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)

Interim Report 2010/11

* 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 2010 with comparative figures for the corresponding period as follows:

CONDENSED CONSOLIDATED INCOME STATEMENT

For the six months ended 31 October 2010

		Unaudited Six months ended 31 October	
	Note	**2010 RMB'000**	2009 RMB'000
Turnover	*3*	**1,109,776**	851,776
Cost of sales		**(533,875)**	(410,137)
Gross profit		**575,901**	441,639
Other revenue		**12,244**	5,637
Gain arising from changes in fair value less estimated point-of-sale costs of biological assets		**48,099**	47,084
Selling and distribution expenses		**(115,393)**	(78,773)
General and administrative expenses		**(106,916)**	(59,668)
Operating profit	*4*	**413,935**	355,919
Finance cost		**(73,713)**	(27,850)
Profit before taxation		**340,222**	328,069
Taxation	*5*	**(56,001)**	(47,894)
Profit attributable to equity holders of the Company		**284,221**	280,175
Earnings per share			
– Basic	*7(a)*	**RMB32 cents**	RMB31 cents
– Diluted	*7(b)*	**RMB32 cents**	RMB31 cents
Dividends	*6*	**68,472**	70,016

The notes on pages 6 to 14 form part of the interim financial report.

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 31 October 2010

	Unaudited Six months ended 31 October	
	2010	2009
	RMB'000	RMB'000
Profit for the period	**284,221**	280,175
Other comprehensive income:		
Currency translation differences	**(37,325)**	(8,229)
Total comprehensive income for the period attributable to shareholders	**246,896**	271,946

The notes on pages 6 to 14 form part of the interim financial report.

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 October 2010

	Note	**At 31 October 2010 RMB'000 (Unaudited)**	At 30 April 2010 RMB'000 (Audited)
Non-current assets			
Fixed assets			
– Property, plant and equipment		**1,245,757**	1,039,831
– Interests in leasehold land held for own use under operating leases		**221,631**	224,409
Long-term prepaid rentals		**806,853**	837,309
		2,274,241	2,101,549
Current assets			
Inventories		**62,068**	20,632
Biological assets		**91,074**	67,068
Current portion of long-term prepaid rentals		**50,943**	46,443
Trade receivables	*9*	**41,589**	29,319
Prepayments, deposits and other receivable		**68,523**	54,012
Bank deposits matured over 3 months		**87,953**	704,121
Cash and cash equivalents	*10*	**2,008,662**	2,326,516
		2,410,812	3,248,111
Current liabilities			
Due to a director	*11*	**2,455**	2,488
Trade payables	*12*	**14,885**	8,239
Accruals and other payables		**50,184**	31,831
Tax payable		**19,170**	21,258
Convertible Bonds 2010		**–**	902,809
		86,694	966,625
Net current assets		**2,324,118**	2,281,486
Total assets less current liabilities		**4,598,359**	4,383,035
Non-current liabilities			
Convertible Bonds 2013		**1,286,755**	1,258,720
Deferred taxation		**59,594**	53,891
		1,346,349	1,312,611
Net Assets		**3,252,010**	3,070,424
Represented by:			
Share capital	*13*	**92,236**	92,236
Reserves		**3,159,774**	2,978,188
Total Equity		**3,252,010**	3,070,424

The notes on pages 6 to 14 form part of the interim financial report.

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 31 October 2010

	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 2010 (audited)	92,236	702,532	156,713	14,694	52,908	138,174	(62,311)	1,975,478	3,070,424
Profit for the period	–	–	–	–	–	–	–	284,221	284,221
Other comprehensive income for the period	–	–	–	–	–	–	(37,325)	–	(37,325)
Total comprehensive Income for the period	–	–	–	–	–	–	(37,325)	284,221	246,896
Dividend paid	–	–	–	–	–	–	–	(69,132)	(69,132)
Transfer to retained profits upon the redemption of Convertible Bonds 2010	–	–	–	–	–	(89,855)	–	93,677	3,822
As at 31 October 2010 (unaudited)	92,236	702,532	156,713	14,694	52,908	48,319	(99,636)	2,284,244	3,252,010
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
Other comprehensive income for the period	–	–	–	–	–	–	(8,229)	–	(8,229)
Total comprehensive Income for the period	–	–	–	–	–	–	(8,229)	280,175	271,946
Dividend paid	–	–	–	–	–	–	–	(56,790)	(56,790)
Equity-settled share-based Transactions	–	–	–	–	669	–	–	–	669
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 14 form part of the interim financial report.

CONDENSED CONSOLIDATED CASH FLOW STATEMENT

For the six months ended 31 October 2010

	Unaudited Six months ended 31 October **2010** **RMB'000**	 2009 RMB'000
Net cash inflow from operating activities	**408,113**	305,923
Net cash inflow from/(used in) investing activities	**327,274**	(94,075)
Net cash used in financing activities	**(1,015,916)**	(56,790)
Effect of foreign exchange rate changes	**(37,325)**	(1,893)
(Decrease)/increase in cash and cash equivalents	**(317,854)**	153,165
Cash and cash equivalents at 1 May	**2,326,516**	1,344,330
Cash and cash equivalents at 31 October	**2,008,662**	1,497,495

The notes on pages 6 to 14 form part of the interim financial report.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 31 October 2010

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 2009/10 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 2010 as set out below:

HKFRSs 2009 (Amendment)	Improvements to HKFRSs 2009
Amendments to HKFRS 5 as Part of improvements to HKFRSs 2008	Non-current Assets Held for Sale – and Discontinued Operations – Plan to sell the controlling interest in a subsidiary
HKAS 3 (Revised)	Business Combination
Amendments to HKAS 27	Consolidated and Separated Financial Statements
Amendments to HKAS 39	Financial Instruments: Recognition and Measurement – Eligible Hedged Items
HK(IFRIC) Int 17	Distribution of Non-cash Assets to Owners
Amendments to HKFRS 1	Amendments to HKFRS 1 First-time Adoption of Hong Kong Financial Reporting Standards – Additional Exemptions for First-time Adopters
Amendment to HKFRS 2	Share-based Payment – Group Cash-settled Share-based Payment Transactions
Amendments to HKAS 32	Financial Instruments: Presentation – Classification of Right Issues

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 2009/10 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).

3. TURNOVER AND SEGMENTAL REPORTING

a) Turnover

The Group is principally engaged in the growing, processing and sales of agricultural products and consumer food and beverage products. An analysis of the Group's turnover by product categories and geographical locations for the period ended 31 October 2010 and 2009 is as follows:

	Unaudited Six months ended 31 October	
	2010	2009
	RMB'000	RMB'000
By product categories		
Fresh produce	**242,154**	206,059
Processed products	**372,304**	353,371
Beverage products	**350,201**	185,750
Rice and related products	**78,024**	71,594
Instant noodle	**33,098**	35,002
Others	**33,995**	–
	1,109,776	851,776
By geographical locations		
Mainland China	**729,158**	490,174
Japan	**131,808**	163,469
Other Asian countries	**152,292**	79,805
Europe	**58,296**	89,690
Africa	**21,715**	15,652
America	**15,931**	12,609
Australia	**576**	377
	1,109,776	851,776

b) Segment reporting

The Group's reportable segments, based on the information provided to the Group's most senior executive management for the purposes of resource allocation and assessment of segment performance, are as follows:

	Fresh produce and processed products		Beverage products		Rice and related products		Instant noodles		Others		Total	
	2010	2009	**2010**	2009	**2010**	2009	**2010**	2009	**2010**	2009	**2010**	2009
	RMB'000	RMB'000	**RMB'000**	RMB'000	**RMB'000**	RMB'000	**RMB'000**	RMB'000	**RMB'000**	RMB'000	**RMB'000**	RMB'000
Revenue from external customers	**614,458**	559,430	**350,201**	185,750	**78,024**	71,594	**33,098**	35,002	**33,995**	–	**1,109,776**	851,776
Cost of sales	**(288,521)**	(271,686)	**(146,906)**	(77,394)	**(45,971)**	(42,404)	**(23,021)**	(18,653)	**(29,456)**	–	**(533,875)**	(410,137)
Reportable segment gross profit	**325,937**	287,744	**203,295**	108,356	**32,053**	29,190	**10,077**	16,349	**4,539**	–	**575,901**	441,639
Reportable segment profit	**295,058**	263,439	**143,245**	88,721	**26,015**	24,782	**7,517**	4,523	**874**	–	**472,709**	381,465
Finance costs											**(73,713)**	(27,850)
Corporate finance income											**8,685**	3,268
Other revenue and other net income											**1,214**	853
Unallocated depreciation and amortisation											**(10,008)**	(7,297)
Unallocated head office and corporate expenses											**(58,665)**	(22,370)
Profit before taxation											**340,222**	328,069

4. OPERATING PROFIT

Operating profit is stated after crediting and charging the following:

	Unaudited Six months ended 31 October	
	2010	2009
	RMB'000	RMB'000
Crediting		
Interest income	**11,027**	4,782
Gain arising from changes in fair value less estimated point-of-sale costs of biological assets	**48,099**	47,084
Charging		
Depreciation of owned property, plant and equipment	**59,384**	40,615
Staff costs (including directors emoluments)	**87,832**	73,110
Research and development expenses	**21,972**	23,096
Amortisation of long-term prepaid rentals	**26,077**	23,702
Amortisation of land lease premium	**2,778**	2,548
Net foreign exchange loss	**37,516**	2,596

5. TAXATION

	Unaudited Six months ended 31 October	
	2010	2009
	RMB'000	RMB'000
Current tax – PRC Enterprise Income Tax		
Provision for the period	**50,298**	37,707
Deferred tax		
Origination and reversal of temporary differences	**5,703**	10,187
	56,001	47,894

a) **PRC enterprise income tax**

The provision for PRC Enterprise Income Tax for the Company's subsidiaries in the PRC is based on PRC Enterprise Income Tax rates of 25% of the taxable income as determined in accordance with the relevant income tax rules and regulations of the PRC. During the period, certain PRC subsidiaries are 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 20 December 2010, the Board has resolved to declare an interim dividend of HK$0.09 (equivalent to RMB0.077) per share for the six months ended 31 October 2010 (2009: HK$0.09).

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 RMB284,221,000 (2009: RMB280,175,000) and on the weighted average of 884,035,540 ordinary shares (2009: 884,035,540 ordinary shares).

b) **Diluted earnings per share**

The calculation of diluted earnings per share is based on the adjusted profit attributable to ordinary equity shareholders of the Company of RMB284,221,000 (2009: RMB308,025,000) and the weighted average number of ordinary shares of 889,814,833 (2009: 982,722,648 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 during current period had an anti-dilutive effect and are ignored in the calculation of diluted earnings per share for the current period.

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

	Unaudited Six months ended 31 October	
	2010	2009
	RMB'000	RMB'000
Profit attributable to ordinary equity Shareholders	**284,221**	280,175
Net after tax effect of effective interest on liability component of convertible bonds	**–**	27,850
Profit attributable to ordinary equity shareholders (diluted)	**284,221**	308,025

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

	Unaudited Six months ended 31 October	
	2010	2009
Weighted average number of ordinary shares during the period	**884,035,540**	884,035,540
Effect of deemed issue of shares under the Company's share option scheme for nil consideration	**5,778,893**	4,859,994
Effect of conversion of convertible bonds	**–**	93,827,114
Weighted average number of ordinary shares (diluted)	**889,814,833**	982,722,648

8. PROPERTY, PLANT AND EQUIPMENT

During the period, approximately RMB265,370,000 (2009: RMB127,258,000) 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 2010 RMB'000 (Unaudited)	At 30 April 2010 RMB'000 (Audited)
Within 1 month	**41,589**	29,319

10. CASH AND CASH EQUIVALENTS

	At 31 October 2010 RMB'000 (Unaudited)	At 30 April 2010 RMB'000 (Audited)
Cash at banks	**2,008,278**	2,326,253
Cash on hand	**384**	263
	2,008,662	2,326,516

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 2010 RMB'000 (Unaudited)	At 30 April 2010 RMB'000 (Audited)
Within 1 month	**14,885**	8,239

13. SHARE CAPITAL

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

	At 31 October 2010 RMB'000 (Unaudited)	At 30 April 2010 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 2010: 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 2010 RMB'000 (Unaudited)	At 30 April 2010 RMB'000 (Audited)
Contracted but not provided for		
– Purchase of property, plant and equipment	**106,843**	93,887

b) Operating lease commitments

At the balance sheet date, the Group had total future minimum lease payments under non-cancellable operating leases are repayable as follows:

	At 31 October 2010 RMB'000 (Unaudited)	At 30 April 2010 RMB'000 (Audited)
Within one year	**9,295**	13,165
In the second to fifth year	**29,905**	33,333
After the fifth year	**174,240**	39,360
	213,440	85,858

15. CONTINGENT LIABILITIES

The Group did not have any significant contingent liabilities as at the balance sheet date (30 April 2010: 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 **2010** **RMB'000**	 2009 RMB'000
Short-term employee benefits	**6,295**	1,290
Post-employment benefits	**25**	29
Equity compensation benefits	**–**	243
	6,320	1,562

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. APPROVAL OF THE INTERIM FINANCIAL STATEMENTS

The unaudited condensed consolidated interim financial statements were approved and authorised for issue by the Board on 20 December 2010.

INTERIM DIVIDEND

The Board resolved to declare an interim dividend of HK$0.09 (approximately equivalent to RMB0.077) (2009: HK$0.09 (approximately equivalent to RMB0.079)) per share for the six months ended 31 October 2010 to be payable on Tuesday, 1 February 2011 to those shareholders whose names appear on the register of members of the Company on Friday, 21 January 2011.

CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from Thursday, 20 January 2011 to Friday, 21 January 2011, both days 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, 19 January 2011.

Holders of the 3% guaranteed convertible bonds (the "Bonds") of the Company due 2013 should lodge the conversion notice together with the relevant documents evidencing the title of the Bonds to the conversion agent of the Bonds not later than 3:00 p.m. on Monday, 17 January 2011 in order to qualify for the interim dividend.

MANAGEMENT DISCUSSION AND ANALYSIS

Industry Overview

In the wake of the global financial crisis, China's economy was able to sustain relatively fast growth over the past year, recording a staggering 10.6% GDP growth for the first nine months of 2010. The increase of per capita disposable income and average wages of urban households further boosted domestic consumption.

However, the unpredictable weather conditions and inflation further lifted prices of food and beverages. According to the National Bureau of Statistics of China, the consumer price index (CPI) was up 3.0% year-on-year for the first ten months and 4.4% in October 2010. The prices for food and beverage grew 10.1% year-on-year in October 2010. It is expected that food prices will continue to surge, bringing both challenges and opportunities to China Green.

Business Review

Despite the challenges posted by uncertain macro environment, the Group achieved satisfactory results in the first half of 2010/11 as it was well-positioned to take advantage of increasing market demand for healthy and green products.

For the six months ended 31 October 2010, the Group's turnover grew 30% to approximately RMB1,109.8 million (first half of 2009/10: RMB851.8 million) which was driven by a healthy growth in the branded food and beverage ("F&B") business. Gross profit was up 30% to approximately RMB575.9 million (first half of 2009/10: RMB441.6 million). Gross profit margin remained stable at 51.9% (first half of 2009/10: 51.8%) as a result of an optimized product mix, economies of scale and efficient cost control.

Branded beverage products remain as the major growth driver, contributing to about 31.6% of the Group's total turnover, while branded food products accounted for 10.0%. Fresh produce, processed products and others contributed to approximately 21.8%, 33.5% and 3.1% of the total turnover respectively.

Supported by healthy growth in the branded beverage business, profit attributable to shareholders for the six months ended 31 October 2010 reached RMB284.2 million, representing a year-on-year increase of 1.4% (first half of 2009/10: RMB280.2 million), despite of an exchange loss of RMB37.5 million (first half of 2009/10: RMB2.6 million) and the increase of finance cost by RMB45.9 million during the current period. Basic earnings per share were RMB32 cents, compared to RMB31 cents in first half of 2009/10.

The Board of Directors resolved to declare an interim dividend of HK$0.09 per ordinary share (equivalent to RMB0.077) (first half of 2009/10: HK$0.09 per ordinary share (equivalent to RMB0.079)) for the six months ended 31 October 2010, representing a payout ratio of 24.1% of the profit attributable to equity shareholders for the first half of 2010/11.

Branded F&B Products

During the period under review, the branded F&B products segment has continued to show encouraging results. Revenue contribution from the segment surged 57.8% to RMB461.3 million (first half of 2009/10: RMB292.3 million), accounting for about 41.6% of the Group's total revenue (first half of 2009/10: 34.3%). This increase was primarily attributable to the volume growth of the Group's healthy beverage products. Healthy beverages are increasingly popular in China with the sales network having better coverage and higher market awareness. Revenue and gross profit from beverage products jumped 88.5% to RMB350.2 million and 87.6% to RMB203.3 million respectively, while gross profit margin was maintained at around 58.1%.

During the period under review, the Group achieved higher market penetration and successfully raised its brand profile outside the southern part of China. Along with new product launches, the Group has continued to expand to other new markets in China such as Hubei, Zhejiang, Jiangsu and Anhui. New flavors and packages of its grain beverages and vegetable juice series have been launched to enrich its product variety and to increase sales coverage. Currently, the Group has 3 product categories with over 20 beverages in different flavors and packaging under the brand of "China Green".

With the Group's continued marketing drive and distribution expansion efforts, the "China Green" brand is increasingly recognized by mass consumers as a leader in green food and beverages. In view of China's growing demand for health-boosting beverages, China Green has striven to brace its distribution network and product mix, and aimed to become one of the most famous healthy beverages brands with nationwide coverage in China.

The Group has built a strong marketing team to drive advertising and promotional activities, while the dedicated sales team has partnered with regional and local distributors in selling its products to supermarkets and hypermarkets. It is expected that the growing branded food and beverages segment will drive the growth of the Group and reinforce its vertically-integrated business model in the long run.

Processed Products

During the first half of 2010/11, revenue and gross profit from the processed products segment increased 5.4% to RMB372.3 million and 5.1% to RMB204.0 million respectively. Gross profit margin maintained at around 54.8%.

There was increased demand from both domestic and overseas markets of the Group's processed products. Export of processed products experienced stable growth from markets like Middle East, South and Central America, and Africa.

The domestic market accounted for 7.9% (first half of 2009/10: 5.7%) of total processed products revenue while the remaining 92.1% (first half of 2009/10: 94.3%) was from export markets. By leveraging on solid domestic demand, the Group's processed products segment recorded stable sales during the period. Meanwhile, export markets achieved a relatively stable volume growth.

Among all processed products, the demand for sweet corn products continued to be well-received. The management expected sweet corn, including canned, frozen and water-boiled sweet corn products, to continue to drive revenue growth in coming years for both export and domestic markets.

In order to meet growing demand from health-conscious consumers, the Group will further expand its processing facilities in China. As a leading provider of fresh produce and processed foods, the Group plans to build a new processing factory in Shanghai to replace the current rented factory plant, offering quality food products and vegetables to leading restaurant chains in the nearby cities with better facilities with higher efficiencies. The strategic cooperation with the Shanghai World Expo 2010 not only enhanced the Group's brand reputation as a leading green food supplier, but also laid a solid foundation for the development of its fresh produce and processed food business with hotel groups, restaurant chains, and other major future events.

Fresh Produce

Fresh produce continued to record steady growth during the review period with revenue of RMB242.2 million, representing a year-on-year growth of 17.5%, and an annual average yield of approximately 4-5 tons per mu. As a result of faster growth in domestic market, gross profit of fresh produce was increased to RMB122.0 million. The segment also enjoyed a reasonable gross profit margin of 50.4%, an increase of 4.9 percentage points over the first half of 2009/10. The improvement of gross profit margin was due to food prices inflation which led to a higher average selling price for certain types of vegetable products during the period under review.

The domestic market accounted for 84.4% (first half of 2009/10: 83.1%) of total fresh produce revenue while the remaining 15.6% (first half of 2009/10: 16.9%) was from export markets. Sweet corn, radish and hairy beans were the top products of this segment, contributing approximately RMB92.2 million, or 38.1% of total fresh produce revenue.

To ensure a stable supply of quality vegetables and to increase production yield, the Group has put a strong focus on protecting and enhancing the quality of soil. The Group has continued to invest in infrastructure to prepare for unexpected climate fluctuations and minimize the impact of adverse weather conditions in future. Improvement was made in respect of irrigation systems, water reserve, farm shelters and crops' rotation to better protect soil quality. Better infrastructure will help to and mitigate the negative impact of abnormal weather conditions on the Group.

Stable cultivation bases are the core competency of the Group

The Group has enhanced and upgraded its cultivation bases in order to improve the overall cultivation yield and ensure stable supply of quality products. As at the end of October 2010, the Group has 92,700 mu of cultivation bases offering a cultivation capacity of about 380,000 tons per year. Out of which, 85,200 mu are devoted to vegetable cultivation, 4,500 mu to fruits and 3,000 mu to organic rice.

The Group is on track of its expansion plan to upgrade cultivation facilities and increase its cultivation bases by 10-15% by the end of 2010/11. With an average rental price of RMB500-600 per mu per year, the Group will maintain the five-to-ten-year payment term of future long-term farmland lease contracts. The Group will focus on getting new farmland in Hubei and Hebei provinces for the next couple of years.

Large-scale and reliable processing facilities to meet rapid domestic demand

As at the end of October 2010, the Group owned and operated 12 advanced processing plants with a total capacity of approximately 604,800 tons. The Group's production plants ran at an average utilization rate of about 75% to 80%.

The Group has made good progress in expanding its processing capacity by 15-20% by the end of 2010/11 to meet increasing demand for its processed products in China.

Meanwhile, the Group has speeded up its execution in increasing capacity on the beverage business to satisfy continued demand for its beverage products in China. As at 31 October 2010, total beverage production capacity amounted to approximately 72,000 tons per year, representing an increase of 43% year-on-year as compared to 31 October 2009. The Group's target is to expand annual beverages production capacity to approximately 120,000 tons by the end of 2010/11 (2009/10: 56,000 tons).

Outlook and Prospects

Rising commodities prices, expected Renminbi appreciation, food inflation and possible government administrative measures on key food products create uncertainties for Chinese food producers and suppliers, and these factors may affect demand from overseas markets. It is expected that food and raw materials prices will continue to surge and inflation will remain at high levels in 2011. Certain administrative measures or price controls may be imposed in order to prevent speculative activities and unreasonable price hikes. However, the Group is devoted to maintain stable profit margin by adopting efficient cost controls, shifting costs to customers and securing long-term relationships with key vendors.

China Green is well-positioned to rise to challenges ahead and has strengthened its core competence by offering a vertically-integrated value chain and business platform, extensive cultivation capability, large-scale and reliable processing facilities. All this is to enable its consumers to enjoy high quality and healthy products.

In addition, the comprehensive cultivation infrastructure with farmlands spanning across several major provinces, including Fujian, Hubei, Hebei, Jiangxi and Zhejiang, has enabled the Group with stable supply of fresh produce without being affected by the extreme weather conditions. The Group will continue to monitor weather changes closely in order to put in place appropriate measures where necessary in future.

Branded F&B segment to be a major income driver

The branded F&B segment has continued to achieve encouraging results in the first half of 2010/11 and is expected to increase its contribution to the Group's overall revenue mix going forward. In light of this, the Group will continue to build up and optimize its distribution network and strategically expand to other new markets in China with new flavors and packaging to be introduced to enhance its product variety.

Domestic processed products market is main focus

New processing plants and production lines in Tianmen and Shanghai will commence production in the second half of 2010/11. The enhanced production facilities will help the Group to meet domestic demand. The Group is in discussion with several large restaurant chains, hotel groups and other corporate clients in order to explore business opportunities in the domestic market by offering high quality fresh produce and processed products.

Fresh produces continue to deliver stable growth

Extreme weather conditions and food inflation in China pushed up the prices of certain vegetables in the first half of 2010/11. Vegetable prices are expected to stay at high levels in the remaining time of this year due to the imbalance of demand and supply. The Group will continue to upgrade and expand its cultivation bases, ensure stable supply and prices of vegetables in order to meet customers' demand.

China Green is optimistic about opportunities in the robust Chinese consumer market and will strive to promote its "China Green" brand in home turf. We will maintain our market competitiveness in the branded business segment while working towards our goal of becoming a premier cultivator, producer and supplier in the green food market in China and globally.

Group's liquidity, financial resources and capital structure

As at 31 October 2010, the total shareholders' fund of the Group was approximately RMB3,252.0 million (2009: RMB2,788.7 million). The Group had current assets of RMB2,410.8 million (2009: RMB1,765.2 million) and current liabilities of RMB86.7 million (2009: RMB 996.4 million) and the current ratio was 27.8 times (2009 : 1.8 times).

During the period under review, the zero coupon convertible bonds of the Company due 2010 issued on 29 October 2007 (the "Bond") with an aggregate principal amount of RMB1,000,000,000 were fully repaid. As at 31 October 2010, the USD settled guaranteed convertible bonds due 2013 issued on 12 April 2010 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 2010 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 2010 was 39.6% (2009: 33.4%).

As of 31 October 2010, the Group had cash and cash equivalents of approximately RMB2,008.7 million (2009: 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 2010, the ratio of total liabilities over total assets was 30.6% (2009: 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 2010, the Group has contractual capital commitments of approximately RMB106.8 million (2009: RMB40.7 million). As of 31 October 2010, 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 2010, 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 policy on financial management policy 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 2010, 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 2010, the Group had a total of over 11,000 employees, of which approximately 5,100 are workers at the Group's cultivation bases. The aggregate staff costs and Directors' remuneration for the six months ended 31 October 2010 totaled approximately RMB87.8 million (2009: RMB73.1 million). Employees are paid at a competitive level, taking into account individual performance, experience and their positions. Other benefits included mandatory provident funds, year-end bonus 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 2010, the Group maintained sufficient funds for the capital investment and operations in the coming year. The management will continue to assess the finance needs based on the expansion plan.

DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS IN SHARES

At 31 October 2010, the interests or short positions of the Directors and chief executives 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 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 Issuers ("Model Code") as set out in Appendix 10 to the Rules Governing the Listing of Securities on the Stock Exchange ("Listing Rules"), 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	406,665,000 *(Note 2)*	46.00%
		Total:	415,065,000	46.95%

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 406,665,000 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 the 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 2010 under the Scheme are as follows:

	Number of share options							
Name or category of participants	Balance as at 1 May 2010	Granted during the period	Exercised during the period	Lapsed during the period	Outstanding as at 31 October 2010	Exercise price (HK$)	Date of Grant	Exercisable Period
Director								
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	7,875,000	–	–	–	7,875,000	3.50	19 April 2006	19April 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	18,975,000	–	–	–	18,975,000			
Total	27,375,000	–	–	–	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 2010, 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	Notes	Capacity	Long position/ short position	Number of ordinary shares held	Percentage of the Company's issued share capital
Capital Mate	1	Beneficial owner	Long position	406,665,000	46.000%
JPMorgan Chase & Co.	2	Controlled corporation	Long position	38,775,100	4.386%
	3	Controlled corporation	Long position	3,580,102	0.405%
	3	Controlled corporation	Short position	500,000	0.057%
	4	Controlled corporation	Long position	2,418,000	0.274%
	5	Controlled corporation	Long position	36,000	0.004%
Ameriprise Financial Inc	6	Controlled corporation	Long position	38,945,000	4.405%
	6	Controlled corporation	Long position	5,926,364	0.670%

Notes:

1. 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 406,665,000 ordinary shares of the Company owned by Capital Mate.

2. JPMorgan Chase Bank, N.A. is wholly-owned by JPMorgan Chase &Co.. Hence, JPMorgan Chase & Co. is deemed to be interested in these 38,775,100 ordinary shares of the Company owned by JPMorgan Chase Bank, N.A..

3. 98.95% interest of J.P. Morgan Securities Ltd. is owned by J.P. Morgan Chase International Holdings, which in turn is wholly-owned by J.P. Morgan Chase (UK) Holdings Limited, which in turn is wholly-owned by J.P. Morgan Capital Holdings Limited, which in turn is wholly-owned by J.P. Morgan International Finance Limited, which in turn is wholly-owned by Bank One International Holdings Corporation, which in turn is wholly-owned by J.P. Morgan International Inc., which in turn is wholly-owned by JPMorgan Chase Bank, N.A., which is wholly-owned by JPMorgan Chase & Co.. Hence, JPMorgan Chase & Co. is deemed to be interested in these 3,580,102 and 500,000 ordinary shares of the Company owned by J.P. Morgan Securities Ltd..

4. JF Asset Management Limited is wholly-owned by JPMorgan Asset Management (Asia) Inc., which in turn is wholly-owned by JPMorgan Asset Management Holdings Inc., which is wholly-owned by JPMorgan Chase & Co.. Hence, JPMorgan Chase & Co. is deemed to be interested in these 2,418,000 ordinary shares of the Company owned by JF Asset Management Limited.

5. J.P. Morgan Whitefriars Inc. is wholly-owned by J.P. Morgan Overseas Capital Limited, which in turn is wholly-owned by J.P. Morgan International Finance Limited, which in turn in wholly-owned by Bank One International Holdings Corporation, which in turn is wholly-owned by J.P. Morgan International Inc., which in turn is wholly-owned by JP Morgan Chase Bank, N.A., which is wholly-owned by JP Morgan Chase & Co.. Hence, JPMorgan Chase & Co. is deemed to be interested in these 36,000 ordinary shares of the Company owned by J.P. Morgan Whitefriars Inc..

6. Columbia Wanger Asset Management, LLC is wholly-owned by Columbia Management Investment Advisers, LLC, which in turn is wholly-owned by Ameriprise Financial, Inc.. Hence, Ameriprise Financial, Inc. is deemed to be interested in these 38,945,000 ordinary shares and 5,926,364 ordinary shares of the Company held by Columbia Wanger Asset Management, LLC and Columbia Management Investment Advisers, LLC respectively.

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, sold or redeemed any of the Company's listed securities during the six months ended 31 October 2010.

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 Listing Rules, which came into effect on 1 January 2005.

During the six months ended 31 October 2010, the Company was in compliance with code provisions set out in the CG Code except for the deviations from code provisions A.2.1, A.4.1 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 the current Board which comprises experienced and high calibre individuals with sufficient number thereof being independent non-executive Directors.

Code provision A.4.1 of the CG Code provides that non-executive director should be appointed for a specific term and subject to re-election. The independent non-executive Directors (except Mr. Huang Zhigang) are not appointed for a specific term but they are subject to retirement by rotation in accordance with the Bye-laws of the Company.

Code provision E.1.2 of the CG Code provides that the chairman of the board should attend the annual general meeting, Mr. Sun Shao Feng, the Chairman of the Board, did not attend the 2010 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 2010.

AUDIT COMMITTEE

The Company established the 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 2010.

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

Hong Kong, 20 December 2010