中國綠色食品(控股)有限公司*

CHINA GREEN (HOLDINGS) LIMITED

(Incorporated in Bermuda with limited liability) (Stock code : 904)

09/10 INTERIM REPORT

* 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 results of the Company and its subsidiaries (together the "Group") for the six months ended 31 October 2009. 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 2009

		Unaudited Six months ended 31 October	
	Notes	**2009 RMB'000**	2008 RMB'000
Turnover	*3*	**851,776**	672,440
Cost of sales		**(410,137)**	(327,907)
Gross profit	*3*	**441,639**	344,533
Other revenue		**5,637**	10,153
Gain arising from changes in fair value less estimated point-of-sale costs of biological assets		**47,084**	49,969
Selling and distribution expenses		**(78,773)**	(65,962)
General and administrative expenses		**(59,668)**	(47,154)
Profit from operations	*4*	**355,919**	291,539
Finance cost		**(27,850)**	(26,342)
Profit before taxation		**328,069**	265,197
Taxation	*5*	**(47,894)**	(41,937)
Profit attributable to equity holders of the Company		**280,175**	223,260
Dividends	*6*	**70,016**	57,013
Earnings per share			
– Basic	*7(a)*	**RMB31 cents**	RMB25 cents
– Diluted	*7(b)*	**RMB31 cents**	RMB25 cents

The notes on pages 6 to 15 form part of the interim financial report.

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 31 October 2009

	Unaudited Six months ended 31 October 2009 RMB'000	2008 RMB'000
Profit for the period	**280,175**	223,260
Other comprehensive income:		
Currency translation differences	**(8,229)**	(27,982)
Total comprehensive income for the period attributable to shareholders	**271,946**	195,278

The notes on pages 6 to 15 form part of the interim financial report.

CONDENSED CONSOLIDATED BALANCE SHEET

At 31 October 2009

	Notes	At 31 October 2009 RMB'000 (Unaudited)	At 30 April 2009 RMB'000 (Audited)
Non-current assets			
Fixed assets			
– Property, plant and equipment		**974,149**	895,918
– Interests in leasehold land held for own use under operating leases		**226,852**	229,400
Long-term prepaid rentals		**846,471**	856,672
		2,047,472	1,981,990
Current assets			
Inventories		**55,109**	21,626
Biological assets		**72,038**	50,434
Current portion of long-term prepaid rentals		**44,697**	43,197
Trade receivables	*9*	**33,479**	13,197
Prepayments, deposits and other receivable		**20,419**	36,499
Bank deposits matured over 3 months		**41,995**	90,173
Cash and cash equivalents		**1,497,495**	1,344,330
		1,765,232	1,599,456
Current liabilities			
Due to a director		**2,485**	1,744
Trade payables	*12*	**3,548**	2,308
Accruals and other payables		**41,347**	79,751
Tax payable		**17,741**	10,432
Convertible bonds		**931,259**	–
		996,380	94,235
Net current assets		**768,852**	1,505,221
Total assets less current liabilities		**2,816,324**	3,487,211
Non-current liabilities			
Convertible bonds		**–**	896,899
Deferred taxation		**27,670**	17,483
		27,670	914,382
Net assets		**2,788,654**	2,572,829
Represented by:			
Capital and reserves		**2,788,654**	2,572,829

The notes on pages 6 to 15 form part of the interim financial report.

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 31 October 2009

	Share capital RMB'000 *(Note 13)*	Share premium RMB'000	PRC statutory reserves RMB'000	Merger reserve RMB'000	Share option reserve RMB'000	Convertible bonds reserve RMB'000	Exchange reserve RMB'000	Retained profits RMB'000	Total RMB'000
As at 1 May 2008 (audited)	92,105	696,714	140,046	14,694	43,189	94,040	(51,202)	1,210,034	2,239,620
Profit for the period	–	–	–	–	–	–	–	223,260	223,260
Currency translation differences	–	–	–	–	–	–	(27,982)	–	(27,982)
Total comprehensive income for the period	–	–	–	–	–	–	(27,982)	223,260	195,278
Equity-settled share-based transactions	–	–	–	–	6,450	–	–	–	6,450
Share issued under exercise of share options	131	5,760	–	–	(1,299)	–	–	–	4,592
Dividends paid	–	–	–	–	–	–	–	(70,290)	(70,290)
As at 31 October 2008 (unaudited)	92,236	702,474	140,046	14,694	48,340	94,040	(79,184)	1,363,004	2,375,650
As at 1 May 2009 (audited)	92,236	702,532	147,766	14,694	52,141	94,040	(60,926)	1,530,346	2,572,829
Profit for the period	–	–	–	–	–	–	–	280,175	280,175
Currency translation differences	–	–	–	–	–	–	(8,229)	–	(8,229)
Total comprehensive income for the period	–	–	–	–	–	–	(8,229)	280,175	271,946
Equity-settled share-based transactions	–	–	–	–	669	–	–	–	669
Dividends paid	–	–	–	–	–	–	–	(56,790)	(56,790)
As at 31 October 2009 (unaudited)	92,236	702,532	147,766	14,694	52,810	94,040	(69,155)	1,753,731	2,788,654

The notes on pages 6 to 15 form part of the interim financial report.

CONDENSED CONSOLIDATED CASH FLOW STATEMENT

For the six months ended 31 October 2009

	Unaudited Six months ended 31 October 2009 RMB'000	2008 RMB'000
Net cash inflow from operating activities	**305,923**	261,681
Net cash used in investing activities	**(94,075)**	(168,413)
Net cash used in financing activities	**(56,790)**	(65,698)
Effect of foreign exchange rate changes	**(1,893)**	(10,933)
Increase in cash and cash equivalents	**153,165**	16,637
Cash and cash equivalents at 1 May	**1,344,330**	2,097,974
Cash and cash equivalents at 31 October	**1,497,495**	2,114,611

The notes on pages 6 to 15 form part of the interim financial report.

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS

For the six months ended 31 October 2009

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 Main Board of 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 interim financial report has been prepared in accordance with the applicable disclosure provisions of the Rules Governing the Listing of Securities on the Stock Exchange, including compliance with Hong Kong Accounting Standard ("HKAS") 34 "Interim financial reporting" issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA").

The interim financial report has been prepared in accordance with the same accounting policies adopted in the 2008/09 annual financial statements. In the current interim period, the Group has applied, for the first time, certain new standards and amendments issued by the HKICPA, which are effective for accounting periods beginning on or after 1 January 2009 as set out below:

HKFRSs (Amendments)	Improvements to HKFRSs
HKAS 1 (Revised)	Presentation of Financial Statements
HKAS 23 (Revised)	Borrowing Costs
HKAS 32 and 1 (Amendments)	Puttable Financial Instruments and Obligations Arising on Liquidation
HKFRS 1 and HKAS 27 (Amendments)	Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate
HKFRS 2 (Amendment)	Vesting Conditions and Cancellations
HKFRS 7 (Amendment)	Improving Disclosures about Financial Instruments
HKFRS 8	Operating Segments
HK(IFRIC) – Int 9 and HKAS 39 (Amendments)	Embedded Derivatives
HK(IFRIC) – Int 13	Customer Loyalty Programmes
HK(IFRIC) – Int 15	Agreements for the Construction of Real Estate
HK(IFRIC) – Int 16	Hedges of a Net Investment in a Foreign Operation
HK(IFRIC) – Int 18	Transfer of Assets from Customers

The adoption of these new standards and amendments has no material effect on how the results for the current and/or prior accounting periods are prepared and presented, except for the followings:

(a) HKAS 1 (Revised) has introduced a number of terminology changes (including revised titles for the financial statements) and has resulted in a number of changes in presentation and disclosure. It also separates the owner and non-owner changes in equity. The Group has elected to present two statements.

(b) HKFRS 8 replaces HKAS 14 Segment Reporting. It requires a "management approach" under which segment information is presented on the same basis as that used for internal reporting purposes. Operating segments are reported in a same basis consistent with the internal reporting provided to the chief operating decision maker for the purposes of allocating resources and assessing performance of the segment. The adoption of this standard did not have material impact on the disclosure of segment information.

Certain new standards, amendments and interpretations have been issued that are not effective for the current accounting period. The Group has not early adopted those new standards, amendments and interpretations and is in the process of making an assessment of what the impact of these new standards, amendments and interpretation on its results of operations and financial position.

The preparation of an interim financial report in conformity with HKAS 34 requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses on a year to date basis. Actual results may differ from these estimates.

The interim financial report contains condensed consolidated financial statements and selected explanatory notes. The notes include an explanation of events and transactions that are significant to an understanding of the changes in financial position and performance of the Group since the 2008/09 annual financial statements. The condensed consolidated interim financial statements and notes thereon do not include all of the information required for full set of financial statements prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs", which term collectively includes HKASs and Interpretations).

The financial information relating to the financial year ended 30 April 2009 that is included in the interim financial report as being previously reported information does not consider the Company's statutory financial statements for that financial year but is derived from those financial statements. Statutory financial statements for the year ended 30 April 2009 are available from the Company's principle place of business in Hong Kong.

3. 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 2009 and 2008 are as follows:

	Unaudited Six months ended 31 October	
	2009	2008
	RMB'000	RMB'000
Turnover		
Fresh produce	**206,059**	170,727
Processed products	**202,486**	170,073
Pickled products	**150,885**	115,498
Beverage products	**185,750**	111,551
Rice products	**35,338**	34,812
Rice flour products	**36,256**	35,776
Instant noodle	**35,002**	34,003
	851,776	672,440
Gross profit		
Fresh produce	**93,757**	82,127
Processed products	**114,582**	95,554
Pickled products	**79,405**	58,168
Beverage products	**108,356**	65,260
Rice products	**10,794**	10,201
Rice flour products	**18,396**	17,866
Instant noodle	**16,349**	15,357
	441,639	344,533

b) **Geographical segments**

The Group's operations are principally located in the People's Republic of China (the "PRC").

An analysis of the Group's turnover and gross profit of operation by geographical locations for the six months ended 31 October 2009 and 2008 are as follows:

	Unaudited Six months ended 31 October	
	2009	2008
	RMB'000	RMB'000
Turnover		
Japan	**163,469**	145,386
PRC	**490,174**	369,105
Other Asian countries	**79,805**	71,178
Europe	**89,690**	69,647
Australia	**377**	373
America	**12,609**	9,139
Africa	**15,652**	7,612
	851,776	672,440
Gross profit		
Japan	**91,697**	78,475
PRC	**245,030**	183,373
Other Asian countries	**40,430**	36,660
Europe	**49,004**	36,849
Australia	**181**	188
America	**6,777**	4,779
Africa	**8,520**	4,209
	441,639	344,533

Over 99% of the Group's assets in terms of net book value at each respective balance sheet dates are located in the PRC. Accordingly, no geographical analysis of segment assets and capital expenditure is presented.

4. PROFIT FROM OPERATIONS

Profit from operations is stated after crediting and charging the following:

	Unaudited Six months ended 31 October 2009 RMB'000	2008 RMB'000
Crediting		
Interest income	**4,782**	9,830
Gain arising from changes in fair value less estimated point-of-sale costs of biological assets	**47,084**	49,969
Charging		
Depreciation of owned property, plant and equipment	**40,615**	34,723
Staff costs (including directors emoluments)	**73,110**	65,957
Research and development expenses	**23,096**	13,782
Interest expenses on convertible bonds	**27,850**	26,342
Amortisation of long-term prepaid rentals	**23,702**	22,983
Amortisation of land lease premium	**2,548**	1,349
Loss on changes in fair value of financial asset at fair value through profit or loss	**–**	4,674
Net foreign exchange loss	**2,596**	1,445

5. TAXATION

	Unaudited Six months ended 31 October 2009 RMB'000	2008 RMB'000
Current tax – PRC Enterprise Income Tax Provision	**37,707**	41,937
Deferred tax		
Origination and reversal of temporary differences	**10,187**	–
	47,894	41,937

a) **PRC enterprise income tax**

PRC subsidiaries are subject to PRC enterprise income tax at the appropriate current rates of taxation ruling in the PRC. During the period, certain PRC subsidiaries are still subject to tax at 50% of the standard tax rates or are fully exempted from PRC enterprise income tax under the relevant tax rules and regulations.

b) Hong Kong Profits Tax

No provision for Hong Kong Profits Tax has been made as the Group had no estimated assessable profits arising in or derived from Hong Kong.

c) Other income tax

Pursuant to the rules and regulations of Bermuda and the British Virgin Islands, the Group is not subject to any income tax in Bermuda and the British Virgin Islands.

6. DIVIDENDS

At a Board meeting held on 12 January 2010, the Board has resolved to declare an interim dividend of HK$0.09 (equivalent to RMB0.079) per share for the six months ended 31 October 2009 (2008: HK$0.073).

7. 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 RMB280,175,000 (2008: RMB223,260,000) and on the weighted average of 884,035,540 ordinary shares (2008: 883,583,583 ordinary shares) in issue during the period, calculated as follows:

Weighted average number of ordinary shares:

	Unaudited Six months ended 31 October	
	2009	2008
Issued ordinary shares at 1 May (audited)	**884,035,540**	882,550,540
Effect of issuance of shares under share option scheme	–	1,033,043
Weighted average number of ordinary shares at 31 October (unaudited)	**884,035,540**	883,583,583

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 RMB308,025,000 (2008: RMB223,260,000) and the weighted average number of ordinary shares of 982,722,648 (2008: 886,786,973 ordinary shares) after adjusting for the effects of all dilutive potential ordinary shares under the Company's share option scheme and convertible bonds. The convertible bonds outstanding at 31 October 2008 had an anti-dilutive effect and are ignored in the calculation of diluted earnings per share for the six months period ended 31 October 2008.

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

	Unaudited Six months ended 31 October 2009 RMB'000	2008 RMB'000
Profit attributable to ordinary equity shareholders	**280,175**	223,260
Net after tax effect of effective interest on liability component of convertible bonds	**27,850**	–
Profit attributable to ordinary equity shareholders (diluted)	**308,025**	223,260

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

	Unaudited Six months ended 31 October 2009	2008
Weighted average number of ordinary shares at 31 October	**884,035,540**	883,583,583
Effect of deemed issue of shares under the Company's share option scheme for nil consideration	**4,859,994**	3,203,390
Effect of conversion of convertible bonds	**93,827,114**	–
Weighted average number of ordinary shares at 31 October (diluted)	**982,722,648**	886,786,973

8. PROPERTY, PLANT AND EQUIPMENT

During the period, approximately RMB127,258,000 (2008: RMB115,663,000) were spent on acquisition of property, plant and equipment.

9. TRADE RECEIVABLES

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

The aging analysis is as follows:

	At 31 October 2009 RMB'000 (Unaudited)	At 30 April 2009 RMB'000 (Audited)
Within 1 month	**33,479**	13,197

10. CASH AND CASH EQUIVALENTS

	At 31 October 2009 RMB'000 (Unaudited)	At 30 April 2009 RMB'000 (Audited)
Cash at banks	**1,497,087**	1,343,972
Cash on hand	**408**	358
	1,497,495	1,344,330

11. DUE TO A DIRECTOR

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

12. TRADE PAYABLES

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

	At 31 October 2009 RMB'000 (Unaudited)	At 30 April 2009 RMB'000 (Audited)
Within 1 month	**3,548**	2,308

13. SHARE CAPITAL

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

	At 31 October 2009 RMB'000 (Unaudited)	At 30 April 2009 RMB'000 (Audited)
Authorised:		
2,000,000,000 ordinary shares of HK$0.10 each	**212,000**	212,000
Issued and fully paid:		
884,035,540 (30 April 2009: 884,035,540) ordinary shares of HK$0.10 each	**92,236**	92,236

There was no movement in the issued share capital of the Company during the current period.

14. COMMITMENTS

a) Capital commitments

At the balance sheet date, the Group had the following capital commitments:

	At 31 October 2009 RMB'000 (Unaudited)	At 30 April 2009 RMB'000 (Audited)
Contracted but not provided for		
– Purchase of property, plant and equipment	**40,667**	67,912

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 building and cultivation bases for each of the following periods:

	At 31 October 2009 RMB'000 (Unaudited)	At 30 April 2009 RMB'000 (Audited)
Within one year	**7,064**	8,265
In the second to fifth year	**33,496**	33,065
After the fifth year	**21,698**	6,698
	62,258	48,028

15. CONTINGENT LIABILITIES

The Group did not have any significant contingent liabilities as at the balance sheet date (30 April 2009: Nil).

16. MATERIAL RELATED PARTY TRANSACTIONS

a) Key management personnel remuneration

Remuneration for key management personnel of the Group, including amounts paid to the Company's directors and certain of the highest paid employees, is as follows:

	Unaudited Six months ended 31 October	
	2009	2008
	RMB'000	RMB'000
Short-term employee benefits	**1,290**	837
Post-employment benefits	**29**	18
Equity compensation benefits	**243**	2,906
	1,562	3,761

Total remuneration is included in "staff costs" (see note 4).

b) Transaction with other related parties

Except for an amount due to a director as disclosed in note 11, the Group did not enter into any material related party transactions during the period.

17. POSSIBLE IMPACT OF AMENDMENTS, NEW STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE FOR THE ANNUAL ACCOUNTING PERIOD ENDING 30 APRIL 2010

Up to the date of issue of this interim financial report, the HKICPA has issued a number of amendments, new standards and interpretations which are not yet effective for the accounting period ending 30 April 2010 and which have not been adopted in this interim financial report.

So far it has concluded that the adoption of them is unlikely to have a material impact on the Group's results of operations and financial position.

18. COMPARATIVE FIGURES

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

19. APPROVAL OF THE INTERIM FINANCIAL STATEMENTS

The unaudited condensed consolidated interim financial statements were approved and authorised for issue by the Board on 12 January 2010.

INTERIM DIVIDEND

The Board resolved to declare an interim dividend of HK$0.09 (equivalent to RMB0.079) (2008: HK$0.073 (equivalent to RMB0.064)) per share for the six months ended 31 October 2009 to be payable on Friday, 26 February 2010 to those shareholders whose names appear on the register of members of the Company on Wednesday, 17 February 2010.

CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from Thursday, 11 February 2010 to Wednesday, 17 February 2010, both dates inclusive, during which period no transfer of shares will be registered. In order to qualify for the interim dividend, all transfers of shares accompanied 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 at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong for registration no later than 4:30 p.m. on Wednesday, 10 February 2010.

Holders of the zero coupon convertible bonds (the "Bonds") of the Company due 2010 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 3:00 p.m. on Friday, 5 February 2010 in order to qualify for the interim dividend.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

Stable Growth amid Challenging Operating Environment

To strengthen our position during economic downturn would be the appropriate description for China Green over the past six months. It was a challenging year, but the Group was able to seize opportunities brought by the global financial crisis. Despite the slowdown of consumer markets in the US and Europe, the Group's operating environment has shown satisfactory improvement as the Group responded to the economic turbulence effectively and took advantage of market demand on healthy and green products. China's exports of fruits and vegetables declined year on year albeit at a slower rate, as world recovery gathered momentum. Still, the Group managed to achieve stable growth in both turnover and operating profit, supported by its robust vertically integrated business platform.

Turnover grew 26.7% to RMB851.8 million (2008: RMB672.4 million) for the six months ended 31 October 2009 while profit attributable to shareholders increased by 25.5% to RMB280.2 million (2008: RMB223.3 million). The Group maintained its gross profit margin at 51.8% (2008: 51.2%) as a result of its consistent efforts in optimizing product and geographical mix and in maintaining its direct costs at a stable level.

Revenue from export sales increased by approximately 19.2% to RMB361.6 million (2008: RMB303.3 million), representing 42.5% of the Group's total turnover for the period under review. The Group's exports business continued to maintain its broad market reach during the period, with Japan accounting for 45.2% of the Group's overall export sales, while exports to Asia ex-Japan and Europe grew 12.1% and 28.8% respectively. The geographic mix reflects the Group's successful strategy on export diversification as well as growing demand for its products in overseas markets. Outside Asia, the Group made further inroads into the markets of Europe, America and Africa, which altogether contributed about 32.7% of export sales during the period.

Back on home turf with domestic market, China Green's efforts in expanding its distribution network, channel management and building higher awareness of its branded products helped sustain its fast growth in China. For the six months ended 31 October 2009, turnover from the domestic market increased by approximately 32.8% to RMB490.2 million (2008: RMB369.1 million). Revenue from beverage business contributed over half of the Group's branded sales during the period under review. The "China Green" brand is increasingly recognized by health-conscious consumers as a leader in green food and beverage.

Enhanced Cultivation, Processing and Distribution

The Group differentiates itself by investing in the establishment of a vertically integrated business model with complete control from cultivation (seeding, growing, irrigating, fertilizing and harvesting) to production (sterilizing, processing and packaging) and logistics (storage and distribution), to attain unparalleled standards in product quality and safety.

A stable and fertile cultivation base is critical to the steady growth of the Group's business. Last year, the Group reached agreements with the local government of Fujian to extend the leasing terms of farmland in Fujian from the existing 20-year terms to 30-year terms by settling a full 20 years prepayment arrangement. This has greatly enhanced China Green's cultivation base in Fujian to protect and allow the Group to actively manage the upward trend of its farmland costs. The Group does not have further plans to extend the lease of any of the existing farmland through similar prepayment arrangement. However, the Group will continue to increase its cultivation area under its expansion plan.

By the end of October 2009, the Group has 42 leased cultivation bases with a total area of approximately 82,700 mu, offering a cultivation capacity of about 336,000 tons per year. Among these cultivation bases, 36 are devoted to vegetable cultivation, 5 to fruit cultivation and 1 to organic rice cultivation. The Group is on track to increase the total area of cultivation bases to approximately 92,100 mu by the end of financial year 2010, to raise its annual cultivation capacity to approximately 366,000 tons.

As of 31 October 2009, the Group owns and operates 11 advanced processing plants with a total capacity of approximately 536,000 tons. The Group has made good progress in expanding its processing capacity to approximately 580,800 tons by the end of April 2010, to meet its growing demand for processed products and branded beverage products.

The logistics and distribution operations which the Group started in Shanghai in mid 2008 continued to play an accelerating role in ensuring the delivery of branded fresh and processed vegetables directly to supermarkets, restaurants chains, etc.

Branded Products as Future Growth Driver

Over the past five years the Group has successfully established itself as a leading supplier of green and healthy food. The "China Green" brand is well recognized in Southern and Eastern China, particularly the provinces of Fujian, Jiangxi and Guangdong, and is gradually amassing higher awareness in other regions and key cities in China including Shanghai, Hangzhou and Zhejiang.

Developing a competitive branded product business is a crucial step in the establishment of China Green's comprehensive vertically integrated business model. Through delivering higher value (healthier and better food safety) to consumers, a strong branded business will drive more volume upstream to support the growth of the Group in long run. Enjoying a higher profit margin, China Green's branded food and beverage business is making increasingly bigger contribution to the Group, and is fast developing into a key growth driver.

In building the "China Green" brand, the Group has developed strong partnerships with different distributors in the China market. China Green adopts a direct approach in managing its brand to ensure an efficient and consistent delivery of brand value to consumers. The Group has built a strong marketing team in China to drive advertising and promotional activities, while partnering with distributors to sell its goods to supermarkets.

SEGMENT REVIEW

Fresh Produce

Despite the price impact due to economic crisis, fresh produce continued to record steady growth during the period under review, mainly as a result of stronger growth in the domestic market. At the same time, the Group successfully managed the food safety issue while orders from Japan rebounded. Demand from other Asian countries for the Group's fresh produce, especially leeks, sweet corn, broccoli, and radish, showed encouraging growth. The segment recorded turnover of RMB206.1 million (2008: RMB170.7 million), a 20.7% growth compared to the corresponding period of last year, or 24.2% of the Group's total revenue (2008: 25.4%).

Processed Products

Processed vegetable has grown to become one of the key growth drivers for the Group during the period. The segment showed significant growth in orders from export markets, especially sweet corn products. The export of processed products experienced healthy growth due to growing demand in Asia ex-Japan, along with fast growth in other markets such as Europe and America. During the period under review, revenue from processed products grew 23.7% to RMB353.4 million (2008: RMB285.6 million) from a year earlier, representing approximately 41.5% of the Group's total revenue (2008: 42.5%).

Branded Food and Beverage Products

As an innovative "green" brand, the Group's branded products enjoy a unique position in China's consumer market. Through active marketing activities including promotional campaigns, and by stepping up its brand building and channel management, the Group has been able to penetrate further into different markets and raise our brand profile in the provinces of Fujian, Jiangxi and Guangdong. Against that background, revenue contribution from the segment jumped 35.3% to RMB292.3 million (2008: RMB216.1 million), or about 34.3% of the Group's total revenue (2008: 32.1%). Revenue from beverage products, the largest contributor of the segment, jumped 66.5% during the period. Consistent growth in the segment has made it an increasingly important revenue contributor for the Group.

FINANCIAL REVIEW

Leveraging its solid business model and diverse market reach, the Group was able to pull through a challenging year of financial crisis and food scare to deliver stable growth in turnover and operating profit for the six months ended 31 October 2009. During the period under review, the Group's turnover grew 26.7% to RMB851.8 million, representing increased sales of about 19.2% and 32.8% in exports and the domestic market, respectively.

With vegetable prices holding steady at a healthy level, the Group's overall gross profit margin increased slightly to approximately 51.8%. Gross profit margin of fresh produce was 45.5%, while gross profit margin for processed vegetables, and branded food and beverage were approximately 54.9% and 52.6% respectively. The Group has seen stellar growth in its branded beverage business following the launch of its new series of products, namely vegetable and fruit juice series and the mixed grains beverage series in the second half of FY2009. Furthermore, the Group posted an operating profit of RMB355.9 million, representing a 22.1% growth from the corresponding period last year.

Although the enterprise income tax rate had grown from 14.4% to 14.6% during the period under review, the Group managed to deliver a 25.5% growth in profit attributable to shareholders to RMB280.2 million, with net profit margin of 32.9%. As our growing branded food and beverage business is subjected to statutory tax rates, the Group expects its effective income tax rate to rise to around 18-20% before stabilizing.

Group's Liquidity, Financial Resources and Capital Structure

As at 31 October 2009, total shareholders' fund of the Group was approximately RMB2,788.7 million. The Group had current assets of RMB1,765.2 million and current liabilities of RMB996.4 million and the current ratio was 1.77 times.

As at 31 October 2009, the zero coupon convertible bonds of the Company due 2010 issued on 29 October 2007 (the "Bond") with an aggregate principal amount of RMB1.0 billion were still outstanding. The Group's net debt-to-equity ratio (calculated as total borrowings net of cash and cash equivalents over shareholders' equity) was not applicable as at 31 October 2009 since the Group's cash and cash equivalents exceeded its borrowings. The Group's gearing ratio (calculated as total borrowings over shareholders' equity) as at 31 October 2009 was 33.4%.

As of 31 October 2009, the Group had cash and cash equivalents of approximately RMB1,497.5 million. The majority of the Group's funds was deposited in banks in the PRC and licensed banks in Hong Kong and the Group possesses sufficient cash and bank balances to meet its commitment and working capital requirement in the coming financial year.

The Group continues to implement a prudent financial management policy and monitor its capital structure based on the ratio of total liabilities over total assets. As at 31 October 2009, the ratio of total liabilities over total assets was 26.9%.

Capital Commitments and Contingent Liabilities

During the period under review, the Group was committed to the expansion of existing facilities and building of new facilities to enhance its production capacity. As at 31 October 2009, the Group has contractual capital commitments of approximately RMB40.7 million. As of 31 October 2009, the Group had 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.

Fluctuations in Exchange Rates

For the six months ended 31 October 2009, the Group conducted its business transactions principally in US dollars and Renminbi. The Group has not experienced any material difficulties or negative impact on its operations as a result of fluctuations in currency exchange rates. Accordingly, the Directors considered that the foreign exchange exposure is relatively limited and no hedging of exchange risk is required. As an internal policy, the Group continues to implement a prudent measurement on financial management guidelines and does not participate in any high risk speculative activities. Nevertheless, the management will continue to monitor the foreign exchange exposure and will take prudent measures when needed.

Significant Investments Held and Material Acquisition

During the period under review, the Group made no significant investments, material acquisition or disposal of subsidiaries.

Pledge on Group Assets

As at 31 October 2009, the Group had not pledged any other assets to its bankers to secure banking facilities granted to the Group.

Staff and Remuneration Policies

As at 31 October 2009, the Group had a total of over 10,000 employees, of which approximately 6,000 are workers at the Group's cultivation bases. The aggregate staff costs and Directors' remuneration for the six months ended 31 October 2009 totaled approximately RMB73.1 million. Employees are paid at a competitive level, taking into account of individual performance, experience and their positions. Other benefits included mandatory provident funds, year-end bonuses and share options granted to selected employees based on the individual performance.

Future Plans for Material Investments/Capital Assets & Source of Fund

As at 31 October 2009, the Group maintained sufficient funds for the capital investment and operations in the coming year. In view of the possible redemption required on the maturity of the Bonds, the management continues to assess the impact of redemption on the Group's operations and finance needs.

OUTLOOK

China has certainly played an increasingly important role in international commerce and trade affairs. As the world's largest food production and consumption country, China will continue to take its important influence on both agricultural and food markets. China Green is confident that it can increase its competitiveness and continue to be one of the leading green food cultivators, producers and suppliers.

We expect the export market to continue to improve along with a gradual recovery in the world economy, particularly in Asia ex-Japan and Europe. More efforts will be made to expand our footprint in new markets including Africa and America through partnerships with more wholesalers and food importers.

Outlook for the domestic market continues to be promising as the disposable income of urban households gradually increases. Leveraging its strong brand presence in Southern China, the Group will focus its market expansion resources on opening up other major regions and cities to achieve further growth. In addition, we believe China's health beverage market will continue to experience robust growth in the coming years on the back of the increasing awareness for healthy and green products. In view of this, China Green will further promote and expand on new products from the existing series in the marketplace.

Since 2005 the Group has successfully established itself as a leading green food supplier in Southern China. With our proven track record in developing new markets, we have confidence in our ability to further expand China Green's leadership position in green products nationally. As a premium health food brand, and with the support of a vertically-integrated model to ensure product quality and safety, China Green is forging ahead towards its goal of becoming a global leader in green food, and in so doing, promoting China as a leader in health food on the world stage.

DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS IN SHARES

At 31 October 2009, the interests or short positions 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 pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions 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 for Securities Transactions by Directors of Listed Issuers ("Model Code"), are set out below:

Interests and short positions 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	Beneficial owner	Long position	8,400,000 *(Note 1)*	0.95%
	Controlled corporation	Long position	406,101,000 *(Note 2)*	45.94%
		Total:	414,501,000	46.89%

Notes:

1. These 8,400,000 shares are derived from the interest in 8,400,000 share options granted by the Company, details of which are set out in the section headed "INTERESTS IN SHARE OPTIONS" below; and

2. These 406,101,000 ordinary shares of the Company are held through Capital Mate Limited ("Capital Mate"), 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, chief executives of the Company or their associates had any interests or short positions in any shares, underlying shares and debentures of the Company or any of its associated corporations as defined in Part XV of SFO as recorded in the register to be kept under section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.

INTERESTS IN SHARE OPTIONS

The Company adopted a share option scheme (the "Scheme") on 12 December 2003, 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 movement of the share options during the six months ended 31 October 2009 under the Scheme are as follows:

	Number of share options							
Name or category of participants	Balance at 1 May 2009	Granted during the period	Exercised during the period	Lapsed during the period	Outstanding at 31 October 2009	Exercise price (HK$)	Date of Grant	Exercisable Period
Directors								
Mr. Sun Shao Feng	8,400,000	–	–	–	8,400,000	7.29	30 May 2007	30 May 2008 to 11 Dec 2013##
Sub-total	8,400,000	–	–	–	8,400,000			
Employees	9,360,000	–	1,485,000	–	7,875,000	3.50	19 April 2006	19 April 2007 to 11 Dec 2013#
	10,500,000	–	–	–	10,500,000	7.29	30 May 2007	30 May 2008 to 11 Dec 2013##
	600,000	–	–	–	600,000	8.50	3 April 2008	3 April 2009 to 11 Dec 2013###
Sub-total	20,460,000	–	1,485,000	–	18,975,000			
Total	28,860,000	–	1,485,000	–	27,375,000			

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.

70% of the share options are exercisable from 30 May 2008 and the remaining 30% are exercisable from 30 May 2009 to 11 December 2013.

70% of the share options are exercisable from 3 April 2009 and the remaining 30% are exercisable from 3 April 2010 to 11 December 2013.

SUBSTANTIAL SHAREHOLDERS AND OTHER PERSONS' INTERESTS IN SHARES

As at 31 October 2009, so far as is known to the Directors, the following persons (other than the Directors and the chief executives of the Company) had interests or short positions 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 or short positions 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
Capital Mate *(Note)*	Beneficial owner	Long position	406,101,000	45.94%
Janus Capital Management LLC	Investment Manager	Long position	62,231,000	7.04%

Note: Capital Mate, a company incorporated in the British Virgin Islands with limited liability is wholly and beneficially owned by Mr. Sun Shao Feng. Hence, Mr. Sun is deemed to be interested in these 406,101,000 ordinary shares of the Company owned by Capital Mate.

Save as disclosed above, the Directors are not aware of any other persons who have interests or short positions in the shares, underlying shares or debentures of the Company or any associated corporations (within the meaning of the SFO) as recorded in the register required to be kept under section 336 of the SFO.

PURCHASE, SALE OR REDEMPTION OF SECURITIES

Neither the Company nor its subsidiaries purchased, redeemed or sold any of the Company's listed securities during the six months ended 31 October 2009.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code as set out in Appendix 10 to the Listing Rules. All the Directors have confirmed that they have complied with the required standards as set out in the Model Code throughout the period under review.

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 Rules governing the Listing of Securities on the Stock Exchange, which came into effect on 1 January 2005.

During the six months ended 31 October 2009, the Company was in compliance with code provisions set out in the CG Code except for the deviations from code provision A.2.1. and E.1.2 which are explained below.

Code provision A.2.1 of the CG Code provides that the responsibilities between the chairman ("Chairman") and chief executive officer ("CEO") should be divided. The Company does not have a 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.

Besides, code provision E.1.2 of the CG Code provides that the Chairman of the Board should attend the annual general meeting of the Company. Mr. Sun Shao Feng, the Chairman of the Board, did not attend the 2009 annual general meeting of the Company by the reason of his business trip.

Save as the aforesaid and in the opinion of the Directors, the Company has met the code provisions set out in the CG Code for the six months ended 31 October 2009.

AUDIT COMMITTEE

The Company established an Audit Committee on 12 December 2003 with written terms of reference in compliance with the CG Code, and currently comprises three independent non-executive Directors, Mr. Huang Zhigang, Mr. Hu Ji Rong and Mr. Zheng Baodong. The primary duties of the Audit Committee are to review the financial reporting process and internal control system of the Group. The Audit Committee has reviewed the unaudited interim financial statements for the six months ended 31 October 2009.

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

Hong Kong, 12 January 2010