclosed as contingent liabilities unless the probability of outflow of economic benefits is remote.

u) Translation of foreign currencies

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

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

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

2. PRINCIPAL ACCOUNTING POLICIES (Continued)

v) Segment reporting

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

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

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

Segment capital expenditure is the total cost incurred during the period to acquire segment assets (both tangible and intangible) that are expected to be used for more than one period.

Unallocated items mainly comprise financial and corporate assets, interest-bearing loans, borrowings, corporate and financing expenses and minority interests.

w) Government grants

Government grants are recognised as income over the periods necessary to match them with the related costs. Grants related to depreciable assets are presented as a deduction from the carrying amount of the relevant asset. Grants related to expense items are recognised in the same period as those expenses are charged in the income statement and are reported separately in other revenue.

3.1 IMPACT OF RECENTLY ISSUED FINANCIAL REPORTING STANDARDS

Adoption of new HKFRSs and HKASs

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

The Group has adopted the following HKASs and HKFRSs issued in the financial statements for the year ended 30 April 2006:

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	Incomes 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
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 34	Interim financial reporting
HKAS 36	Impairment of assets
HKAS 37	Provision, 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 combination
HKFRS 5	Non-current assets held for sale and discontinued operations

3.1 IMPACT OF RECENTLY ISSUED FINANCIAL REPORTING STANDARDS (Continued)

Adoption of new HKFRSs and HKASs (Continued)

The adoption of these new/revised HKASs 1, 2, 7, 8, 10, 12, 14, 16, 18, 19, 21, 23, 24, 27, 28, 32, 33, 34, 36, 37, 38, 39, 41, HKFRS 2 and HKFRS 5 did not result in substantial changes to the accounting policies of the Group and the methods of computation in the Group's consolidated financial statements. In summary:

– HKAS 1 affects certain presentation in the consolidated balance sheet, the consolidated income statement and consolidated statement of changes in equity.

– HKASs 14, 16, 17, 23, 24, 28, 32 and 39 affect certain presentations and disclosures of the consolidated financial statements.

– HKASs 2, 7, 8, 10, 12, 18, 19, 21, 27, 33, 34, 36, 37, 38, 41, HKFRS 2 do not have any significant impact as the Group's accounting policies have already complied with these standards.

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

(i) *HKAS 17 "Leases"*

The principal effect of adoption of HKAS 17 is in relation to the classification of interest in leasehold land. HKAS 17 requires the classification of interest in leasehold land as an operating lease if the title of the land is not passed to the Group by the end of the lease term. Prepaid land premiums for land lease payments under operating leases are recognised as an expense on a straight-line basis over the lease term. The adoption of HKAS 17 results in a change in reclassification of leasehold land from Property, plant and equipment to Lease premium for land and restatement of certain amount for leasehold land from revalued amount to original cost of payments amortised over the lease term. The adoption resulted in the elimination of revaluation surplus of land of RMB1,807,000 (2005: RMB1,795,000) and increase of retained profits of RMB125,000 (2005: RMB75,000) at the beginning of the year. Comparative figures have also been restated to conform to the accounting policies.

(ii) *HKFRS 3 "Business combination"*

The adoption of HKFRS 3 results in a change in the accounting policy for negative goodwill. In accordance with the transitional provision of HKFRS 3, the Group has derecognised the previously recognised negative goodwill with a corresponding adjustment to the opening balance of the retained profits. Before the adoption, the negative goodwill was recognised in the consolidated income statement over the remaining weighted average useful life at those assets acquired. The adoption of HKFRS 3 has resulted in an increase in retained profits at the beginning of the year by RMB6,318,000. Comparative figures have not been restated.

3.2 IMPACT OF ISSUED BUT NOT YET EFFECTIVE FINANCIAL REPORTING STANDARDS

The Group has not applied the following new and revised HKFRSs, that have been issued but are not yet effective, to these Financial Statements. Unless otherwise stated, these HKFRSs are effective for annual periods beginning on or after 1 January 2006:

HKAS 1 Amendment	Capital Disclosures
HKAS 19 Amendment	Actuarial Gains and Losses, Group Plans and Disclosures
HKAS 39 Amendment	Cash Flow Hedge Accounting of Forecast Intragroup Transactions
HKAS 39 Amendment	The Fair Value Option
HKAS 39 and HKFRS 4 Amendments	Financial Instruments: Recognition and Measurement and Insurance Contracts – Financial Guarantee Contracts
HKFRSs 1 & 6 Amendments	First-time Adoption of Hong Kong Financial Reporting Standards and Exploration for and Evaluation of Mineral Resources
HKFRS 6	Exploration for and Evaluation of Mineral Resources
HKFRS 7	Financial Instruments: Disclosures
HKFRS-Int 4	Determining whether an Arrangement contains a Lease
HKFRS-Int 5	Rights to Interests Arising from Decommissioning, Restoration and Environmental Rehabilitation Funds
HK(IFRIC)-Int 6	Liabilities Arising from Participating in a Specific Market – Waste Electrical and Electronic Equipment
HK(IFRIC)-Int 7	Applying the Restatement Approach under HKAS 29 Financial Reporting in Hyperinflationary Economies

HKAS 1 Amendment shall be applied for annual periods beginning on or after 1 January 2007. The revised standard will affect the disclosures about qualitative information about the Company's objective, policies and processes for managing capital; quantitative data about what the Company regards as capital; and compliance with any capital requirements and the consequences of any non-compliance.

HKFRS 7 incorporates the disclosure requirements of HKAS 32 relating to financial instruments. This HKFRS shall be applied for annual periods beginning on or after 1 January 2007.

The HKAS 39 Amendment regarding the fair value option restricts the designation of any financial asset or financial liability as measured at fair value through profit and loss, unless certain conditions can be met.

The HKAS 19 Amendment, HKAS 39 Amendments regarding cash flow hedge accounting of forecast intragroup transactions, HKFRSs 1, 4 and 6 Amendments, HKFRS 6, HKFRS-Int 4, 5, HK(IFRIC) – Int 6 and 7 do not apply to the activities of the Group. HK(IFRIC) – Int 7 is effective for annual periods beginning on or after 1 January 2006.

Except as stated above, the Group expects that the adoption of other pronouncement listed above will not have any significant impact on the Group's financial statements in the period of initial application.

4. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES

a) Judgements

In the process of applying the Group's accounting policies, management has made the following judgements, apart from those involving estimations, which have significant effect on the amounts recognised in the financial statements.

b) Estimation

The key assumptions concerning the future and other key sources of estimation uncertainty at the balance sheet date, 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.

i) Useful lives and residual values of property, plant and equipment

The Group estimates the useful lives and residual values of its property, plant and equipment based on the period over which the assets are expected to be available for use. The estimated useful lives and residual values of the property, plant and equipment are reviewed annually and updated if expectations differ from previous estimates due to physical wear and tear, technical or commercial obsolescence and legal or other limits on the use of the assets. In addition, the Group's estimation of the useful lives and residual values of its property, plant and equipment is based on its collective assessment of industry practice, internal technical evaluation and experience with similar assets. It is possible, however, that future results of operations could be materially affected by changes in those estimates brought about by changes in factors mentioned above. The amounts and timing of recorded expenses for any period would be affected by changes in these factors and circumstances. A reduction in the estimated useful lives and residual value of the Group's property, plant and equipment would increase its recorded depreciation expenses and decreases its non-current assets.

ii) Assets impairment

HKASs and HKFRSs require that an impairment review be performed when certain impairment indication is present. In case of goodwill, such assets are subject to yearly impairment test and whenever there is an indication that such asset may be impaired.

Purchase accounting requires extensive use of accounting estimates to allocate the purchase price to the fair market values of the assets and liabilities purchased, including intangible assets and contingent liabilities. The Group's business acquisition have resulted in goodwill, which in the past affected its results of operations for the amount of periodic amortization expense. However, the Group no longer amortizes goodwill under HKASs and HKFRSs effective from 1 January 2004. Instead, goodwill is subject to a periodic impairment test.

4. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES (Continued)

b) Estimation (Continued)

ii) Assets impairment (Continued)

Determining the fair value of property, plant and equipment at the date of acquisition, which requires the determination of future cash flows expected to be generated from the continued use (i.e., value in use) and ultimate disposition of such assets, requires the Group to make estimates and assumptions that can materially effect its consolidated financial statements. Future events could cause the Group to conclude that property, plant and equipment associated with an acquired business is impaired. Any resulting impairment loss could have a material adverse impact on its financial condition and results of operations.

The preparation of future cash flows involves significant estimations. While the Group believes that its assumptions are appropriate and reasonable, significant changes in its assumptions may materially affect its assessment of recoverable values any may lead to future additional impairment changes under HKASs and HKFRSs.

iii) Deferred tax assets

The Group reviews the carrying amounts at each balance sheet date and estimate whether the Group will generate sufficient taxable profit to allow all or part of the deferred assets to be utilised.

iv) Allowances for doubtful accounts

The policy for allowance of bad and doubtful debts of the Group is based on the evaluation of collectibility and aging analysis of accounts and on management's judgment. A considerable amount of judgement is required in assessing the ultimate realization of these receivables, including the current creditworthiness and the past collection history of each customer. If the financial conditions of customers of the Group were to deteriorate, resulting in an impairment of their ability to make payments, additional allowances may be required.

v) Allowances for inventories

The Group estimates the allowance for inventories based on the best available facts and circumstances, including but not limited to, the inventories' own conditions (i.e. whether they are damaged or become wholly or partially obsolete), their market selling prices, estimated costs of completion and estimated costs to be incurred for their sale. The provisions are re-evaluated and adjusted as additional information received affects the amount estimated.

5. TURNOVER AND REVENUES

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

	2006 **RMB'000**	2005 RMB'000 (As restated)
Turnover		
Sales of agricultural products	**686,602**	470,537
Other revenues		
Interest income	**6,357**	2,089
Rental income	**–**	25
Sundry income	**13**	3
Handling income	**1,512**	–
Government grant	**741**	–
Exchange gain	**–**	55
	8,623	2,172
Total revenues	**695,225**	472,709

6. SEGMENT REPORTING

(a) Business segment

For the year ended 30 April 2006, there was only one business segment of growing and sales of agricultural products.

	2006 RMB'000	2005 RMB'000 (As restated)
Turnover		
Fresh produce	**297,622**	293,026
Processed products	**124,797**	85,603
Pickled products	**83,102**	59,271
Rice products	**81,005**	26,228
Rice flour products	**30,041**	–
Beverage products	**70,035**	6,409
	686,602	470,537
Gross profit		
Fresh produce	**160,589**	161,611
Processed products	**70,932**	48,369
Pickled products	**45,360**	34,202
Rice products	**22,114**	7,118
Rice flour products	**15,807**	–
Beverage products	**39,614**	3,246
	354,416	254,546

6. SEGMENT REPORTING (Continued)

(b) Geographical segment

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

	2006	2005
	RMB'000	RMB'000
		(As restated)
Turnover		
Japan	**278,047**	228,811
PRC	**328,667**	186,972
Other South East Asian countries	**37,753**	32,494
Europe	**38,806**	20,824
Australia	**3,329**	1,436
	686,602	470,537
Gross profit		
Japan	**164,335**	140,872
PRC	**145,229**	81,621
Other South East Asian countries	**20,939**	18,839
Europe	**22,017**	12,411
Australia	**1,896**	803
	354,416	254,546

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

7. PROFIT BEFORE TAXATION

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

	2006 **RMB'000**	2005 RMB'000 (As restated)
Crediting:		
Gain arising from changes in fair value less estimated point-of-sale costs of biological assets	**15,166**	13,336
Amortisation of negative goodwill	**–**	451
Charging:		
Auditors' remuneration	**779**	819
Depreciation of owned property, plant and equipment (net of amount capitalised in inventory)	**21,843**	10,104
Operating lease expenses		
– land and buildings	**3,501**	1,372
– other property, plant and equipment	**33**	26
Staff costs (including directors' emoluments)	**73,359**	58,818
Retirement cost	**172**	169
Interest expenses on convertible bonds	**5,705**	–
Research and development expenses	**5,010**	4,143
Amortisation of long-term prepaid rental included in cost of goods sold (net of amount capitalized in inventories)	**26,361**	20,700
Amortisation of lease premium for land	**1,555**	125
Provision for doubtful debts	**71**	–
Loss on disposal of operation on cultivation base	**1,376**	–
Loss on disposal of property, plant and equipment	**382**	46
Exchange loss	**2,371**	–

8. TAXATION

	2006 RMB'000	2005 RMB'000 (As restated)
Hong Kong profits tax	–	–
PRC enterprise income tax	(5,752)	24,329
Overseas income tax	–	–
	(5,752)	24,329
Deferred taxation (note 26)	(3,257)	21
Tax (income)/expenses	(9,009)	24,350

(a) Hong Kong profits tax

No Hong Kong profits tax has been provided as the Group had no assessable profit arising in or derived from Hong Kong (2005: Nil).

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

Zhonglu (Fujan) Agriculture Comprehensive Development Company Limited ("Zhonglu"), the principal wholly owned subsidiary is subject to PRC enterprise income tax at a rate of 24%. However, in September 2005, Zhonglu was awarded as "State-Level Industrialized Agricultural Leading Enterprise" of the nation by the central government of the PRC. According to the circular Nong Jing Fa [2005] No. 5, domestic PRC State-Level Industrialized Agricultural Leading Enterprises are entitled to certain tax benefits including full exemption of PRC enterprise income tax. Other PRC subsidiaries incorporated during the year ended 30 April 2006 will be eligible to have exemption from PRC enterprise income tax for two years starting from the first year of profitable operations after offsetting prior year tax losses, followed by a 50% reduction in state income tax for the next three years.

(c) Overseas income tax

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

8. TAXATION (Continued)

(d) The charges during the year ended 30 April 2006 can be reconciled to the profit of consolidated income statement as follows:

	2006 **RMB'000**	2005 RMB'000 (As restated)
Profit before taxation	**262,266**	207,852
Tax at the respective applicable tax rates	**68,249**	50,676
Tax effect of operating loss of group's companies not subject to income tax	**4,777**	1,429
Tax effect of income that are not taxable	**(607)**	(195)
Tax effect of profit exempted from income tax as a result of tax benefit	**(76,357)**	(28,997)
Tax effect of expenses that are not deductible	**–**	540
Tax effect of unrealized tax loss	**681**	833
Reversal of overprovision of income tax	**(5,752)**	–
Others	**–**	64
Tax (income)/expenses	**(9,009)**	24,350

9. PROFIT ATTRIBUTABLE TO SHAREHOLDERS

The consolidated profit attributable to shareholders includes a profit of RMB82,683,000 (2005: RMB52,375,000) which has been dealt with in the financial statements of the Company.

10. DIVIDENDS

	2006		2005	
	RMB per share	**RMB'000**	RMB per share	RMB'000
Interim dividend paid of HK$0.038 (2005: HK$0.028) per ordinary share	**0.039**	**28,474**	0.030	21,592
Final dividend proposed of HK$0.062 (2005: HK$0.038) per ordinary share	**0.064**	**46,699**	0.039	28,474
Total		**75,173**		50,066

At a meeting held on 28 August 2006, the directors proposed a final dividend of HK$0.062 (equivalent to RMB0.064) per ordinary share.

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

11. EARNINGS PER SHARE

(a) Basic earnings per share

The calculation of basic earnings per share is based on the profit attributable to ordinary equity shareholders of the Company of RMB271,275,000 (2005: RMB183,502,000) and on the weighted average of 728,093,349 ordinary shares (2005: 667,664,384) in issue during the year, calculated as follows:

Weighted average number of ordinary shares

	2006	2005
Issued ordinary shares at 1 May	**727,500,000**	622,500,000
Effect of issuance of shares for the placing	**–**	45,164,384
Effect of conversion rights attached to convertible bonds exercised	**593,349**	–
Weighted average number of ordinary shares at 30 April	**728,093,349**	667,664,384

11. EARNINGS PER SHARE (Continued)

(b) Diluted earnings per share

The calculation of diluted earnings per share is based on the profit attributable to ordinary equity shareholders of the Company of RMB276,980,000 (2005: RMB183,502,000) and the weighted average number of ordinary shares of 760,838,394 (2005: 667,664,384 shares), calculated as follows:

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

	2006	2005
	RMB'000	RMB'000
Profit attributable to ordinary equity shareholders	**271,275**	183,502
After tax effect of effective interest on liability component of convertible bonds	**5,705**	–
Profit attributable to ordinary equity shareholders (diluted)	**276,980**	183,502

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

	2006	2005
Weighted average number of ordinary shares at 30 April	**728,093,349**	667,664,384
Effect of conversion of convertible bonds into the Company's new ordinary shares	**30,879,963**	–
Effect of full exercise of share options	**1,865,082**	–
Weighted average number of ordinary shares at 30 April (diluted)	**760,838,394**	667,664,384

12. EMPLOYEE RETIREMENT BENEFITS

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

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

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

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

For the year ended 30 April 2006, the Group's retirement plan contribution amounted to approximately RMB171,000 (2005: RMB169,000).

13. DIRECTORS' AND SENIOR MANAGEMENT'S EMOLUMENTS

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

	2006 **RMB'000**	2005 RMB'000
Fees for non-executive directors	**66**	62
Other emoluments for executive directors		
– remuneration, share options and other benefit in kind	**6,500**	1,500
– retirement cost	**20**	20
	6,586	1,582

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

The remuneration of individual director is set out below:

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

	For the year ended 30 April 2005			
Name of director	Fees RMB'000	Salaries, allowances and benefits in kind RMB'000	Retirement contributions RMB'000	Total RMB'000
Executive directors				
Sun Shao Feng	–	800	–	800
Kung Sze Wai	–	414	13	427
Leung Kwok Fai, Ben Rich	–	159	7	166
Huang Hua	–	127	–	127
Independent non-executive directors				
Hu Ji Rong	30	–	–	30
Lin Chuan Bi	20	–	–	20
Hu Bao Zheng	12	–	–	12
	62	1,500	20	1,582

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.

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

4 (2005: 3) of the five highest paid individuals are directors whose emoluments have been included above. Details of the emoluments paid on the remaining 1 (2005: 2) highest paid individuals are as follows:

	2006 **RMB'000**	2005 RMB'000
Bonuses	**520**	–
Other emoluments		
– remuneration, share options and other benefit in kind	**2,094**	177
– pension	**–**	–
	2,614	177

The emoluments of the five highest paid individuals fall within the following bands:

	Number of individuals **2006**	2005
Emoluments		
RMB3,500,001 – RMB4,000,000	**1**	–
RMB2,500,001 – RMB3,000,000	**2**	–
Up to RMB1,000,000	**2**	5

14. PROPERTY, PLANT AND EQUIPMENT

The Group

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

	Buildings RMB'000	Infrastructure on cultivation bases RMB'000	Machinery RMB'000	Furniture, fixtures and office equipment RMB'000	Motor vehicles RMB'000	Construction–in-progress RMB'000	Total RMB'000
Cost or Valuation							
At 1 May 2004	14,116	61,731	12,051	7,113	937	48,160	144,108
Additions during the year	11,015	–	13,519	630	332	51,174	76,670
Transfer from/(to)	2,527	69,370	25,871	–	–	(97,768)	–
Disposals	–	–	(27)	(88)	–	–	(115)
At 30 April 2005	27,658	131,101	51,414	7,655	1,269	1,566	220,663
At 1 May 2005	27,658	131,101	51,414	7,655	1,269	1,566	220,663
Exchange realignment	–	–	4	(2)	(3)	–	(1)
Additions during the year	33,237	262	44,287	1,322	1,248	148,236	228,592
Transfer from/(to)	32,166	6,059	13,856	–	–	(52,081)	–
Disposals	–	–	(414)	(89)	(5)	–	(508)
Reclassification	1,690	–	(1,827)	137	–	–	–
At 30 April 2006	94,751	137,422	107,320	9,023	2,509	97,721	448,746
Accumulated depreciation							
At 1 May 2004	508	6,693	2,815	1,241	625	–	11,882
Charges during the year	933	7,630	2,823	491	233	–	12,110
Written back on disposals	–	–	(12)	(57)	–	–	(69)
At 30 April 2005	1,441	14,323	5,626	1,675	858	–	23,923
At 1 May 2005	1,441	14,323	5,626	1,675	858	–	23,923
Exchange realignment	–	–	–	(1)	(1)	–	(2)
Charges during the year	2,621	13,864	6,565	661	210	–	23,921
Written back on disposals	–	–	(13)	(10)	(1)	–	(24)
Reclassification	40	–	(53)	13	–	–	–
At 30 April 2006	4,102	28,187	12,125	2,338	1,066	–	47,818
Net book value							
At 30 April 2006	90,649	109,235	95,195	6,685	1,443	97,721	400,928
At 30 April 2005	26,217	116,778	45,788	5,980	411	1,566	196,740

14. PROPERTY, PLANT AND EQUIPMENT (Continued)

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

	2006 RMB'000	2005 RMB'000
Construction cost of building structure	18,108	1,566
Construction cost of infrastructure on cultivation bases	24,943	–
Cost of machinery pending installation	51,272	–
Cost of other property, plant and equipment	3,398	–
	97,721	1,566

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

	Buildings RMB'000	Infrastructure on cultivation bases RMB'000	Machinery RMB'000	Furniture fixtures and office equipment RMB'000	Motor vehicles RMB'000	Construction-in-progress RMB'000	Total RMB'000
At 30 April 2006							
At cost	82,010	137,422	107,320	9,023	2,509	97,721	436,005
At valuation	12,741	–	–	–	–	–	12,741
	94,751	137,422	107,320	9,023	2,509	97,721	448,746

	Buildings RMB'000	Infrastructure on cultivation bases RMB'000	Machinery RMB'000	Furniture fixtures and office equipment RMB'000	Motor vehicles RMB'000	Construction-in-progress RMB'000	Total RMB'000
At 30 April 2005							
At cost	14,917	131,101	51,414	7,655	1,269	1,566	207,922
At valuation	12,741	–	–	–	–	–	12,741
	27,658	131,101	51,414	7,655	1,269	1,566	220,663

Had the buildings been carried at cost less accumulated depreciation and impairment loss, the net book value of the Group's buildings as at 30 April 2006 would have been RMB90,605,000 (2005: RMB26,160,000).

14. PROPERTY, PLANT AND EQUIPMENT (Continued)

The Company

	Furniture, fixtures and equipment RMB'000	Motor vehicles RMB'000	Total RMB'000
Cost			
At 1 May 2004	97	138	235
Additions	64	–	64
At 30 April 2005	161	138	299
At 1 May 2005	161	138	299
Exchange realignment	(3)	(3)	(6)
At 30 April 2006	158	135	293
Accumulated depreciation			
At 1 May 2004	14	12	26
Charges for the year	23	46	69
At 30 April 2005	37	58	95
At 1 May 2005	37	58	95
Exchange realignment	(1)	(1)	(2)
Charges for the year	32	45	77
At 30 April 2006	68	102	170
Net book value			
At 30 April 2006	90	33	123
At 30 April 2005	124	80	204

15. NEGATIVE GOODWILL

	2006 RMB'000	2005 RMB'000
Gross negative goodwill		
Brought forward	**9,025**	9,025
Directly charged to equity	**(9,025)**	–
Carried forward	**–**	9,025
Accumulated negative goodwill recognised as income		
Brought forward	**2,707**	2,256
Amount recognised as income	**–**	451
Directly charged to equity	**(2,707)**	–
Carried forward	**–**	2,707
Carrying value	**–**	6,318

The negative goodwill arose from the discount on acquisition of Zhonglu by Icatrad Enterprises Limited, a wholly-owned subsidiary of the Group in April 1999. The discount represented the excess of net assets value acquired over the considerations paid by Icatrad Enterprises Limited in the course of the acquisition of Zhonglu.

With the adoption of HKFRS 3, the carrying value brought forward was directly charged to opening balance of retained profits.

16. INVESTMENTS IN SUBSIDIARIES

	2006 RMB'000	2005 RMB'000
Unlisted shares, at cost	**291,292**	296,893
Due from subsidiaries	**375,089**	204,174
Due to subsidiaries	**(391)**	(399)
	665,990	500,668

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

16. INVESTMENTS IN SUBSIDIARIES (Continued)

Details of subsidiaries as at 30 April 2006 are as follows:

Name	Place of incorporation/ operation	Issued/ paid up capital	Attributable equity interest Direct	Attributable equity interest Indirect	Principal activities
China Green (Hong Kong) Limited	Hong Kong	HK$10,000	100%	–	Dormant
Crop Harvest Enterprises Limited	British Virgin Islands	US$50,000	100%	–	Investment holding
Dragon Choice Enterprises Limited	British Virgin Islands	US$50,000	100%	–	Dormant
Goldprosper Enterprises Limited	British Virgin Islands	US$50,000	100%	–	Investment holding
Green Harvest Enterprises Limited	British Virgin Islands	US$50,000	100%	–	Investment holding
Icatrad Enterprises Limited ("Icatrad")	British Virgin Islands	US$50,000	100%	–	Investment holding
On Success Enterprises Limited	British Virgin Islands	US$50,000	100%	–	Investment holding
China Green (Thailand) Company Limited	Thailand	THB15,000,000	–	100%	Under liquidation
China Green Foods Group Co. Limited#	People's Republic of China	HK$50,000,000	–	100%	Investment holding
China Green Food Science Technique Limited#	People's Republic of China	HK$40,000,000	–	100%	Sales of agricultural products

16. INVESTMENTS IN SUBSIDIARIES (Continued)

Name	Place of incorporation/ operation	Issued/ paid up capital	Attributable equity interest Direct	Indirect	Principal activities
China Green (Fujian) Food Import & Export Company Limited#	People's Republic of China	HK$11,680,000	–	100%	Trading
Zhonglu (Fujian) Agriculture Comprehensive Development Company Limited ("Zhonglu")#	People's Republic of China	RMB68,000,000	–	100%	Growing, processing and sales of agricultural products
Zhonglu (Fujian) Food Industry Limited#	People's Republic of China	USD2,565,000	–	100%	Growing, processing and sales of agricultural products
Zhonglu (Hebei) Food Development Limited*	People's Republic of China	USD386,000	–	100%	Growing, processing and sales of agricultural products
Zhonglu (Hubei) Food Development Limited*	People's Republic of China	RMB10,000,000	–	100%	Growing, processing and sales of agricultural products
Zhonglu (Quanzhou) Green Foods Development Co. Limited*	People's Republic of China	HK$10,000,000	–	100%	Processing and sales of beverage products

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

\# Wholly foreign owned enterprise

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

17. LONG-TERM PREPAID RENTAL

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

	2006 RMB'000	2005 RMB'000
Cost		
Brought forward	**155,330**	107,080
Amount capitalised for the year	**23,421**	48,250
Early termination of lease	**(500)**	–
Carried forward	**178,251**	155,330
Accumulated amortisation		
Brought forward	**58,504**	38,160
Amortisation	**27,643**	20,344
Carried forward	**86,147**	58,504
Carrying value	**92,104**	96,826
Current portion	**(27,042)**	(25,144)
Non-current portion	**65,062**	71,682

Included above the carrying value of the long-term prepaid rental for fruit farms was RMB16,813,000 (2005: RMB22,963,000) as at 30 April 2006.

18. INVENTORIES

Inventories represent the following:

	Notes	**2006** **RMB'000**	2005 RMB'000 (As restated)
Raw materials	(i)	**1,331**	602
Work-in-progress	(ii)	**2,542**	2,001
Finished goods		**2,427**	309
Agricultural materials	(iii)	**305**	490
Consumable and packing materials	(iv)	**1,084**	1,834
Total		**7,689**	5,236

Notes:

(i) Raw materials mainly represent uncooked rice purchased for further processing.

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

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

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

(v) As at 30 April 2006 and 2005, no inventory was stated at net realizable value.

19. BIOLOGICAL ASSETS

(a) Reconciliation of carrying amount of biological assets:

	2006	2005
	RMB'000	RMB'000
		(As restated)
At the beginning of the year	**31,919**	29,087
Gain arising from changes in fair value less estimated point-of-sale costs	**15,166**	13,336
Increase due to plantation	**113,697**	90,721
Decrease due to harvest	**(122,951)**	(101,225)
Decrease due to disposal	**(1,679)**	–
At the end of the year	**36,152**	31,919
Non-current portion	**–**	(1,050)
Current portion	**36,152**	30,869

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

	2006	2005
	RMB'000	RMB'000
		(As restated)
Vegetables	**21,297**	19,854
Fruit	**13,006**	12,065
Rice	**1,849**	–
	36,152	31,919

19. BIOLOGICAL ASSETS (Continued)

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

	2006 RMB'000	2005 RMB'000 (As restated)
At fair value less estimated point-of-sale costs	**36,152**	30,869
At cost	**–**	1,050
	36,152	31,919

As at 30 April 2005, the biological assets carried at cost represented the growing asparagus. The asparagus was disposed of during the year.

Other vegetables and fruit were stated at fair value less estimated point-of-sale costs as at 30 April 2006. The fair value was determined based on the market price of respective matured produce in the local market adjusted with reference to the growing conditions, cost incurred and to be incurred and expected yield of the crops.

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

	2006		2005	
	Quantity (tons)	RMB'000	Quantity (tons)	RMB'000
Vegetable and rice	**170,321**	**196,566**	141,937	132,587
Fruit	**18,905**	**28,008**	18,183	25,862
	189,226	**224,574**	160,120	158,449

20. ACCOUNTS RECEIVABLE

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

	2006 RMB'000	2005 RMB'000
Within 1 month	**20,561**	9,118
Over 1 month but within 3 months	**929**	–
Over 3 months but within 6 months	**401**	63
Over 6 months but within 1 year	**714**	21
	22,605	9,202

21. PREPAYMENT, DEPOSITS PAID AND OTHER RECEIVABLE

	2006 RMB'000	2005 RMB'000
Prepayments	**5,299**	1,166
Rental and utility deposits	**761**	377
Deposits for acquisition of land	**29,666**	105,709
Trade deposits	**426**	–
Other deposits	**5**	–
Interest receivable	**1,084**	414
Other receivable	**577**	62
	37,818	107,728

22. BANK BALANCES AND CASH

As at 30 April 2006, RMB475,635,000 (2005: RMB327,028,000) of the Group's bank and cash balances were denominated in Renminbi and RMB34,174,000 (2005: RMB36,818,000) were denominated in United States Dollars and deposited with banks in the PRC. Others of RMB343,089,000 (2005: RMB167,717,000), RMBNil (2005: RMB224,000) and RMBNil (2005: RMB4,000) of the Group's bank and cash balances were denominated in Hong Kong Dollars, Thailand Baht and Japanese Yen respectively. The conversion of Renminbi denominated balances into foreign currencies is subject to the rules and regulations of foreign exchange control promulgated by the PRC government.

23. DUE TO A DIRECTOR

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

24. ACCOUNTS PAYABLE, ACCRUED EXPENSES AND OTHER PAYABLES

Accounts payable, accrued expenses and other payables consist of:

	2006 **RMB'000**	2005 RMB'000
Payable on property, plant and equipment	**2,436**	13,248
Accrued salaries and wages	**5,971**	5,846
Other accrued expenses and other payables	**4,320**	2,237
Trade deposits received	**985**	–
Value-added tax payable	**1,362**	–
Trade payables (Note 25)	**1,096**	1,650
	16,170	22,981

25. TRADE PAYABLES

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

	2006 **RMB'000**	2005 RMB'000
Within 1 month	**1,096**	1,650

26. DEFERRED TAXATION

	2006	2005
	RMB'000	RMB'000
		(As restated)
At the beginning of year	**3,773**	3,752
Transfer (to)/from taxation (note 8)	**(3,257)**	21
At the end of year	**516**	3,773
Provided for in respect of:		
Biological assets	**–**	3,345
Other timing differences	**516**	428
	516	3,773

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

27. CONVERTIBLE BONDS

On 26 January 2006, the Company issued 2.125% coupon convertible bonds (the "Bonds) with an aggregate principal amount of HK$325,000,000 and a maturity date of 24 January 2011. The bondholders have the right to convert their bonds into the Company's new ordinary shares at any time during the period from 26 January 2006 to 24 January 2011 at an initial conversion price of HK$2.6550 per ordinary share (subject to adjustment).

On the maturity date, the outstanding convertible bonds will be redeemed by the Company at 123.8% of original face value.

The fair values of the liability component and the equity conversion component were determined at issuance of the Bonds.

The fair value of the liability component of the Bonds was calculated using a market interest rate for an equivalent non-convertible bond. The residual amount, representing the value of the equity conversion component, is included in equity.

27. CONVERTIBLE BONDS (Continued)

The Bonds recognised in the balance sheets are calculated as follows:

	The Group and the Company	
	2006	2005
	RMB'000	RMB'000
Nominal amount of convertible bonds issued on 26 January 2006	**338,000**	–
Equity component	**(17,786)**	–
Liability component on initial recognition	**320,214**	–
Less: Direct transaction cost attributable to liability component	**(15,032)**	–
	305,182	–
Conversion of the bonds into the Company's new ordinary shares during the year	**(9,853)**	–
Accrued interest capitalised during the year	**5,705**	–
Amortisation of transaction costs during the year	**752**	–
Liability component at 30 April 2006	**301,786**	–

Since the date of issue up to 30 April 2006, the Bonds with an aggregate principal amount of RMB10,400,000 (equivalent to HK$10,000,000) were converted into the Company's new 3,766,478 ordinary shares.

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

28. SHARE CAPITAL

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

	Number of ordinary shares of HK$0.10 each	Nominal value	RMB equivalent
	'000	HK$'000	RMB'000
Authorised:			
At 30 April 2006 and 2005	2,000,000	200,000	212,000
Issued and fully paid:			
At 1 May 2004	622,500	62,250	65,985
Issue of shares (Note)	105,000	10,500	11,130
At 30 April 2005	727,500	72,750	77,115
Issue of share conversion of convertible bonds	3,766	377	392
At 30 April 2006	731,266	73,127	77,507

Note:

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

29. EQUITY SETTLED SHARE-BASED TRANSACTIONS

Share options

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

(i) The total number of shares which may be issued upon exercise of all options to be granted under the Scheme and any other share option schemes of the Company must not in aggregate exceed ten (10) per cent. of the shares in issue on 23 September 2004, being the date of refreshment of the limit under the Scheme unless the Company obtains a fresh approval from its shareholders, and which must not in aggregate exceed thirty (30) per cent. of the shares in issue from time to time.

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

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

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

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

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

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

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

29. EQUITY SETTLED SHARE-BASED TRANSACTIONS (Continued)

The options may be exercised at any time from 12 months from the date of acceptance of the offer to the expiry date of the Scheme. The exercise price is determined by the directors of the Company, and shall not be less than higher of the closing price of the Company's shares on the date of grant, the average closing price of the shares for the five business days immediately preceding the date of grant and the nominal value of the shares of the Company. The options vest from 12 months from the date of grant and are then exercisable within a period up to 11 December 2013. Each option gives the holder the right to subscribe for one ordinary share in the Company.

(a) The terms and conditions of the grants that existed during the year are as follows, whereby all options are settled by physical delivery of shares:

	Number of options '000	Vesting conditions	Contractual life of options
Options granted to directors:			
– 15 December 2005	14,400	1 year from the date of grant	6.99 years
Options granted to employees:			
– 15 December 2005	7,200	1 year from the date of grant	6.99 years
– 19 April 2006	20,400	1 year from the date of grant	7.65 years
	42,000		

29. EQUITY SETTLED SHARE-BASED TRANSACTIONS (Continued)

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

	2006		2005	
	Weighted average exercise price	**Number of options '000**	Weighted average exercise price	Number of options '000
Outstanding at the beginning of the year	**–**	**–**	–	–
Granted during the year	**2.75**	**42,000**	–	–
	2.75	**42,000**	–	–
Outstanding at the end of the year	**2.75**	**42,000**	–	–
Exercisable at the end of the year	**–**	**–**	–	–

The option outstanding at 30 April 2006 had an exercise price of ranged from HK$2.05 to HK$3.50 (2005: HK$Nil) and a weighted average remaining contractual life of 7.31 years (2005: Nil years).

29. EQUITY SETTLED SHARE-BASED TRANSACTIONS (Continued)

(c) Fair value of share options and assumptions

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

Fair value of share options and assumptions

	2006	2005
Fair value at measurement date	**HK$0.77**	–
Share price	**3.25**	–
Exercise price (weighted average)	**2.75**	–
Expected volatility (weighted average)	**43%**	–
Option life (weighted average)	**7.31 years**	–
Expected dividends	**3%**	–
Risk-free interest rate (weighted average)	**4.45%**	–

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

There was no service conditions or market conditions associated with the share options granted.

30. RESERVES

The Company

	Share premium	Contributed surplus Note (iii)	Share options reserve	Convertible bonds reserve	Exchange reserve	Retained profits	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
At 1 May 2004	143,252	294,402	–	–	–	13,530	451,184
Issue of shares at premium	151,368	–	–	–	–	–	151,368
Share issuance expenses	(3,975)	–	–	–	–	–	(3,975)
Profit for the year	–	–	–	–	–	52,375	52,375
Dividends paid	–	–	–	–	–	(34,789)	(34,789)
At 30 April 2005 and 1 May 2005	290,645	294,402	–	–	–	31,116	616,163
Equity-settled share-based transactions	–	–	5,682	–	–	–	5,682
Recognition of equity components of convertible bonds	–	–	–	16,951	–	–	16,951
Issue of shares on conversion of convertible bonds	9,982	–	–	(521)	–	–	9,461
Exchange realignment	–	–	–	–	(13,081)	–	(13,081)
Profit for the year	–	–	–	–	–	82,683	82,683
Dividends paid	–	–	–	–	–	(57,502)	(57,502)
At 30 April 2006	300,627	294,402	5,682	16,430	(13,081)	56,297	660,357

30. RESERVES (Continued)

Notes:

(i) According to PRC rules and regulations, PRC enterprises are required to transfer 10 percent and 5 percent of its profits after tax to Statutory Common Reserve and Statutory Welfare Reserve respectively. The transfer to the Statutory Common Reserve is required until it aggregates to 50 percent of the Company's registered capital. The Statutory Common Reserve can be used to make good previous year's losses while the Statutory Welfare Reserve can be utilised for employees' welfare facilities. From 1 January 2006, PRC enterprises are no longer required to transfer 5 percent of its profits after tax to Statutory Welfare Reserve.

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

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

(iv) At 30 April 2006, the aggregate amount of reserves available for distribution to shareholders of the Company was approximately RMB638,245,000 (2005: RMB616,163,000).

31. FINANCIAL RISK MANAGEMENT

The Group is exposed to various kinds of risks in its operation and financial instruments. The Group's risk management objectives and policies mainly focus on minimizing the potential adverse effects of these risks on the Group by closely monitoring the individual exposure as follows:

a) Market risk

i) Currency risk

The Group purchases mainly in Renminbi but sells in various currencies, mainly US dollars and Renminbi, that exposes it to foreign currency risk arising from such sales and the resulting receivables. The Company closely and continuously monitors the exposure by requesting the early settlement of trade debts within a short period.

ii) Interest rate risk

The Group's exposure on interest rate risk mainly arises from its fixed deposits with banks, which are classified as cash and cash equivalents.

However, since the fixed deposits with banks usually mature within 3 months, the exposure is considered not significant.

31. FINANCIAL RISK MANAGEMENT (Continued)

b) Credit risk

The Group has no concentrations of credit risk and requests the customers to settle the receivables within short period of time. It also sets credit limit on each individual customer and prior approval is required for any transaction exceeding that limit. The customer with sound payment history would accumulate a higher credit limit. For domestic sales, most of them were carried out on cash basis. The management would also closely monitor the recovery of outstanding receivables before further transactions.

c) Liquidity risk

The Company manages its funds conservatively by maintaining a comfortable level of cash and cash equivalents in order to meet continuous operational need. Various banking facilities and credit lines have also been arranged with different banks in order to fund any emergency liquidity requirements.

d) Estimation of fair values

The estimation of fair values of equity-settled share-based transactions is disclosed in note 29.

e) Fair value

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

32. COMMITMENTS

a) Capital commitments

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

	2006	2005
	RMB'000	RMB'000
Contracted but not provided for		
– Purchase of property, plant and equipment	**17,042**	17,991

32. COMMITMENTS (Continued)

b) Operating lease commitments

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

	2006 RMB'000	2005 RMB'000
The Group		
Within one year	**18,912**	9,382
In the second to fifth years	**47,088**	56,684
After the fifth years	**143,770**	176,760
Total	**209,770**	242,826
The Company		
Within one year	**650**	383
In the second to fifth years	**465**	–
Total	**1,115**	383

33. RELATED PARTY TRANSACTIONS

Pursuant to HKAS 24 issued by the Hong Kong Institute of Certified Public Accountants "Related Party Disclosures", other than the balances and information disclosed in note 23 "Due to a director", there was no related party transaction during the years ended 30 April 2006 and 2005.

34. COMPARATIVE FIGURES

Certain comparative figures have been adjusted or re-classified as a result of the changes in accounting policies. Further details are disclosed in note 3.

35. ULTIMATE PARENT ENTERPRISE

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