



CHINA GREEN (HOLDINGS) LIMITED

中國綠色食品（控股）有限公司*

(incorporated in Bermuda with limited liability)

(Stock Code: 904)

ANNOUNCEMENT OF FINAL RESULTS FOR THE YEAR ENDED 30 APRIL 2005

RESULTS

The board (the “Board”) of directors (the “Directors”) of China Green (Holdings) Limited (the “Company”) is pleased to announce the audited consolidated results of the Company and its subsidiaries (the “Group”) for the year ended 30 April 2005 together with the comparative figures for the corresponding period of 2004 as follows:

CONSOLIDATED INCOME STATEMENT

		For the year ended 30 April	
		2005	2004
	Note	RMB'000	RMB'000 (Restated)
Turnover	2	470,537	375,430
Cost of sales		(215,991)	(165,235)
Gross profit	2	254,546	210,195
Other revenues		2,172	957
Gain arising from changes in fair value less estimated point-of-sale costs of biological assets		13,336	13,887
Income from negative goodwill		451	451
Selling and distribution expenses		(37,308)	(30,200)
General and administrative expenses		(20,715)	(7,735)
Net other operating expenses		(4,675)	(3,543)
Operation profits		207,807	184,012
Finance cost		(5)	(1)
Profit before taxation	3	207,802	184,011
Taxation	4	(24,350)	(33,461)
Profit attributable to shareholders		183,452	150,550
Dividends per Share		RMB3.9 cents	RMB2.1 cents
Earnings per Share – Basic		RMB27 cents	RMB30 cents

Notes:

1. BASIS OF PREPARATION

The Company was incorporated and registered as an exempted company with limited liability in Bermuda under the Companies Act 1981 of the Bermuda. Its shares were listed on The Stock Exchange of Hong Kong Limited (the “Stock Exchange”).

* For identification purposes only

In 2004, the Hong Kong Institute of Certified Public Accountants (the “HKICPA”) issued a number of new or revised Hong Kong Accounting Standards and Hong Kong Financial Reporting Standards (“HKFRSs”) (herein collectively referred to as “new HKFRSs”) which are effective for accounting periods beginning on or after 1 January 2005 except for HKFRS 3 “Business Combinations”. The Group has not early adopted these new HKFRSs in the financial statements for the year ended 30 April 2005.

HKFRS 3 is applicable to business combinations for which the agreement date is on or after 1 January 2005. The Group has not entered into any business combination for which the agreement date is on or after 1 January 2005. Therefore, HKFRS 3 did not have any impact on the Group for the year ended 30 April 2005.

The Group has commenced considering the potential impact of the other new HKFRSs but is not yet in a position to determine whether these new HKFRSs would have a significant impact on how its results of operations and financial position are prepared and presented. These new HKFRSs may result in changes in the future as to how the results and financial position are prepared and presented.

During the year, the Company has adopted the Statement(s) of Standard Accounting Practice (“SSAP”) 36 “Agriculture” in relation to the agricultural activities. As a result of adoption, comparative figures have been restated.

The financial statements have been prepared in accordance with generally accepted accounting principles in Hong Kong and comply with SSAP and Interpretations issued by the HKICPA, and the disclosure requirements of the Hong Kong Companies Ordinance and Rules Governing the Listing of Securities on the Stock Exchange (“Listing Rules”). The financial statements are prepared under the historical cost convention as modified by the revaluation of certain property, plant and equipment and biological assets.

2. Segmental Reporting

(a) Business segment

The Group is principally engaged in the planting and sales of agricultural products. An analysis of the Group’s turnover and gross profit by products categories for the year are as follows:

	For the year ended 30 April	
	2005	2004
	RMB’000	RMB’000
		<i>(Restated)</i>
Turnover		
Fresh produce	293,026	233,641
Processed products	85,603	95,831
Pickled products	59,271	45,958
Beverage products	6,409	–
Rice products	26,228	–
	470,537	375,430
Gross profit		
Fresh produce	161,611	133,231
Processed products	48,369	53,118
Pickled products	34,202	23,846
Beverage products	3,246	–
Rice products	7,118	–
	254,546	210,195

(b) Geographical segment

An analysis of the Group’s result of operation by geographical location for the year are as follows:

	For the year ended 30 April	
	2005	2004
	RMB’000	RMB’000
		<i>(Restated)</i>
Turnover		
Japan	228,811	219,514
PRC	186,972	124,674
Other South East Asian countries	32,494	31,242
Europe	20,824	–
Australia	1,436	–
	470,537	375,430

	For the year ended 30 April	
	2005	2004
	RMB'000	RMB'000
		<i>(Restated)</i>
Gross profit		
Japan	140,872	138,385
PRC	81,621	54,310
Other South East Asian countries	18,839	17,500
Europe	12,411	–
Australia	803	–
	<u>254,546</u>	<u>210,195</u>

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

3. Profit before taxation

Profit before taxation are stated after crediting and charging the following:

	For the year ended 30 April	
	2005	2004
	RMB'000	RMB'000
		<i>(Restated)</i>
Crediting		
Amortisation of negative goodwill	451	451
Interest income	2,089	598
Rental income	25	34
Gain arising from changes in fair value less estimated point-of-sale costs of biological assets	13,336	13,887
Revaluation gain	–	325
Exchange gain	55	–
	<u> </u>	<u> </u>
Charging		
Auditors' remuneration	819	659
Depreciation of owned property, plant and equipment	12,285	7,035
Operating lease expenses – land and buildings	1,372	2,254
– other property, plant and machinery	26	–
Staff costs (including directors emoluments)	58,818	49,759
Retirement cost	169	138
Interest expense on bank overdraft	–	1
Research and development expenses	4,143	3,015
Amortisation of long-term prepaid rental included in cost of goods sold (net of amount capitalised in inventories)	21,256	16,376
Loss on disposal of property, plant and equipment	46	28
Exchange loss	–	92
	<u> </u>	<u> </u>

4. Taxation

	For the year ended 30 April	
	2005	2004
	RMB'000	RMB'000
		<i>(Restated)</i>
Hong Kong profits tax	–	–
PRC enterprise income tax	24,329	32,181
Overseas income tax	–	–
	<u>24,329</u>	<u>32,181</u>
Deferred taxation	21	1,280
	<u>24,350</u>	<u>33,461</u>

(a) *Hong Kong profits tax*

No Hong Kong profits tax has been provided as the Group had no assessable profit arising in or derived from Hong Kong.

(b) *PRC enterprise income tax*

Zhonglu (Fujian) Agriculture Comprehensive Development Company Limited ("Zhonglu"), a principal wholly owned subsidiary of the Company is subject to PRC enterprise income tax at a rate of 24%. However, in September 2004, Zhonglu was awarded as "State-Level Industrialized Agricultural Leading Enterprise" of the nation by the central government of the PRC. According

to the circular Nong Jing Fa [2004] No.5, domestic PRC Stated-Level Industrialized Agricultural Leading Enterprises are entitled to certain tax benefits including full exemption of PRC enterprise income tax. Other PRC subsidiaries incorporated during the year ended 30 April 2005 will be eligible to have exemption from PRC enterprise income tax for two years starting from the first year of profitable operations after offsetting prior year tax losses, followed by a 50% reduction in state income tax for the next three years.

(c) *Overseas income tax*

During the year, China Green (Thailand) Company Ltd. (“China Green (Thailand)”), a wholly owned overseas subsidiary of the Group was incorporated in Thailand. It is subject to the progressive tax rate on assessable profit. However, no overseas income tax has been provided for as China Green (Thailand) did not have assessable profit for the year.

5. Earnings per share

The calculation of the basic earnings per share for the year ended 30 April 2005 is based on the profit attributable to shareholders during the year of RMB183,452,000 (2004: RMB150,550,000) and on the weighted average number of approximately 667,664,384 (2004: 501,372,951) ordinary shares in issue during the year.

MANAGEMENT DISCUSSION AND ANALYSIS

Industry overview

Currently, Green Food certification in the PRC has already achieved unprecedented results in various aspects. Green Food certification has brought out a clear concept of safety and environmental friendly, creating the first brand with quality accreditation in the PRC and building up image for quality agricultural produce. On the other hand, the food industry advocated a quality control technical standard of “from farm to dinning table” which implemented throughout the entire process, covering various aspects such as farmland environment, production process, product quality, packaging and labelling, fresh storage and transportation, and its overall standards are on par with those national food quality and safety standards in developed countries such as the European Union, US and Japan. The “AA” grade Green Food Standard is also coherent with the international organic food standard. Furthermore, the industry has developed the integrated management principle of “technical standard as bases, quality accreditation as ways, trademark management as means”. Moreover, a work system which integrates agricultural departments with social resources and a professional team comprising members from different levels of green food management organizations, environment monitoring organizations and product quality control organizations was established. In the course of development of production system, protection system including related technical support, marketing, information service, quality control and certification management were also developed accordingly. As a result, the PRC has become one of the major food exporter. In January to December 2004, the export sales of vegetables and fruits of the PRC amounted to approximately US\$5.44 billion. The PRC is now the largest importer of vegetables and fruits of Japan and is becoming major importer of many other countries as well.

Business Review

Apart from the development of various new products, the Group also committed to constant technology upgrade and further development, so as to maintain the Group’s competitive edge. On this basis, the Group will penetrate into markets with advance food technology as a result of diversifying its product range. By strengthening its scale and capability, the Group is able to enhance its range of products with innovative ability.

Business segment

Fresh produce

For the year ended 30 April 2005, the sales of fresh produce generated a turnover of approximately RMB293.0 million, which accounted for approximately 62.3% of the Group’s total revenue. Among other products, the sales of fresh produce recorded a strong growth of approximately 25.4% as compared to 2004. During the year under review, naganegi, broccoli and perilla were the heavy weights among the fresh produce with sales of approximately RMB57.4 million. Perilla was the Group’s newly developed product during the year with sales amounted to approximately RMB13.7 million.

Processed products

During the year under review, the sales of processed products amounted to approximately RMB85.6 million, which accounted for approximately 18.2% of the Group’s total revenue. Water-boiled radish is the best seller among the processed products with sales amounted to approximately RMB30.2 million. Amongst processed products, quick frozen vegetable was one of the Group’s new product categories during the year under review with sales amounted to a total of approximately RMB12.7 million.

Pickled products

Revenue from pickled products surged by approximately 28.9% to approximately RMB59.3 million as compared to that of last year. Pickled plum compromised the majority of turnover of the pickled products with sales amounted to approximately RMB28.8 million. Moreover, the newly developed pickled mushroom in the segment contributed sales turnover amounted to approximately RMB20.7 million.

Beverage products

Beverage was another new product category launched by the Group during the year under review with sales amounted to approximately RMB6.4 million, representing approximately 1.4% of the Group's total revenue. The Group will continue to develop the corn beverage products series. Corn milk is the pioneer product launched among the Corn Series and had been identified as a strategic product to build up the Group's brand image in the PRC.

Rice products

Rice was another new product segment launched by the Group during the year under review. The sales of rice amounted to approximately RMB26.2 million, which accounted for approximately 5.6% of the Group's total revenue. As rice products are all domestic sales, the gross profit margin of rice products is lower than other products. However, the Group planned to introduce rice processed products by early September 2005, which will help the Group to improve the gross profit margin of the rice products segment.

Market Review

Regarding market expansion, the Group actively explored both export and domestic markets. Apart from focusing on its existing Japan market, the Group strived to explore the Southeast Asia, Europe and other overseas markets, in order to broaden its overseas client base. Meanwhile, as the Group was able to seize the opportunities arising from the change in domestic spending pattern since 2002 and benefited from the Agro-renovation project (農改超工程) undertaken by the government, domestic market share of the Group's products increased substantially.

Geographical segment

Export

For the year ended 30 April 2005, the revenue from export sales increased by approximately 13.1% to approximately RMB283.6 million as compared to fiscal year 2004. Japan is continued to be the largest sales market of the Group, which recorded approximately 4.2% increase in turnover to approximately RMB228.8 million for the year under review and accounted for approximately 48.6% of the Group's total turnover.

Domestics

During the year under review, the revenue from domestics sales increased by approximately 49.9% to approximately RMB186.9 million as compared to the previous year. The encouraging growth of the domestics sales was mainly attributable by the growing demand on fresh produce and introducing of rice products which represented approximately 78.2% and 14.0% of the total domestic sales respectively.

Cultivation bases and food processing plants

Including the Group's cultivation facilities in Fujian and Zhejiang provinces, during the year under review, the Group also expanded its cultivation base and processing plant. The cultivation base in Hubei is situated at the altitude of 1,000 meters above sea level, therefore, the Group is able to undertake seasonal complimentary cultivation activities of agricultural produce during the year so as to achieve constant supply of produce throughout the year and lower the cost of cultivation.

Moreover, the rice processing plant located in Fengxin County, Jiangxi province commenced production in February of 2005. Fengxin County has been renowned as "Production land for tribute rice (貢米產地)" and "Homeland of rice (稻米之鄉)" long time ago, therefore, the Group obtained the exclusive right to produce rice and sell under a famous local brand name – "碧雲". Through the implementation of brand management, the Group consolidated the production bases of organic rice, "AA" graded rice, with the advanced growing technology, the Group will be able to advance the well-established green food sales network in the PRC.

During the year under review, the Group has a total of 27 cultivation bases with gross cultivation area of 34,000 mu spread across the PRC and an asparagus cultivation base sized of about 330 mu in Thailand which the annual production capacity reached a total of approximately 160,120 tons

of produce each year. Moreover, the Group has 7 advanced processing plants with gross processing area of approximately 10,600 sq.m. and processing capacity of approximately 154,000 tons of fruits and vegetable and 9,000 tons of rice.

Quality assurance

Based on the ISO9001:2000 and HACCP certification obtained by the Group, the Group is currently in pursuit of compliance with the IFS Standard for expansion into the European market.

Establishment of new cultivation bases and expansion of food processing plant

The Group believes that expanding cultivation bases and processing plants into other regions is necessary for the formation of the Group's business model. Moreover, it is also an effective way to minimize the risk exposure of cultivation activities from the damage of natural disasters. Accordingly, the Group planned to invest approximately RMB300 million for the expansion and set up of new cultivation bases and processing plants in the coming year. Apart from Fujian, Zhejiang and Hubei, the Group will establish new processing plants in Hebei, Jiangxi, Zhangpu County, Fujian and Shanghai. Save for Shanghai, the abovementioned new processing plants are expected to complete during the period from August to November 2005 and the plant in Shanghai is expected to complete by the end of 2006. The management is confident that the new cultivation bases and processing plants will strengthen the Group's position in the PRC food industry. The Group expected that additional revenue contribution from these businesses will be reflected in the next financial year.

Zhangjiakou Hebei

In order to achieve the seasonal complimentary cultivation to provide stable supply of products with consistent quality at stable prices, the Group established another processing plant in Zhangjiakou City, Hebei province which commenced production in early August 2005. Since Zhangjiakou City shares the borders with Inner Mongolia at the altitude of 600-1,300 meters above sea level and there is longer light-shedding period per day, wider temperature differentiation and fertile land, making it one of the best cultivation bases for various kinds of vegetables.

Fengxin Jiangxi

In order to broaden the client base and create wider range of different types of products, the Group established a cultivation base and processing plant for rice processed products and canned products in Fengxin County, Jiangxi province, after a long term and in-depth geographical surveys and resources analysis. The Group took advantages of natural resources in Jiangxi to develop new product series such as mushrooms, bamboo shoots and rice flour, which serves clients in Europe, Southeast Asia and other overseas countries. Moreover, in order to ensure the quality of rice flour, the Group had takenover a rice processing plant and obtained the exclusive right to produce rice and sell with a famous local brand name – “碧雲”. The Directors believed that the sales of processed products will be a potential growth diver in the coming year.

Zhangpu Fujian

Due to the saturated capacity of the processing plants in Huian County, Fujian province, in early 2005, the Group decided to establish a processing plant in Zhangpu County, Fujian province where is located at the southern end of Fujian province with abundant farmland reserve. Through the advanced growing technology and experience, the Group will able to utilize effectively the cultivation bases in Zhangpu.

Prospects

Looking forward, the Group will commit to strengthen the existing businesses and strive to explore other business opportunities. By widening the product offering range, developing new high value-added products as well as identifying new investments or partners, the Group will achieve the goal of becoming a comprehensive green food supplier in the PRC.

TREASURY POLICY

As at 30 April 2005, the Group had cash and cash equivalents of approximately RMB532 million. The Group had deposited the money in banks in the PRC, Thailand and licensed banks in Hong Kong.

CAPITAL COMMITMENTS AND CONTINGENCIES

During the year, the Group committed to the expansion of the Group's existing facilities to enhance its production capacity. As at year end, the Group has outstanding contractual capital commitments of approximately RMB18.0 million. As at 30 April 2005, the Group has not provided any form of guarantees for any company outside the Group and was not involved in any material legal proceedings of which provision for contingent liabilities was required.

EXPOSURE TO FLUCTUATION IN EXCHANGE RATES

For the year ended 30 April 2005, the Group conducted its business transactions principally in US dollars and Renminbi. The Group had not experienced any material difficulties or negative impacts on its operations as a result of fluctuations in currency exchange rates. The Directors believe that it was not necessary to hedge the exchange risk. Nevertheless, the management will continue to monitor the foreign exchange exposure and will take prudence measure as deemed appropriate.

On 21 July 2005, the People's Bank of China adjusted the exchange of Renminbi to US dollars from 8.2765 to 8.1100. In view of the magnitude of this adjustment, the appreciation of Renminbi has positive but immaterial impact to the Group.

SIGNIFICANT INVESTMENT AND ACQUISITION

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

CHARGES ON ASSETS

As at 30 April 2005, the Group had not pledged any asset to its bankers to secure banking facilities granted to the Group.

STAFF AND REMUNERATION POLICIES

As at 30 April 2005, the Group had a total of over 3,100 employees, of which approximately 2,000 are workers in the Group's cultivation bases. The aggregate staff costs and Directors' remuneration for the year ended 30 April 2005 was approximately RMB58.8 million (2004: approximately RMB49.8 million). Employees are remunerated at a competitive level taken into account of their performance and experience. Other benefits include mandatory provident fund and year-end bonus based on individual performance.

A share option scheme was adopted by the Company on 12 December 2003, pursuant to which the Directors may offer to any eligible employees (including the executive Directors) of the Company and any of its subsidiaries options to subscribe for shares in the Company in accordance with the terms of the share option scheme.

FINAL DIVIDEND AND CLOSURE OF REGISTER OF MEMBERS

The Board resolved to recommend the payment of a final dividend of HK\$0.038 per share (approximately RMB0.039) for the year ended 30 April 2005 (2004: HK\$0.02) to be payable on or about 19 October 2005 to those shareholders whose names appear on the register of members of the Company on 5 October 2005.

The register of members of the Company will be closed from 3 October 2005 to 5 October 2005, both days inclusive, during which period no transfer of shares will be effected. In order to qualify for the proposed final dividend and attendance at the forthcoming annual general meeting to be held on 5 October 2005, all transfers 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, Shops 1712-1716, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong for registration no later than 4:00 p.m. on 30 September 2005.

PURCHASES, SALE OR REDEMPTION OF THE COMPANY'S LISTED SECURITIES

Neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities during the year ended 30 April 2005.

COMPLIANCE WITH CODE OF BEST PRACTICE

In the opinion of the Directors, the Company has complied with the Code of Best Practice as set out in Appendix 14 to the Listing Rules during the year ended 30 April 2005, except that independent non-executive Directors of the Company are not appointed for specific terms but are subject to retirement by rotation in accordance with the provisions of the Company's Bye-laws.

The Code of Best Practice set out in Appendix 14 to the Listing Rules was replaced by the Code on Corporate Governance Practices (“Code on CG Practices”) which has become effective for accounting periods commencing on or after 1 January 2005. Appropriate actions are being taken by the Company for complying with the Code on CG Practices.

AUDIT COMMITTEE

The Company established an audit committee (the “Audit Committee”) in accordance with the requirements of Rule 3.21 of the Listing Rules. The primary duties of the audit committee are to review and supervise the financial reporting process and internal control system of the Group and to review the Company’s interim and annual reports and financial statements. The Audit Committee comprises the three independent non-executive Directors. The audited financial results for the year ended 30 April 2005 have been reviewed by the Audit Committee.

ACKNOWLEDGEMENT

On behalf of the Board, I would like to take this opportunity to express our sincere appreciation for the support of our customers, suppliers and shareholders. Thanks also to the staff members of the Group for their commitment and dedicated services throughout the year.

PUBLICATION OF INFORMATION ON THE STOCK EXCHANGE’S WEBSITE

All the financial and other related information of the Company required by paragraphs 45(1) to 45(3) of Appendix 16 to the Listing Rules in force prior to 31 March 2004, which remain applicable to results announcement in respect of accounting periods commencing before 1 July 2004 under the transitional arrangements, will be published on the Stock Exchange’s website in due course.

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

Hong Kong, 26 August 2005

As at the date of this announcement, the Board comprises Mr. Sun Shao Feng, Mr. Huang Hua, Mr. Leung Kwok Fai Ben Rich and Mr. Kung Sze Wai as executive Directors, and Mr. Lin Chuan Bi, Mr. Hu Ji Rong and Ms. Hu Bao Zheng as independent non-executive Directors.

“Please also refer to the published version of this announcement in The Standard.”