



## A vertical collage of various vegetables arranged in a stylized plant-like structure. The vegetables include cauliflower, green beans, asparagus, green peas, corn, and broccoli, all presented in vibrant colors and arranged in a way that suggests a healthy diet.

\* For identification only



## INTERIM RESULTS

The Board of Directors (the “Board”) of China Green (Holdings) Limited (the “Company”) is pleased to present the unaudited Interim Report of the Company and its subsidiaries (together the “Group”) for the six months ended 31 October 2006. The consolidated interim financial statements are unaudited and condensed, together with selected explanatory notes, are set out below and have been reviewed by the Company’s Audit Committee.

## CONDENSED CONSOLIDATED PROFIT AND LOSS ACCOUNT

For the six months ended 31 October 2006

		Unaudited Six months ended 31 October	
		2006	2005
	Note	RMB'000	RMB'000
Turnover	4	<b>387,179</b>	262,475
Cost of sales		<b>(189,723)</b>	(144,792)
Gross profit	4	<b>197,456</b>	117,683
Other revenues		<b>11,610</b>	2,890
Gain arising from changes in fair value less estimated point-of-sale costs of biological assets		<b>23,148</b>	22,775
Selling and distribution expenses		<b>(40,014)</b>	(18,239)
General and administrative expenses		<b>(33,068)</b>	(15,639)
Net other operating expenses		<b>(7,286)</b>	(3,045)
Operating profits	5	<b>151,846</b>	106,425
Finance cost		<b>(10,324)</b>	–
Profit before taxation		<b>141,522</b>	106,425
Taxation	6	–	–
Profit attributable to equity holders of the Company		<b>141,522</b>	106,425
Dividends	7	<b>37,781</b>	28,751
Earnings per share			
– Basic	8(a)	<b>RMB19 cents</b>	RMB15 cents
– Diluted	8(b)	<b>RMB18 cents</b>	RMB15 cents



## CONDENSED CONSOLIDATED BALANCE SHEET

As at 31 October 2006

		As at 31 October 2006 RMB'000 (Unaudited)	As at 30 April 2006 RMB'000 (Audited)
Note			
<b>Non-current assets</b>			
	9	430,176	400,928
Property, plant and equipment			
Lease premium for land		65,731	65,062
Long-term prepaid rental		68,221	66,432
		564,128	532,422
<b>Current assets</b>			
		23,705	7,689
Inventories			
Biological assets		52,722	36,152
Accounts receivables	10	15,800	22,605
Short-term prepaid rental		57	397
Prepayment, deposits and other receivables		37,368	37,818
Current portion of long-term prepaid rental		31,042	27,042
Current portion of lease premium for land		1,404	1,404
Fixed deposits		105,453	–
Bank balances and cash	11	799,026	852,898
		1,066,577	986,005
<b>Current liabilities</b>			
	12	20,945	16,170
Accounts payables, accruals and other payables			
Taxation payable		67,325	67,325
		88,270	83,495
<b>Net current assets</b>			
		978,307	902,510
<b>Total assets less current liabilities</b>			
		1,542,435	1,434,932
<b>Non-current liabilities</b>			
	14	203,868	301,786
Convertible bonds			
Deferred taxation		516	516
		204,384	302,302
<b>Net assets</b>			
		1,338,051	1,132,630
<b>Represented by:</b>			
		1,338,051	1,132,630
Capital and reserves			



## Condensed Consolidated Cash Flow Statement

For the six months ended 31 October 2006

	Unaudited	
	Six months ended 31 October	
	2006	2005
	RMB'000	RMB'000
<b>Net cash inflow from operating activities</b>	<b>169,927</b>	106,779
<b>Net cash used in investing activities</b>	<b>(166,767)</b>	(122,410)
<b>Net cash used in financing activities</b>	<b>(49,868)</b>	(29,304)
<b>Effect of foreign exchange rate changes</b>	<b>(7,164)</b>	(118)
<b>Decrease in cash and cash equivalents</b>	<b>(53,872)</b>	(45,053)
Cash and cash equivalents at 1 May	<b>852,898</b>	531,791
<b>Cash and cash equivalents at 31 October</b>	<b>799,026</b>	486,738
<b>Analysis of balances of cash and cash equivalents:</b>		
Bank balances and cash	<b>799,026</b>	486,738



## CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 31 October 2006

	Share capital	Share premium	PRC statutory reserves	Merger reserve	Share option reserve	Convertible bonds reserve	Exchange reserve	Retained profits	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
	(Note 15)								
As at 1 May 2005 (audited)	77,115	290,645	68,374	14,694	–	–	281	437,786	888,895
Profit for the period	–	–	–	–	–	–	–	106,425	106,425
Transfer	–	–	7,879	–	–	–	–	(7,879)	–
Dividends paid	–	–	–	–	–	–	–	(29,304)	(29,304)
Exchange realignment	–	–	–	–	–	–	(147)	–	(147)
As at 31 October 2005 (unaudited)	77,115	290,645	76,253	14,694	–	–	134	507,028	965,869
As at 1 May 2006 (audited)	77,507	300,627	79,985	14,694	5,682	16,430	(2,243)	639,948	1,132,630
Equity-settled share-based payment	–	–	–	–	15,112	–	–	–	15,112
Issue of shares on conversion of convertible bonds	3,842	97,907	–	–	–	(5,116)	–	–	96,633
Profit for the period	–	–	–	–	–	–	–	141,522	141,522
Dividends paid	–	–	–	–	–	–	–	(46,483)	(46,483)
Exchange realignment	–	–	–	–	–	–	(1,363)	–	(1,363)
As at 31 October 2006 (unaudited)	81,349	398,534	79,985	14,694	20,794	11,314	(3,606)	734,987	1,338,051



## NOTES TO CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

### 1. 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 "Stock Exchange").

This condensed consolidated interim financial information is presented in Renminbi ("RMB"), unless otherwise stated.

### 2. Basis of preparation

The unaudited condensed consolidated interim financial statements have been prepared in accordance with the disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules") issued by the Stock Exchange and with Hong Kong Accounting Standard (the "HKAS") No. 34 "Interim Financial Reporting" issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA").

### 3. Accounting policies

The accounting policies and basis of preparation used in the preparation of unaudited condensed consolidated interim financial statements are consistent with those used in the preparation of Group's annual financial statements for the year ended 30 April 2006.

In the current period, the Group has applied, for the first time, a number of new Hong Kong Financial Reporting Standards (the "HKFRSs"), Amendments and Interpretations ("HK(IFRIC) – Int(s)") issued by HKICPA, where are effective for accounting periods beginning on or after 1 December 2005, 1 January 2006, 1 March 2006 or 1 May 2006 respectively as follows :

HKAS 19 Amendment	Actuarial Gains and Losses, Group Plans and Disclosures
HKAS 21 Amendment	Net Investment in a Foreign Operation
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 Guarantee Contracts
HKFRS 6	Exploration for and Evaluation of Mineral Resources
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
HK(IFRIC)-Int 8	Scope of HKFRS 2

The adoption of these new standards, amendments and interpretations had no material effect on how the results for the current or prior accounting periods have been prepared and presented. Accordingly, no prior period adjustment has been required.



The Group has not early applied the following new standards, amendments and interpretations that have been issued but are not yet effective.

HKAS 1 Amendment

HKFRS 7

HK(IFRIC)-Int 9

HK(IFRIC)-Int 10

Capital Disclosures <sup>1</sup>

Financial Instruments : Disclosures <sup>1</sup>

Reassessment of Embedded Derivatives <sup>2</sup>

Interim Financial Reporting and Impairment <sup>3</sup>

<sup>1</sup> Effective for annual periods beginning on or after 1 January 2007

<sup>2</sup> Effective for annual periods beginning on or after 1 June 2006

<sup>3</sup> Effective for annual periods beginning on or after 1 November 2006

#### 4. Segmental Reporting

##### (a) Business segments

The Group is principally engaged in the planting and sales of agricultural products. An analysis of the Group's turnover and gross profit by product categories for the six months ended 31 October 2006 and 2005 are as follows:

	Unaudited	
	Six months ended 31 October 2006	2005
	RMB'000	RMB'000
Turnover		
Fresh produces	111,933	102,201
Processed products	98,940	63,391
Pickled products	54,185	23,137
Beverage	53,638	24,039
Rice products	38,172	49,707
Rice flour products	30,311	—
	<b>387,179</b>	<b>262,475</b>
Gross profit		
Fresh produces	52,943	46,983
Processed products	56,721	34,351
Pickled products	29,818	10,668
Beverage	31,876	12,104
Rice products	10,272	13,577
Rice flour products	15,826	—
	<b>197,456</b>	<b>117,683</b>



(b) *Geographical segments*

An analysis of the Group's result of operation by geographical locations for the six months ended 31 October 2006 and 2005 are as follows:

	Unaudited	
	Six months ended 31 October	
	2006	2005
	RMB'000	RMB'000
Turnover		
Mainland China	209,834	146,273
Japan	126,572	108,050
Other Asian countries	12,842	7,748
Europe	37,545	–
Australia	386	404
	387,179	262,475
Gross profit		
Mainland China	95,959	54,527
Japan	71,812	59,279
Other Asian countries	7,478	3,644
Europe	21,989	–
Australia	218	233
	197,456	117,683

No analysis of assets and additions to property, plant and equipment by geographical locations is presented as over 99% of the Group's assets in terms of net book value at each respective balance sheet dates are located in the People's Republic of China (the "PRC").





## 5. Operating profits

Operating profits are stated after crediting and charging the following:

	<b>Unaudited</b>	
	<b>Six months ended 31 October</b>	
	<b>2006</b>	<b>2005</b>
	<b>RMB'000</b>	<b>RMB'000</b>
<b>Crediting</b>		
Interest income	7,437	1,636
Waived interest expenses on convertible bonds	3,895	–
Gain arising from changes in fair value less estimated point-of-sale costs of biological assets	23,148	22,775
<b>Charging</b>		
Depreciation of owned property, plant and equipment (net of amount capitalized in inventories)	15,355	10,132
Staff costs (including directors emoluments)	53,560	36,108
Research and development expenses	9,393	1,948
Interest expenses on convertible bonds	10,324	–
Amortisation of long-term prepaid rental included in cost of goods sold (net of amount capitalised in inventories)	11,370	10,821
Loss on disposal of property, plant and equipment	106	373
Loss on disposal of biological assets	–	822
Exchange loss	608	2,018

## 6. Taxation

	<b>Unaudited</b>	
	<b>Six months ended 31 October</b>	
	<b>2006</b>	<b>2005</b>
	<b>RMB'000</b>	<b>RMB'000</b>
Hong Kong profits tax (note a)	–	–
PRC enterprise income tax (note b)	–	–
	–	–



(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.

(b) *PRC enterprise income tax*

Zhonglu (Fujian) Agriculture Comprehensive Development Company Limited ("Zhonglu"), the principal wholly-owned subsidiary of the Group is subject to PRC enterprise income tax at a rate of 24%. However, during the year ended 30 April 2005, Zhonglu was awarded as "State-Level Agricultural Leading Enterprise" of the nation by the central government of the PRC. According to the circular Nong Jing Fa [2004] No.5, domestic PRC State-Level Agricultural Leading Enterprises are entitled to certain tax benefits including full exemption of PRC enterprise income tax. Other PRC subsidiaries incorporated in the past two years still enjoyed 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.

## 7. Dividends

At a Board meeting held on 24 January 2007, the Board has resolved to declare an interim dividend of RMB0.048 (equivalent to HK\$0.048) per share for the six months ended 31 October 2006 (2005: RMB0.0395).

## 8. 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 RMB141,522,000 (2005: RMB106,425,000) and on the weighted average of 736,609,145 ordinary shares (2005: 727,500,000 ordinary shares) in issue during the period, calculated as follows:

Weighted average number of ordinary shares :

	2006	2005
Issued ordinary shares at 1 May (audited)	731,266,478	727,500,000
Effect of conversion rights attached to convertible bonds exercised	5,342,667	—
Weighted average number of ordinary shares at 31 October (unaudited)	736,609,145	727,500,000



(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 RMB147,952,000 (2005: RMB106,425,000) and the weighted average number of ordinary shares of 825,699,978 (2005: 727,500,000 ordinary shares), calculated as follows:

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

	Unaudited	
	2006	2005
	RMB'000	RMB'000
Profit attributable to ordinary equity shareholders	141,522	106,425
Net after tax effect of effective interest on liability component of convertible bonds	6,430	—
Profit attributable to ordinary equity shareholders (diluted)	147,952	106,425

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

	Unaudited	
	2006	2005
Weighted average number of ordinary shares at 31 October	736,609,145	727,500,000
Effect of conversion of convertible bonds into the Company's new ordinary shares	80,979,284	—
Effect of full exercise of share options	8,111,549	—
Weighted average number of ordinary shares at 31 October (diluted)	825,699,978	727,500,000

## 9. Property, plant and equipment

During the period, approximately RMB47,252,000 (2005: RMB114,989,000) were spent on acquisition of property, plant and equipment.



## 10. Accounts receivables

Credit terms granted by the Group to customers are generally less than one month.

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

	<b>As at 31 October 2006 RMB'000 (Unaudited)</b>	<b>As at 30 April 2006 RMB'000 (Audited)</b>
Within 1 month	<b>15,063</b>	20,561
Over 1 month but less than 3 months	<b>737</b>	929
Over 3 months but less than 6 months	–	401
Over 6 months but within 1 year	–	714
	<b>15,800</b>	22,605

## 11. Bank balances and cash

	<b>As at 31 October 2006 RMB'000 (Unaudited)</b>	<b>As at 30 April 2006 RMB'000 (Audited)</b>
Cash on hand	<b>433</b>	389
Cash at banks	<b>798,593</b>	852,509
	<b>799,026</b>	852,898



## 12. Accounts payables, accruals and other payables

Accounts payables, accruals and other payables consist of:

	As at 31 October 2006 RMB'000 (Unaudited)	As at 30 April 2006 RMB'000 (Audited)
Payable on property, plant and equipment	5,722	2,436
Accrued salaries and wages	7,075	5,971
Other accrued expenses and other payables	4,867	4,320
Trade deposits received	–	985
Value-added tax payable	1,709	1,362
Trade payables (Note 13)	1,572	1,096
	<b>20,945</b>	<b>16,170</b>

## 13. Trade payables

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

	As at 31 October 2006 RMB'000 (Unaudited)	As at 30 April 2006 RMB'000 (Audited)
Within 1 month	1,558	1,096
Over 3 months but less than 6 months	14	–
	<b>1,572</b>	<b>1,096</b>



#### 14. 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.

During the period, the Bonds with an aggregate principal amount of HK\$100,000,000 were converted into the Company’s new 37,664,782 ordinary shares. As at 31 October 2006, the Bonds with an aggregate principal amount of HK\$215,000,000 were still outstanding.

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.

#### 15. Share capital

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

	As at 31 October 2006 RMB'000 (Unaudited)	As at 30 April 2006 RMB'000 (Audited)
Authorised:		
2,000,000,000 ordinary shares of HK\$0.10 each	212,000	212,000
Issued and fully paid:		
768,931,260 (30 April 2006 : 731,266,478) ordinary shares of HK\$0.10 each	81,349	77,507



A summary of movements in the issued share capital of the Company during the period is as follow :

	Number of ordinary shares of HK\$0.10 each ('000)	Nominal value (HK\$'000)	RMB equivalent (RMB'000)
Issued and fully paid:			
At 1 May 2006 (audited)	731,266	73,127	77,507
Issue of shares on conversion of convertible bonds	37,665	3,766	3,842
At 31 October 2006 (unaudited)	768,931	76,893	81,349

## 16. Commitments

### (a) Capital commitments

At the end of the period, the Group had the following capital commitments:

	As at 31 October 2006 RMB'000 (Unaudited)	As at 30 April 2006 RMB'000 (Audited)
Contracted but not provided for – Purchase of property, plant and equipment	9,742	17,042

### (b) Operating lease commitments

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

	As at 31 October 2006 RMB'000 (Unaudited)	As at 30 April 2006 RMB'000 (Audited)
Within one year	16,679	18,912
In the second to fifth year	46,915	47,088
After the fifth year	152,895	143,770
	216,489	209,770



## 17. Contingent liabilities

The Group did not have any significant contingent liabilities as at the balance sheet date (30 April 2006: Nil).

## 18. Related party transactions

Pursuant to HKAS 24 issued by the HKICPA “Related Party Disclosures”, during the period, the Group has entered into the following transactions :

The remuneration of key management personnel during the period was as follows:

	Unaudited	
	Six months ended 31 October 2006	2005
	RMB'000	RMB'000
Fee for non-executive directors	35	27
Other emoluments for executive directors		
– remuneration and other benefit in kind	915	841
– equity-settled share-based payment	4,573	–
– retirement cost	9	9
	5,532	877

## 19. Comparative figures

Certain comparative figures in the interim financial statements have been reclassified to conform to the current period's presentation.

## 20. Approval of the interim financial statements

The unaudited condensed consolidated interim financial statements were approved and authorised for issue by the Board on 24 January 2007.





## REPORT OF THE BOARD

### INTERIM DIVIDEND

The Board resolved to declare an interim dividend of RMB0.048 (equivalent to HK\$0.048) per share for the six months ended 31 October 2006 to be payable on Monday, 5 March 2007 to those shareholders whose names appear on the register of members of the Company on Wednesday, 14 February 2007.

### CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from Friday, 9 February 2007 to Wednesday, 14 February 2007, both dates inclusive, during which period no transfer of shares will be effected. In order to qualify for the interim dividend, all transfer accompanies by the relevant share certificates must be lodged with the Company's branch share registrar and transfer office in Hong Kong, Computershare Hong Kong Investor Services Limited, Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong for registration no later than 4:00 p.m. on Thursday, 8 February 2007.

Holders of the 2.125% convertible bonds (the "Bonds") of the Company should lodge the conversion notice together with the relevant document evidencing the title of the Bonds to the conversion agent of the Bonds not later than Friday, 2 February 2007 in order to qualify for the interim dividend.

### BUSINESS REVIEW

During the period under review, the PRC economy maintained its strong growth momentum. In 2006, the GDP growth was about 9%. In addition, with a clear objective of stimulating economic growth by means of domestic consumption instead of fixed asset investments, the PRC government implemented some measures to curb overheat investment. In addition, with increasing wealth and health consciousness of Chinese population, the living standard gradually enhanced. Those improvements eventually boosted the consumer confidence of urban and suburban citizens. Altogether with the implementation of various measures to encourage the development of retail industry and to assure food quality by the government authorities, the demand for green and healthy food is undoubtedly surging.

Given the favorable environment, by leveraging on management and expertise who strictly adhered to the development strategies, the Group sustained its growth with turnover and net profit growth of 48% and 33% respectively period on period.



### **Cultivation bases and Processing plants**

During the period under review, a total of approximately 8,000 mu of cultivation bases was newly leased at Wanquan, Hebei Province, Fengxin, Jiangxi Province and Zhangpu, Fujian Province, the Group is further to leverage on this diverse cultivation bases with different climates and conditions in order to ensure a stable supply of fresh produces throughout the year. As at 31 October 2006, the Group's aggregate areas of long-leased cultivation bases increased to approximately 52,000 mu and divided into 27 vegetable cultivation bases, 5 fruit cultivation bases and 1 organic rice cultivation base with total annual cultivation capacity of approximately 236,000 tonnes.

In order to benefit from increasing global demand for processed fruit and vegetables, the Group continued to consolidate and expand its green food processing platform. With a continual process of upgrading, the Group operated a total of 10 processing plants with total annual processing capacity of approximately 397,000 tonnes as at 31 October 2006.

During the period under review, the Group's export sales and domestic sales were approximately RMB177,345,000 and RMB209,834,000 respectively, representing approximately 46% and approximately 54% of total sales. The Group's largest export destination – Japan – contributed approximately 71% of export sales while Europe contributed approximately 21% of the export sales. The increase was mainly underpinned from the demand for processed products in Germany and Belgium. For domestic market, a 43% increase in overall sales against the same period last year. The increase was mainly due to the robust demand for beverages and rice flour products in Fujian and Jiangxi Provinces.

### **Sales performance**

For the six months ended 31 October 2006, the sales of fresh produces accounted for 29% of total turnover, while the sales of processed fruit and vegetables, beverage, rice and rice flour products accounted for 39%, 14%, 10% and 8% of the total turnover respectively.

### **Fresh produces**

During the period under review, the overall sales of fresh produces was increased approximately 10% over the same period in 2005. Such increase was mainly contributed by sustained robust demand for fresh fruit and vegetables in the domestic market.

### **Processed products**

Processed products continue to become as the key business driver during the period under review, the amount made up approximately 71% (2005: approximately 61%) of the Group's total turnover. Processed products included processed fruit and vegetables, beverages, rice and rice flour.



### *Processed fruit and vegetables*

During the period under review, the overall sales of processed fruit and vegetables was increased by approximately 77% to approximately RMB153,125,000 (2005: approximately RMB86,528,000). Such increment was mainly contributed by strong growth in global demand for pickled products and instant-frozen products.

### *Beverages*

During the period under review, the overall sales of beverages was increased by approximately 123% to approximately RMB53,638,000 (2005: approximately RMB24,039,000). Such increment was mainly contributed by the sustained robust demand for the corn milk series in Fujian and Jiangxi Provinces.

### *Rice*

During the period under review, the sales of rice was decreased by approximately 23% to approximately RMB38,172,000 (2005: approximately RMB49,707,000).

### *Rice flour*

During the period under review, the sales of new launched product segment “rice flour” was amounted to approximately RMB30,311,000.

## **MANAGEMENT DISCUSSION AND ANALYSIS**

### **Financial review**

The Group continued to deliver double-digit percentage growth in turnover and profit attributable to shareholders during the six months ended 31 October 2006. During the first half of this financial year, the Group's turnover grew approximately 48% to approximately RMB387,179,000 representing approximately 23% of the increment of sales contributed from the export market and approximately 25% of the increment of sales contributed from the domestic market.

The gross profit margin in the sales of fresh produces was slightly increased to approximately 47% as compared to approximately 46% of prior period while the gross profit margin of processed fruit and vegetables was increased to approximately 57% as compared to approximately 52% of prior period. Such increase was mainly due to the sales of processed fruit and vegetables with high gross profit margin in other Asian countries and Europe. Moreover, the gross profit margin of beverage was increased to approximately 59% as compared to approximately 50% of prior period. Such increase was mainly due to the improvement in the processing technique. On the other hand, the Group's lowest gross profit margin product – rice – generated turnover of approximately RMB38,172,000, approximately 23% decrease against the same period last year. As a result, the overall gross profit margin of the Group was improved to approximately 51% as compared to approximately 45% of prior period.



During the period under review, the net profits margin was approximately 37%, as compared to approximately 41% of prior period. It was attributable to the increase in selling and distribution expenses for our branded products as we deepened our advertising coverage while the administrative expenses increment was due to the charges of employees' share options scheme. Moreover, the increment of finance costs was due to the interest expenses for the convertible bonds in the reporting period.

### **Liquidity and financial resources**

As at 31 October 2006, the Group had fixed deposits and cash and cash equivalents of approximately RMB904,479,000. The Group deposited funds in banks in the PRC and licensed banks in Hong Kong.

As at 31 October 2006, the 2.125% convertible bonds (the "Bonds") with an aggregate principal amount of HK\$215,000,000 were still outstanding. The Group's gearing ratio as at 31 October 2006, calculated by dividing net borrowing of approximately RMB203,868,000 by total equity of approximately RMB1,338,051,000 was approximately 0.15.

### **Capital commitments and contingencies**

During the period under review, the Group was committed to the expansion of the Group's existing facilities to enhance its production capacity. As at 31 October 2006, the Group has outstanding contractual capital commitments of approximately RMB9.7 millions. As at 31 October 2006, the Group has not provided any form of guarantee for any company outside the Group and has not been involved in any material legal proceedings for which provision for contingent liabilities was required.

### **Exposure to fluctuation in exchange rates**

For the six months ended 31 October 2006, the Group conducted its business transactions principally in US dollars and Renminbi. The Group has not experienced any material difficulties or negative impacts on its operations as a result of fluctuations in currency exchanges rates. The Directors consider no hedging of exchange risk is required. Nevertheless, the management will continue to monitor the foreign exchange exposure and will take prudent measures as and when it is appropriate. After reasonable and cautious assessment, the Directors considers the appreciation of Renminbi in the year has had insignificant impact on the Group's export business.

### **Significant investments and acquisitions**

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

**Charge on assets**

As at 31 October 2006, the Group had not pledged any asset to its bankers to secure banking facilities granted to the Group.

**Staff and remuneration policies**

As at 31 October 2006, the Group had a total of over 6,600 employees, amongst which approximately 3,500 are workers in the Group's cultivation bases. Employees are remunerated at a competitive level, taking into account individual performance and experience. Other benefits include mandatory provident funds and year-end bonus based on individual performance.

**Capital structure**

During the period under review, the Company issued 37,664,782 ordinary shares as a result of the conversion of the Bonds in the aggregate principal amount of HK\$100,000,000 at the conversion price of HK\$2.6550 per share.

**FUTURE PROSPECTS**

Looking forward, as increasing affluent consumers gain greater awareness of the healthy benefits of green food, the Group is persistently to position as the comprehensive green food supplier in fiscal year 2007.

In the year ahead, the Group's development will be underpinned by four major thrusts:

**Standardized green food supplier**

In November 2006, the Group decided to lease a total of 20,000 mu of cultivation base in Tianmen, Hubei Province so as to further implement the Group's seasonal complementary model on its all-altitude cultivation bases. Moreover, the Group planned to develop this cultivation base as the largest organic cultivation base in the PRC on which we will initiate to adopt the isolated management attitude with the combinations of contemporary ecological principle, environmentalology and scientific technological measures in order to integrate with the Group's modern cultivation method. On the other hand, the Group will gradually take the lead to introduce advanced cultivation technology to the newly leased cultivation bases so as to implement comprehensive green controls in order to ensure food safety.

**Large scale green food production and processing platform**

As at 31 October 2006, the Group's annual processing capacity was amounted to approximately 397,000 tonnes. Going forward, the Group will continue to broaden its processing capacity .

**The leading brand for green consumption food**

In this fiscal year, the Group will put more efforts on China Green's brands and planned to spend approximately RMB40 millions for promoting the brands and its related products. The



management will selectively take brands to be regionally well known ones and gradually extended to other provinces in the PRC. The management strives to create the Group's brands as the leader in green food categories.

### Green food supply chain

Leveraging on the existing cultivation bases and food processing platform for green food, the Group successfully extended its export market to **Spain and Russia**. **Looking forward, the Group** will continue in exploring business opportunities in overseas market. On the other hand, the Group proactively sought for suitable locations and strategic partners to extend its distribution network in the PRC. As a result, the management will continue to put efforts and strives to achieve its goals to become a national comprehensive vertically integrated green food supplier in the PRC.

### DIRECTORS' INTERESTS IN SECURITIES

At 31 October 2006, the interest or short position of the Directors and chief executive of the Company in the shares, underlying shares and debentures of the Company or any associated corporation (within the meaning of Part XV of the Securities and Futures Ordinance ("SFO") which were notified to the Company and the Stock Exchange of Hong Kong Limited (the "Stock Exchange") pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short position which they are taken or deemed to have under such provisions of the SFO), or which were required, pursuant to section 352 of the SFO, to be entered in the register referred to therein, or which were required, pursuant to the Model Code for Securities Transactions by Directors of Listed Companies ("Model Code"), are set out below:

#### Interests and short position in shares, underlying shares and debentures of the Company

Name of Director	Capacity	Long position/ Short position	Number of ordinary shares held	Percentage of the Company's issued share capital
Mr. Sun Shao Feng	Being a beneficial owner	Long position	7,200,000 (Note 1)	0.94%
	Having an interest in a controlled corporation	Long position	405,282,000 (Note 2)	52.71%
Mr. Kung Sze Wai	Being a beneficial owner	Long position	7,200,000 (Note 1)	0.94%



Notes:

1. These shares are derived from the interests in share options granted by the Company, details of which are set out in the section headed “Share Options” below; and
2. These 405,282,000 ordinary shares of the Company are held through Capital Mate Limited, a company incorporated in the British Virgin Islands with limited liability which is wholly and beneficially owned by Mr. Sun Shao Feng.

Save as disclosed above, none of the Directors or chief executive of the Company nor their associates, had any interests in long position or short position in the shares, underlying shares or debentures of the Company or its associated corporations which they are taken or deemed to have under such provision of the SFO, or which were required, pursuant to section 352 of the SFO, to be entered in the register referred to therein, or which were required, pursuant to the Model Code.

#### **Directors’ Rights to Acquire Shares or Debt Securities**

Other than as disclosed under the headings “Directors’ Interests in Securities” above and “Share Options” below, at no time during the period was the Company or any of its subsidiaries, its holding company or any of its fellow subsidiaries, a party to any arrangement to enable the Directors or chief executive of the Company (including their spouses or children under 18 years of age) to have any right to subscribe for securities of the Company or any or its associated corporations as defined in the SFO or to acquire benefits by means of acquisition of shares in, or debentures of, the Company or any other corporate.

#### **SUBSTANTIAL SHAREHOLDERS AND OTHER PERSONS’ INTERESTS IN SECURITIES**

As at 31 October 2006, so far as known by the Directors, the following persons (other than the Directors and chief executive of the Company) had interests or short position in the shares and underlying shares of the Company as recorded in the register required to be kept under section 336 of the SFO.



## Interests and short position in shares and underlying shares of the Company

Name	Capacity	Long position/ short position	Number of ordinary shares held	Percentage of the Company's issued share capital
Kent C. McCarthy (Note 1)	Interest of controlled corporation	Long position	87,840,500	11.42%
Jayhawk China Fund (Cayman), Ltd. (Note 1)	Investment Manager	Long position	87,840,500	11.42%
Cheah Cheng Hye (Note 2)	Interest of controlled corporation	Long position	58,572,000	7.62%
Value Partners Limited (Note 2)	Investment Manager	Long position	58,572,000	7.62%
Lindsay William Ernest Cooper (Note 3)	Interest of controlled corporation	Long position	41,064,000	5.34%
Arisaig Greater China Fund Limited (Note 3)	Beneficial owner	Long position	41,064,000	5.34%
Arisaig Partners (Mauritius) Limited (Note 3)	Investment Manager	Long position	41,064,000	5.34%
The Goldman Sachs Group, Inc. (Note 4)	Interest of controlled corporations	Long position	39,824,370	5.17%

### Notes:

1. Mr. Kent C. McCarthy is deemed to be interested in these 87,840,500 ordinary shares of the Company which are held by Jayhawk China Fund (Cayman), Ltd., a company incorporated in the Cayman Islands and is controlled by Mr. Kent C. McCarthy.
2. Mr. Cheah Cheng Hye is deemed to be interested in these 58,572,000 ordinary shares of the Company which are held by Value Partners Limited, a company incorporated in the British Virgin Islands and is controlled by Mr. Cheah Cheng Hye.
3. Arisaig Greater China Fund Limited ("AGCFL") is a wholly-owned subsidiary of Arisaig Partners (Mauritius) Limited ("AP(M)"), which in turn is wholly-owned by Arisaig Partners (BVI) Ltd. ("AP(BVI)"), AP(BVI) is a wholly-owned subsidiary of Arisaig Partners (Holdings) Ltd. ("APHL") of which 33.33% is held by Madeleine Ltd. ("Madeleine"). Madeleine is wholly-owned by Mr. Lindsay William Ernest Cooper, AP(M), AP(BVI), APHL, Madeleine and Mr. Lindsay William Ernest Cooper are deemed to be interested in 41,064,000 ordinary shares of the Company held by AGCFL.





4. These 39,824,370 ordinary shares are derived from the conversion shares to be issued by the Company under the 2.125% convertible bonds issued on 26 January 2006 at an initial conversion price of HK\$2.6550 per ordinary share, whereby (i) Goldman Sachs International was interested in the derivative of 39,822,370 ordinary shares, is owned as to 99% by Goldman Sachs Holdings (U.K.) and 1% by Goldman Sachs Group Holdings (U.K.), and Goldman Sachs Group Holdings (U.K.) is wholly owned by Goldman Sachs (UK) L.L.C., which in turn is wholly owned by The Goldman Sachs Group, Inc. ("TGSG, Inc."), and (ii) Goldman Sachs & Co. was interested in the derivative of 2,000 ordinary shares, is owned as to 99.8% by TGSG, Inc. and 0.2% by The Goldman, Sachs & Co. L.L.C. which in turn is wholly-owned by TGSG, Inc. Therefore, TGSG, Inc. is deemed to be interested in the derivative of 39,822,370 ordinary shares held by Goldman Sachs International and the derivative of 2,000 ordinary shares held by Goldman Sachs & Co.

Save as disclosed above, the Directors are not aware of any person, other than the Directors or chief executive of the Company, who had an interest or short position in the shares or underlying shares of the Company as recorded in the register required to be kept under section 336 of the SFO as at 31 October 2006.

## SHARE OPTIONS

The Company adopted a share option scheme on 12 December 2003 (the "Scheme"), pursuant to which the Board may, at its discretion, invite any eligible participants to take up options to subscribe for shares of the Company in aggregate not exceeding 30% of the shares in issue from time to time.



Details of the movements in the share options during the six months ended 31 October 2006 under the Scheme are as follows:–

Name or category of participants	Number of share options				Outstanding at 31 October 2006	Exercise price (HK\$)	Date of grant	Exercisable period
	Balance at 1 May 2006	Granted during the period	Exercised during the period	Lapsed during the period				
<b>Directors</b>								
Mr. Sun Shao Feng	7,200,000	–	–	–	7,200,000	2.05	15 Dec 2005	15 Dec 2006 to 11 Dec 2013
Mr. Kung Sze Wai	7,200,000	–	–	–	7,200,000	2.05	15 Dec 2005	15 Dec 2006 to 11 Dec 2013
	<u>14,400,000</u>	<u>–</u>	<u>–</u>	<u>–</u>	<u>14,400,000</u>			
<b>Employees</b>								
	7,200,000	–	–	–	7,200,000	2.05	15 Dec 2005	15 Dec 2006 to 11 Dec 2013
	20,400,000	–	–	–	20,400,000	3.50	19 April 2006	19 April 2007 to 11 Dec 2013 <sup>#</sup>
	<u>27,600,000</u>	<u>–</u>	<u>–</u>	<u>–</u>	<u>27,600,000</u>			

<sup>#</sup> 70% of the share options are exercisable from 19 April 2007 and the remaining 30% are exercisable from 19 April 2008 to 11 December 2013.

## PURCHASE, SALE OR REDEMPTION OF SECURITIES

Neither the Company nor any of its subsidiaries purchased, redeemed or sold any of the Company's listed securities during the six months ended 31 October 2006.



## MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code set out in Appendix 10 to the Rules Governing the Listing of Securities on the Stock Exchange (the “Listing Rules”) as the code of conduct regarding securities transactions by the Directors. Having made specific enquiry of all Directors, the Company confirmed that all Directors have complied with the required standard set out in the Model Code during the six months ended 31 October 2006.

## CODE ON CORPORATE GOVERNANCE PRACTICES

The Company has adopted the code provisions set out in the Code on Corporate Governance Practices (“CG Code”) as set out in Appendix 14 to the Listing Rules, which came into effect on 1 January 2005.

During the six months ended 31 October 2006, the Company was in compliance with code provisions set out in the CG Code except that code provision A.2.1 of the CG Code provides that the responsibilities between the chairman and chief executive officer (“CEO”) should be divided. The Company does not have a separate Chairman and CEO and Mr. Sun Shao Feng currently performs these two roles. The Board believes that vesting the roles of both Chairman and CEO in the same person has the benefit of ensuring consistent leadership within the Group and enables more effective and efficient overall strategic planning for the Group. The Board believes that the balance of power and authority for the present arrangement will not be impaired and is adequately ensured by current Board which comprises experienced and high calibre individuals with sufficient number thereof being independent non-executive directors.

## AUDIT COMMITTEE

The Company established an Audit Committee on 12 December 2003 and adopted a new set of written terms of reference on 20 January 2006 in compliance with the CG Code. The primary duties of the Audit Committee are to review the financial reporting process and internal control system of the Group. The Audit Committee comprises three independent non-executive Directors, Mr. Hu Ji Rong, Mr. Lin Chuan Bi and Mr. Zheng Bao Dong. The Audit Committee has reviewed the unaudited interim financial statements for the six months ended 31 October 2006.

By order of the Board  
**China Green (Holdings) Limited**  
**Sun Shao Feng**  
Chairman

Hong Kong, 24 January 2007