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 2011/2012

* 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 2011 with comparative figures for the corresponding period as follows:

CONDENSED CONSOLIDATED INCOME STATEMENT

For the six months ended 31 October 2011

	Note	**Unaudited Six months ended 31 October 2011 RMB'000**	2010 RMB'000
Turnover	*3*	**1,289,142**	1,109,776
Cost of sales		**(639,497)**	(533,875)
Gross profit		**649,645**	575,901
Other revenue		**8,345**	12,244
Gain arising from changes in fair value less estimated point-of-sale costs of biological assets		**36,341**	48,099
Selling and distribution expenses		**(173,462)**	(115,393)
General and administrative expenses		**(79,982)**	(106,916)
Operating profit	*4*	**440,887**	413,935
Finance costs		**(49,964)**	(73,713)
Profit before taxation		**390,923**	340,222
Taxation	*5*	**(98,737)**	(56,001)
Profit attributable to equity shareholders of the Company		**292,186**	284,221
Earnings per share	*7*		
– Basic		**RMB33 cents**	RMB32 cents
– Diluted		**RMB33 cents**	RMB32 cents
Dividend	*6*	**–**	68,472

The notes on pages 7 to 14 form an integral part of this condensed consolidated interim financial information.

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 31 October 2011

	Unaudited Six months ended 31 October	
	2011	2010
	RMB'000	RMB'000
Profit for the period	**292,186**	284,221
Other comprehensive income for the period:		
Exchange differences on translation of financial statements of overseas subsidiaries	**(321)**	(37,325)
Total comprehensive income for the period attributable to equity shareholders of the Company	**291,865**	246,896

The notes on pages 7 to 14 form an integral part of this condensed consolidated interim financial information.

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 October 2011

	Note	At 31 October 2011 RMB'000 (Unaudited)	At 30 April 2011 RMB'000 (Audited)
Non-current assets			
Fixed assets			
– Property, plant and equipment	*8*	**1,844,891**	1,631,456
– Interests in leasehold land held for own use under operating leases		**288,528**	279,286
Long-term prepaid rentals		**760,113**	783,899
Deposit for acquisition of property, plant and equipment		**284,187**	132,553
		3,177,719	2,827,194
Current assets			
Inventories		**87,490**	50,496
Biological assets		**131,704**	104,749
Current portion of long-term prepaid rentals		**41,907**	49,321
Trade and other receivables	*9*	**67,533**	58,870
Bank deposits with maturity over 3 months		**34,045**	64,731
Cash and cash equivalents	*10*	**1,610,224**	1,711,631
		1,972,903	2,039,798
Current liabilities			
Amount due to a director	*11*	**8,219**	8,373
Trade and other payables	*12*	**134,296**	101,857
Income tax payable		**25,413**	25,498
		167,928	135,728
Net current assets		**1,804,975**	1,904,070
Total assets less current liabilities		**4,982,694**	4,731,264

	Note	At 31 October 2011 RMB'000 (Unaudited)	At 30 April 2011 RMB'000 (Audited)
Non-current liabilities			
Convertible bonds		**1,284,184**	1,315,293
Deferred tax liabilities		**83,914**	67,153
		1,368,098	1,382,446
Net assets		**3,614,596**	3,348,818
Capital and reserves			
Share capital	*13*	**92,236**	92,236
Reserves		**3,522,360**	3,256,582
Total equity attributable to equity shareholders of the Company		**3,614,596**	3,348,818

The notes on pages 7 to 14 form an integral part of this condensed consolidated interim financial information.

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 31 October 2011

	Share capital RMB'000 (Note 13)	Share premium RMB'000	PRC statutory reserves RMB'000	Merger reserve RMB'000	Share-based compensation reserve RMB'000	Convertible bonds reserve RMB'000	Exchange reserve RMB'000	Retained profits RMB'000	Total RMB'000
As at 1 May 2011 (audited)	92,236	702,532	192,771	14,694	34,210	48,320	(110,095)	2,374,150	3,348,818
Profit for the period	–	–	–	–	–	–	–	292,186	292,186
Exchange differences on translation of financial statements of overseas subsidiaries	–	–	–	–	–	–	(321)	–	(321)
Total comprehensive income for the period	–	–	–	–	–	–	(321)	292,186	291,865
Dividend paid	–	–	–	–	–	–	–	(47,738)	(47,738)
Transfer to retained profits upon lapse of share options	–	–	–	–	(3,064)	–	–	3,064	–
Effect of early redemption of convertible bonds	–	–	–	–	–	(2,212)	–	23,863	21,651
As at 31 October 2011 (unaudited)	92,236	702,532	192,771	14,694	31,146	46,108	(110,416)	2,645,525	3,614,596
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
Exchange differences on translation of financial statements of overseas subsidiaries	–	–	–	–	–	–	(37,325)	–	(37,325)
Total comprehensive income for the period	–	–	–	–	–	–	(37,325)	284,221	246,896
Dividend paid	–	–	–	–	–	–	–	(69,132)	(69,132)
Effect of redemption of convertible bonds	–	–	–	–	–	(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

The notes on pages 7 to 14 form an integral part of this condensed consolidated interim financial information.

CONDENSED CONSOLIDATED CASH FLOW STATEMENT

For the six months ended 31 October 2011

	Unaudited Six months ended 31 October	
	2011	2010
	RMB'000	RMB'000
Net cash generated from operating activities	**467,734**	408,113
Net cash (used in)/generated from investing activities	**(458,954)**	327,274
Net cash used in financing activities	**(107,882)**	(1,015,916)
Effect of foreign exchange rate changes	**(2,305)**	(37,325)
Decrease in cash and cash equivalents	**(101,407)**	(317,854)
Cash and cash equivalents at 1 May	**1,711,631**	2,326,516
Cash and cash equivalents at 31 October	**1,610,224**	2,008,662

The notes on pages 7 to 14 form an integral part of this condensed consolidated interim financial information.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL INFORMATION

For the six months ended 31 October 2011

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 condensed consolidated interim financial information has been prepared in accordance with the applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, 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 HKICPA has issued a number of amendments to HKFRSs and one new interpretation that are first effective for the current accounting period of the Group and the Company. These developments relate primarily to clarification of certain disclosure requirements applicable to the Group's financial statements. These developments have had no material impact on the contents of this interim financial report.

Save as the above, the accounting policies applied by the Group in this interim financial report are the same as those applied by the Group in its consolidated financial statements for the year ended 30 April 2011.

Certain new standards, amendments and interpretations have been issued but are not effective for the current accounting period. The Group has not early adopted those new standards, amendments or interpretations and is in the process of making an assessment of 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 30 April 2011. This condensed consolidated interim financial information does 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, consumer food and beverage products. An analysis of the Group's turnover for the six months ended 31 October 2011 and 2010 is as follows:

	Unaudited Six months ended 31 October	
	2011	2010
	RMB'000	RMB'000
Sales of goods		
– Sales to import/export companies in the PRC (i)	**405,142**	380,618
– Sales to other customers in the PRC	**884,000**	729,158
	1,289,142	1,109,776

(i) In the 2010/11 interim report, the Group had adopted a different criterion in determining the geographical locations of revenue contribution by looking at the destinations of the products, and consequently revenue generated by sales to the import/export companies in the PRC was shown as overseas sales in the 2010/11 interim report.

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		Branded beverage products		Branded food products and others		Total	
	2011	2010	**2011**	2010	**2011**	2010	**2011**	2010
	RMB'000	RMB'000	**RMB'000**	RMB'000	**RMB'000**	RMB'000	**RMB'000**	RMB'000
Revenue from external customers	**600,356**	614,458	**581,751**	350,201	**107,035**	145,117	**1,289,142**	1,109,776
Inter-segment revenue	**4,331**	–	**–**	–	**–**	–	**4,331**	–
Reportable segment revenue	**604,687**	614,458	**581,751**	350,201	**107,035**	145,117	**1,293,473**	1,109,776
Reportable segment profit	**273,057**	295,058	**157,686**	143,245	**30,057**	34,406	**460,800**	472,709

	2011	2010
	RMB'000	RMB'000
Revenue		
Reportable segment revenue	**1,293,473**	1,109,776
Elimination of inter-segment revenue	**(4,331)**	–
Consolidated turnover	**1,289,142**	1,109,776
Profit or loss		
Reportable segment profit derived from Group's external customers	**460,800**	472,709
Finance costs	**(49,964)**	(73,713)
Finance income	**3,292**	8,685
Other revenue	**1,424**	1,214
Unallocated depreciation and amortisation	**(10,211)**	(10,008)
Unallocated head office and corporate expenses	**(13,300)**	(56,574)
Loss on redemption of convertible bonds	**(1,118)**	(2,091)
Consolidated profit before taxation	**390,923**	340,222

4. OPERATING PROFIT

Operating profit is stated after crediting and charging the following:

	Unaudited Six months ended 31 October 2011 RMB'000	2010 RMB'000
Crediting		
Interest income	**6,920**	11,027
Net foreign exchange gain	**11,507**	–
Charging		
Depreciation of owned property, plant and equipment	**91,530**	59,384
Staff costs (including directors' emoluments)	**99,161**	87,832
Research and development expenses	**20,689**	21,972
Amortisation of long-term prepaid rentals	**25,223**	26,077
Amortisation of interests in leasehold land held for own use under operating leases	**3,659**	2,778
Net foreign exchange loss	**–**	37,516

5. TAXATION

	Unaudited Six months ended 31 October 2011 RMB'000	2010 RMB'000
Current tax – PRC Enterprise Income Tax		
Provision for the period	**81,772**	50,298
Deferred tax		
Origination and reversal of temporary differences	**16,965**	5,703
	98,737	56,001

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 rate 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 still subject to tax at 50% of the standard tax rate 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 or the British Virgin Islands.

6. DIVIDEND

No dividend was declared for the six months ended 31 October 2011 (six months ended 31 October 2010: HK$0.09 per share).

7. EARNINGS PER SHARE

a) **Basic earnings per share**

The calculation of basic earnings per share is based on the profit attributable to equity shareholders of the Company of RMB292,186,000 (six months ended 31 October 2010: RMB284,221,000) and on the weighted average of 884,035,540 ordinary shares (six months ended 31 October 2010: 884,035,540 ordinary shares).

b) **Diluted earnings per share**

The calculation of diluted earnings per share is based on the profit attributable to equity shareholders of the Company of RMB292,186,000 (six months ended 31 October 2010: RMB284,221,000) and the weighted average number of 885,397,555 ordinary shares (six months ended 31 October 2010: 889,814,833 ordinary shares) after adjusting for the effects of all dilutive potential ordinary shares under the Company's share option scheme, as shown below. The convertible bonds have an anti-dilutive effect and are ignored in the calculation of diluted earnings per share.

	Unaudited Six months ended 31 October	
	2011	2010
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	**1,362,015**	5,779,293
Weighted average number of ordinary shares (diluted)	**885,397,555**	889,814,833

8. PROPERTY, PLANT AND EQUIPMENT

During the period, approximately RMB316,973,000 (six months ended 31 October 2010: RMB265,370,000) 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 2011 RMB'000 (Unaudited)	At 30 April 2011 RMB'000 (Audited)
Within 1 month	**30,325**	27,334

10. CASH AND CASH EQUIVALENTS

	At 31 October 2011 RMB'000 (Unaudited)	At 30 April 2011 RMB'000 (Audited)
Cash at banks	**1,609,752**	1,710,824
Cash on hand	**472**	807
	1,610,224	1,711,631

11. AMOUNT DUE TO A DIRECTOR

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

12. TRADE PAYABLES

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

	At 31 October 2011 RMB'000 (Unaudited)	At 30 April 2011 RMB'000 (Audited)
Within 1 month	**37,260**	20,165
Over 1 month but less than 3 months	**4,640**	6,775
Over 3 months	**4**	–
	41,904	26,940

13. SHARE CAPITAL

	At 31 October 2011 RMB'000 (Unaudited)	At 30 April 2011 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 2011: 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 end of the reporting period, the Group had the following capital commitments:

	At 31 October 2011 RMB'000 (Unaudited)	At 30 April 2011 RMB'000 (Audited)
Contracted but not provided for		
– Purchase of property, plant and equipment	**643,176**	151,176

b) Operating lease commitments

At the end of the reporting period, the Group's total future minimum lease payments under non-cancellable operating leases were repayable as follows:

	At 31 October 2011 RMB'000 (Unaudited)	At 30 April 2011 RMB'000 (Audited)
Within one year	**7,371**	8,450
After one year but within five years	**54,975**	31,780
After five years	**131,500**	162,840
	193,846	203,070

15. CONTINGENT LIABILITIES

The Group did not have any significant contingent liabilities as at 31 October 2011 (30 April 2011: 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	
	2011	2010
	RMB'000	RMB'000
Short-term employee benefits	**2,338**	6,295
Post-employment benefits	**19**	25
	2,357	6,320

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 have any material related party transactions during the period.

17. APPROVAL OF THE INTERIM FINANCIAL INFORMATION

The unaudited condensed consolidated interim financial information was approved and authorised for issue by the Board on 29 December 2011.

INTERIM DIVIDEND

The Board has resolved not to declare any dividend for the six months ended 31 October 2011 (six months ended 31 October 2010: HK$0.09 (equivalent to approximately RMB0.077) per share).

MANAGEMENT DISCUSSION AND ANALYSIS

The Group continued its steady growth trend for the first half of 2011/12. Total revenue of the Group reached RMB1,289.1 million in the period, representing a growth rate of 16.2% as compared to RMB1,109.8 million in the first half of 2010/11. Gross profit improved by 12.8% to RMB649.6 million, while the gross profit margin was 50.4%, as compared with 51.9% in the first half of 2010/11. The drop in gross profit margin was mainly due to the increasing inflationary pressure in certain input materials, the effect of which was not fully passed onto the Group's customers, as well as the change in product mix in the current period. In light of the above and an increase in overall marketing and promotion expenses, operating margin of the Group decreased from 37.3% in the first half of 2010/11 to 34.2% in the first half of 2011/12. Profit attributable to equity shareholders of the Company in the first half of 2011/12 was RMB292.2 million, as compared with RMB284.2 million in the first half of 2010/11.

Business Review

The Group has continued to maintain high standards in product quality, variety and safety by leveraging its vertically integrated business model, which gives us effective control over cultivation (from seeding, growing, irrigating and fertilizing to harvesting), production (from sterilizing, processing to packaging) and distribution (including storage and logistics).

Our branded beverage business was a major growth driver during the period, representing approximately 45.1% of the Group's revenue for the first half of 2011/12 (first half of 2010/11: 31.6%). Processed products and fresh produce contributed 46.6% (first half of 2010/11: 55.3%), while the remaining 8.3% was contributed by branded food (first half of 2010/11: 13.1% contributed by branded food and other business).

For the six months ended 31 October 2011, the Group achieved a 21.2% growth in domestic sales (excluding sales to import/export companies) as compared with last year, which reached RMB884.0 million (first half of 2010/11: RMB729.2 million) and represented 68.6% (first half of 2010/11: 65.7%) of the Group's revenue. This was mainly due to the increasing focus on the domestic market through the expansion of national distribution of the Group's branded beverage products.

During the period, revenue generated from sales to import/export companies in the PRC amounted to RMB405.1 million (first half of 2010/11: RMB380.6 million), representing 31.4% (first half of 2010/11: 34.3%) of the Group's total revenue.

Branded Food and Beverage Products

Revenue from the branded food and beverage business surged 53.4% to approximately RMB688.7 million (first half of 2010/11: RMB461.3 million). This figure includes revenue from branded beverage products of approximately RMB581.7 million, which grew by 66.1% from RMB350.2 million in the first half of 2010/11. The gross profit margin of the branded beverage business was 51.3%.

Currently, the key beverage product series of the Group is the multi-grain series. Other beverage products include vegetable and fruit juice, as well as sour plum juice and ba bao zhou.

Since the launch of the multi-grain series of beverage products in mid-2009, it has received excellent market feedback and support. As one of the first-movers in the PRC multi-grain beverage sector, the Group has 8 flavours in this series now, including red bean, green bean, black bean, oats, sweet corn and others. Alongside the increasing health consciousness of Chinese consumers, the Group believes that our multi-grain series will continue to offer the Group significant market potential by offering a choice of healthy vegetable proteins, as compared with animal proteins, which are provided by dairy beverage products. As of the end of October 2011, for the beverage business, we had a total capacity of approximately 120,000 tons per year.

Apart from expansion in distribution channels, the Group continues to invest in the marketing and promotion of its branded business. During the period, the total marketing and promotion costs incurred represented approximately 11.2% (first half of 2010/11: 13.1%) of the total revenue of the branded products during the period.

Looking ahead, the Group is confident that it can maintain a momentum in its branded beverage business through geographical coverage and higher penetration, as well as through the continuous broadening of product categories.

Our branded food products business includes rice, rice-related products and frozen food. In 2010/11, the Group suspended the production of instant noodles products in view of keen competition in the market. In the current period, the Group commenced the production and distribution of its frozen food products under the brand "Cu Liang Dang Dao" which have been well received by the market. The Group will launch a series of branded food products in the domestic market, including "Jin Yu Liang Pin" for canned products such as red beans, sweet corns and others. These products will focus on catering distribution and supermarket channels in the PRC. Through the introduction of these new products, the Group expects to achieve strong momentum in the branded food segment in the domestic market in the coming years.

Processed Products

The Group's processed products include canned products, frozen products, pickled products as well as water-boiled products. In the first half of 2011/12, the total revenue from the processed products business was RMB395.2 million, as compared with RMB372.3 million in the first half of 2010/11 representing a growth of 6.1%. Approximately 92.8% (first half of 2010/11: 92.1%) of the sales of processed products were destined for overseas markets which were handled by import/export companies. The gross profit margin of this segment was 52.2% (first half of 2010/11: 54.8%). As of the end of October 2011, the Group owned and operated more than 10 advanced food processing plants with a total capacity of more than 560,000 tons per year.

Fresh Produce

The fresh produce business showed a slight drop in revenue in the first half of 2011/12. Total revenue was RMB205.2 million for the current period, representing a drop of 15.3% as compared with RMB242.2 million in the first half of 2010/11. The gross profit margin was 50.9% (first half of 2010/11: 50.4%). The overall average yield of our cultivation bases was also maintained at approximately four to five tons per mu per year.

The domestic market (excluding sales to import/export companies) accounted for 81.2% of the total fresh produce revenue. Sweet corn, lotus root, radish, hairy bean, pak choi and watermelons were the top products, contributing approximately RMB83.9 million, or 40.9% of total fresh produce revenue.

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 for both the Group's upstream and downstream business. As at the end of October 2011, the Group had 92,700 mu of cultivation bases offering a cultivation capacity of about 380,000 tons per year. Out of which, 85,200 mu were devoted to vegetable cultivation, 4,500 mu to fruits and 3,000 mu to organic rice.

Outlook and Prospects

Several factors, such as rising commodity prices, food safety concerns, as well as extreme weather conditions, may continue to affect the China agriculture industry in the future. By leveraging the Group's unique competitive advantages in terms of quality control, the Group's vertically integrated platform, its effective cost control measures, its fast growing brand recognition in the market, and the increasingly less contribution of the agricultural business to the Group's total revenue, the Company's management team is confident that the Group is well-positioned to face and handle these challenges and maintain its growth momentum within the industry.

The Group is driven to increase shareholders' value. It is in the process of evaluating a potential spin-off plan for the Group's beverage business. The key objective of this evaluation is to determine whether the value to the Group's shareholders can be enhanced through releasing the underlying value of the beverage business by this spin-off exercise, as well as to determine if any technical issues need to be resolved for this exercise to proceed. No concrete conclusion or decision has been made as of this moment, and the Group will keep shareholders updated when there is any material progress in this evaluation.

Group's Liquidity, Financial Resources and Capital Structure

As at 31 October 2011, the total equity attributable to shareholders of the Company was approximately RMB3,614.6 million (30 April 2011: RMB3,348.8 million). The Group had current assets of RMB1,972.9 million (30 April 2011: RMB2,039.8 million) and current liabilities of RMB167.9 million (30 April 2011: RMB135.7 million). The current ratio was 12 times (30 April 2011: 15 times).

The Group's outstanding debt as at 31 October 2011 was RMB1,284.2 million, which was represented by convertible bonds issued by the Company and maturing on 11 April 2013 (30 April 2011: RMB1,315.3 million). The Group's gearing ratio (total debt divided by shareholders' equity) as at 31 October 2011 was 35.5% (30 April 2011: 39.3%).

As at 31 October 2011, the Group had cash and cash equivalents of approximately RMB1,610.2 million (30 April 2011: RMB1,711.6 million). The majority of the Group's funds has been deposited in banks in the PRC and licensed banks in Hong Kong. Management believes that the Group possesses sufficient cash and cash equivalents to meet its commitments and working capital requirements in the next financial year.

The Group continues to implement prudent financial management policies and monitor its capital structure based on the ratio of total liabilities to total assets. As at 31 October 2011, the ratio of total liabilities to total assets was 29.8% (30 April 2011: 31.2%).

Capital Commitments and Contingent Liabilities

The Group has approved the expansion of existing production facilities by building new production plants. As at 31 October 2011, the Group had contractual capital commitments of approximately RMB643.2 million (30 April 2011: RMB151.2 million).

As at 31 October 2011, the Group had not provided any form of guarantee for any companies outside the Group and had not involved in any material legal proceedings for which provision for contingent liabilities was required.

Fluctuation in Exchange Rates

For the six months ended 31 October 2011, the Group conducted its business transactions principally in Renminbi. The Group did not experience any material difficulties or negative impact on its operations as a result of fluctuation in currency exchange rates. Accordingly, the Directors concluded that the foreign currency exchange risk exposure was relatively limited and no hedging of such exchange risk was required at that time.

As an internal policy, the Group continues to implement a prudent financial management policy and does not participate in any high-risk speculative activities. Still, the management of the Company will continue to monitor its foreign exchange exposure and will take corresponding prudent measures if needed.

Significant Investments Held and Material Acquisitions

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

Pledge on Group's Assets

As at 31 October 2011, the Group had not pledged any assets to banks or others to secure banking facilities granted to the Group.

Staff and Remuneration Policies

As at 31 October 2011, the Group had a total of approximately 8,600 employees, of which approximately 3,100 were workers at the Group's cultivation bases. The aggregate employee compensation and Directors' remuneration for the six months ended 31 October 2011 totalled approximately RMB99.2 million (six months ended 31 October 2010: RMB87.8 million). Employees are paid competitively, taking into account individual performance, experience, and their respective roles and positions. Other benefits offered by the Group included statutory provident funds, year-end bonuses, and share options granted to selected employees based on their individual performance.

Future Plans for Material Investments/Capital Assets and Source of Funds

As at 31 October 2011, the Group maintained sufficient funds for its capital investments and operations in the next financial year.

DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS IN SHARES

As at 31 October 2011, 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	Approximate percentage of the Company's issued share capital
Mr. Sun Shao Feng	Beneficial owner	Long position	8,400,000 *(Note 1)*	0.95%
	Interest of controlled corporation	Long position	407,274,000 *(Note 2)*	46.07%
		Total:	415,674,000	47.02%

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 407,274,000 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 2011 under the Scheme are as follows:

	Number of share options							
Name or category of participants	Balance as at 1 May 2011	Granted during the period	Exercised during the period	Lapsed during the period	Outstanding as at 31 October 2011	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								
	3,777,000	–	–	483,000	3,294,000	3.50	19 April 2006	19 April 2007 to 11 Dec 2013#
	4,500,000	–	–	1,500,000	3,000,000	7.29	30 May 2007	30 May 2008 to 11 Dec 2013##
Sub-total	8,277,000	–	–	1,983,000	6,294,000			
Total	16,677,000	–	–	1,983,000	14,694,000			

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.

SUBSTANTIAL SHAREHOLDERS AND OTHER PERSONS' INTERESTS IN SHARES

As at 31 October 2011, 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	Position	Number of ordinary shares held	Approximate percentage of the Company's issued share capital
Capital Mate *(Note)*	Beneficial owner	Long position	407,274,000	46.07%
JPMorgan Chase & Co.	Beneficial owner	Long position	1,051,113	0.12%
	Beneficial owner	Short position	1,005,000	0.11%
	Custodian corporation/approved lending agent	Lending pool	58,458,300	6.61%

Name	Capacity	Position	Number of ordinary shares held	Approximate percentage of the Company's issued share capital
Deutsche Bank Aktiengesellschaft	Beneficial owner	Long position	1,420,916	0.16%
	Beneficial owner	Short position	1,256,491	0.14%
	Investment manager	Long position	38,084,183	4.31%
	Person having a security interest in shares	Long position	13,318,935	1.51%
	Person having a security interest in shares	Short position	4,348,098	0.49%
	Custodian corporation/approved lending agent	Lending pool	267,000	0.03%

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 407,274,000 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 LISTED SECURITIES

The Company has repurchased US$ settled 3% guaranteed convertible bonds due 2013, which are listed on the Singapore Exchange Securities Trading Limited, with a face value of RMB61,800,000 on 1 September 2011. Save as aforesaid, neither the Company nor its subsidiaries has purchased, sold or redeemed any of the Company's listed securities during the six months ended 31 October 2011.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code as set out in Appendix 10 to the Listing Rules as the code of conduct regarding Directors' securities transaction. 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 2011, the Company was in compliance with code provisions set out in the CG Code except for the deviations from code provisions A.2.1 and A.4.1 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 Chairman of the Company, Mr. Sun Shao Feng, is concurrently performing the CEO role. 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 are not appointed for a specific term but they are subject to retirement by rotation in accordance with the Bye-laws of the Company.

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 2011.

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 information for the six months ended 31 October 2011.

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

Hong Kong, 29 December 2011