



Chairman's Statement

Dear Shareholders,

I am pleased to present the Annual Report of China Green (Holdings) Limited ("China Green") and its subsidiaries (collectively the "Group") for the fiscal financial year 2006.

During the year under review, turnover, gross profit and net profit of the Group reached RMB686,602,000, RMB354,416,000 and RMB271,275,000 respectively, representing an increase of 45.9%, 39.2% and 47.8% respectively as compared to the corresponding period last year. The Group achieved the best result ever with earnings per share of RMB0.37. The Board recommends the payment of a final dividend of HK\$0.062 per ordinary share.

I am extremely excited and yet grateful with this favourable return to our shareholders. It could not be achieved without the unity and the effective performance of all staffs who have worked hard to reach the goal of the Group.

During the year under review, the Group's income surged, with exports to Japan reached RMB278,047,000, representing an increase of 21.5% as compared to the same period last year and contribute 40.5% to the Group's turnover. The Group further penetrated into China Mainland's consumer market. As a result, income derived from domestic market amounted to RMB328,667,000, which represented 47.9% of the Group's turnover.

China Green enjoyed robust growth for the year under review. We have reinforced and established our goal for future development: To leverage on our own cultivation, processing and logistics system as the platform to establish the Group's brand as the dominant green food supplier with comprehensive value chain, we strive to achieve the mission of "Ensuring fresh and green products".

In business development, the Group continued to develop the existing market and successfully expanded the export volume. Meanwhile, we have made good progress in exploring new markets. On the other hand, we have been commencing our domestic distribution business, in order to implement our development strategy of expanding both local and export trade.

In view of the Group's market development, we have realigned the market and repositioning of our various production bases and production lines. We also expanded our production capacity and improved the production line according to market changes, in order to establish a nationwide production network for our long term development.

We will consolidate our foundation for development in the future by fixing our all-round human resources strategy on training, retaining and inspiring the existing and introducing new staff.

In addition, the Group has put every effort into brand integration and re-branding. We have appointed professional consulting teams to conduct a comprehensive review of our corporate identity as well as the customer brand image, and have formulated a brand restructuring plan. During the period, we have incorporated all different brands into the "China Green" brand, thus strengthening the brand awareness of its products.

Various initiatives of the Group have yielded remarkable results. Although the Group is facing various challenges, yet its prospects remain bright. In light of increasingly stringent international food export requirements, we believe that there will be further conglomeration within the food exporting industry in the future. Corporations which are able to produce high-quality products treat this development as their opportunities, while companies of small scale with limited prospects in quality enhancement are under threat.



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We have been focusing on the growth in global demand for China's green food. While we continue to enhance our product quality, we are also extending our business reaching to European Union. We anticipate that the European market will become a strong growth driver of the Group in the near future.

Looking forward, the Group will enjoy more opportunities. With consumers' awareness toward health continues to raise, the demand of green food in China and worldwide will gradually increase. Accompanied by the uplift of brand value and awareness of China Green, China Green will further capture market share and reinforce its leading position in China's green food industry.

As aforesaid, we have set down a clear direction for China Green's development:

To develop the enterprise as the role model for China's standardized green agricultural products producer.

To establish the Group as the largest green food production and processing platform.

To reinforce the China Green brand as the leading brand for green food consumer products.

To upgrade its supply chain to become the most active fresh green food logistic system.

Under the guidance of specific targets, I strongly believe China Green will continue to progress in the promising green food industry, and further expand to other business scopes. I would like to take this opportunity to express gratitude to our shareholders, business partners and dedicated staff on behalf of the fellow board members. I look forward to a great success of China Green with your trust, assistance and encouragement.

Sun Shao Feng

Chairman

Hong Kong, 28 August, 2006

