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 INTERIM RESULTS FOR THE SIX MONTHS ENDED 31 OCTOBER 2005

INTERIM RESULTS

The board (the "Board") of directors (the "Directors") of China Green (Holdings) Limited (the "Company") is pleased to present the unaudited consolidated results of the Company and its subsidiaries (together the "Group") for the six months ended 31 October 2005. The unaudited consolidated interim financial statements (the "Interim Financial Statements") have not been audited, but have been reviewed by the Company's audit committee (the "Audit Committee").

Unaudited Condensed Consolidated income statement
For the six months ended 31 October 2005

		Six months ended 31 October	
	Note	**2005** *RMB'000*	2004 *RMB'000* (Restated)
Turnover	*3*	**262,475**	177,898
Cost of sales		**(144,792)**	(88,748)
Gross profit	*3*	**117,683**	89,150
Other revenues		**2,890**	782
Gain arising from changes in fair value less estimated point-of-sale costs of biological assets		**22,775**	13,940
Income from negative goodwill		**–**	226
Selling and distribution expenses		**(18,239)**	(12,644)
General and administrative expenses		**(15,639)**	(6,846)
Net other operating expenses		**(3,045)**	(1,981)
Operating profits	*4*	**106,425**	82,627
Taxation	*5*	**–**	(20,544)
Profit attributable to shareholders		**106,425**	62,083
Dividends	*6*	**28,751**	21,592
Earnings per share – Basic	*7*	**RMB15 cents**	RMB10 cents

* *for identification purposes only*

Unaudited Condensed Consolidated Balance Sheet

As at 31 October 2005

	As at 31 October 2005 *RMB'000*	As at 30 April 2005 *RMB'000* (Restated)
Non-current assets		
Property, plant and equipment	**300,592**	196,683
Negative goodwill	**–**	(6,318)
Biological assets	**–**	1,050
Lease premium for land	**67,184**	9,612
Long-term prepaid rental	**62,407**	71,682
	430,183	272,709
Current assets		
Inventories	**18,839**	5,236
Biological assets	**42,296**	30,869
Accounts receivables	**10,459**	9,202
Short-term prepaid rental	**57**	397
Prepayment and deposits paid	**50,683**	107,728
Current portion of lease premium for land	**1,404**	211
Current portion of long-term prepaid rental	**27,904**	25,144
Bank balances and cash	**486,738**	531,791
	638,380	710,578
Current liabilities		
Due to a director	**912**	879
Accounts payables and accrued expenses	**24,726**	22,981
Trade deposits received	**206**	–
Taxation payable	**73,077**	73,077
	98,921	96,937
Net current assets	**539,459**	613,641
Total assets less current liabilities	**969,642**	886,350
Non current liabilities		
Deferred taxation	**(3,773)**	(3,773)
Net assets	**965,869**	882,577
Represented by:		
Capital and reserves	**965,869**	882,577

Notes:

1. **Basis of preparation and accounting policies**

The unaudited condensed consolidated interim financial statements have been prepared in accordance with the disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") issued by The Stock Exchange of Hong Kong Limited (the "HKSE") and with Hong Kong Accounting Standard (the "HKAS") No. 34 "Interim Financial Reporting" issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA").

The accounting policies and basis of preparation used in the preparation of unaudited condensed consolidated interim financial statements are consistent with those used in the preparation of Group's annual financial statements for the year ended 30 April 2005 except that the Group has changed certain of its accounting policies following its adoption of new/revised Hong Kong Financial Reporting Standards ("HKFRSs") and HKASs (collectively referred to as the "new HKFRSs") which are effective for accounting periods commencing on or after 1 January 2005.

These condensed consolidated interim financial statements have been prepared in accordance with those HKFRSs and interpretations issued and effective as at the time of preparing this report. The comparative figures have been amended as required and where necessary, in accordance with the relevant requirements.

2. Effect of adoption new/revised HKFRSs and HKASs

The HKICPA has issued a number of new HKFRSs and HKASs and Interpretations, which are effective for the accounting periods commencing on or after 1 January 2005. The Group has adopted the following HKFRSs and HKASs issued up to 31 October 2005 which are pertinent to its operations and relevant to these condensed consolidated interim financial statements.

HKAS 1	Presentation of financial statements
HKAS 2	Inventories
HKAS 7	Cash flow statements
HKAS 8	Accounting policies, changes in accounting estimates and errors
HKAS 10	Events after the balance sheet date
HKAS 12	Income taxes
HKAS 14	Segment reporting
HKAS 16	Property, plant and equipment
HKAS 17	Leases
HKAS 18	Revenue
HKAS 19	Employee benefits
HKAS 21	The effects of changes in foreign exchange rates
HKAS 23	Borrowing costs
HKAS 24	Related party disclosures
HKAS 27	Consolidated and separate financial statements
HKAS 32	Financial instruments: Disclosure and presentation
HKAS 33	Earnings per share
HKAS 34	Interim financial reporting
HKAS 36	Impairment of assets
HKAS 37	Provisions, contingent liabilities and contingent assets
HKAS 38	Intangible assets
HKAS 39	Financial instruments: Recognition and measurement
HKAS 41	Agriculture
HKFRS 3	Business combinations
HKFRS 5	Non-current assets held for sale and discontinued operations

The adoption of these new/revised HKASs 1, 2, 7, 8, 10, 12, 14, 16, 18, 19, 21, 23, 24, 27, 32, 33, 34, 36, 37, 38, 39, 41 and HKFRS 5 did not result in substantial changes to the accounting policies of the Group and the methods of computation in the Group's condensed consolidated interim financial statements.

The following is a summary of material changes in principal accounting policies or presentation of the financial statements as a result of the adoption of the new HKFRSs and HKASs:

(i) *HKAS 17 "Leases"*

The principal effect of adoption of HKAS 17 is in relation to the classification of interest in leasehold land. HKAS 17 requires the classification of interest in leasehold land as an operating lease if the title of the land is not passed to the Group by the end of the lease term. Prepaid land premiums for land lease payments under operating leases are recognized as an expense on a straight-line basis over the lease term. The adoption of HKAS 17 results in a change in reclassification of leasehold land from property, plant and equipment to lease premium for land and restatement of certain amount for leasehold land from revalued amount to original cost of payments amortised over the lease term. The adoption resulted in the elimination of revaluation surplus of land of RMB1,807,000 and increase of retained earnings of RMB125,000 at the beginning of the period. Comparative figures have also been restated to conform to the accounting policies.

(ii) *HKFRS 3 "Business combination"*

The adoption of HKFRS 3 results in a change in the accounting policy for negative goodwill. In accordance with the transitional provision of HKFRS 3, the Group has derecognized the previously recognized negative goodwill with a corresponding adjustment to the opening balance of the retained profits. Before the adoption, the negative goodwill was recognised in the income statement over the remaining weighted average useful life at those assets acquired. The adoption of HKFRS 3 has resulted in an increase in retained earnings at the beginning of the period by RMB6,318,000. Comparative figures have not been restated.

3. 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 six months ended 31 October 2005 and 2004 are as follows:

	Six months ended 31 October	
	2005	2004
	RMB'000	*RMB'000*
Turnover		
Fresh produces	**102,201**	103,738
Processed fruit and vegetables	**86,528**	69,753
Beverage	**24,039**	4,407
Rice	**49,707**	–
	262,475	177,898
Gross profit		
Fresh produces	**46,983**	48,108
Processed fruit and vegetables	**45,019**	38,846
Beverage	**12,104**	2,196
Rice	**13,577**	–
	117,683	89,150

(b) *Geographical segment*

An analysis of the Group's result of operation by geographical location for the six months ended 31 October 2005 and 2004 are as follows:

	Six months ended 31 October	
	2005	2004
	RMB'000	*RMB'000*
Turnover		
Japan	**108,050**	88,539
Mainland China	**146,273**	83,902
Other Asian countries	**7,748**	5,457
Australia	**404**	–
	262,475	177,898
Gross profit		
Japan	**59,279**	50,787
Mainland China	**54,527**	35,001
Other Asian countries	**3,644**	3,362
Australia	**233**	–
	117,683	89,150

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 dates are located in the People's Republic of China (the "PRC").

4. Operating profits

Operating profits are stated after crediting and charging the following:

	Six months ended 31 October	
	2005	2004
	RMB'000	*RMB'000*
Crediting		
Amortisation of negative goodwill	**–**	226
Interest income	**1,636**	682
Rental income	**10**	17
Exchange gain	**–**	83
Gain arising from changes in fair value less estimates point-of-sale costs of biological assets	**22,775**	13,940
Charging		
Auditors' remuneration	**–**	–
Depreciation of owned property, plant and equipment	**10,132**	4,603
Staff costs (including directors emoluments)	**36,108**	24,368
Research and development expenses	**1,948**	1,480
Amortisation of long-term prepaid rental included in cost of goods sold (net of amount capitalised in inventory)	**10,821**	8,234
Loss on disposal of property, plant and equipment	**373**	–
Loss on disposal of biological assets	**822**	–
Exchange loss	**2,018**	–

5. Taxation

	Six months ended 31 October	
	2005	2004
	RMB'000	*RMB'000*
Hong Kong profits tax	**–**	–
PRC enterprise income tax	**–**	20,197
	–	20,197
Deferred taxation	**–**	347
	–	20,544

(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"), the principal wholly owned subsidiary is subject to PRC enterprise income tax at a rate of 24%. However, during the year ended 30 April 2005, Zhonglu was awarded as "State-Level 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 Agricultural Leading Enterprises are entitled to certain tax benefits including full exemption of PRC enterprise income tax. Other PRC subsidiaries incorporated during 2004 and 2005 would enjoy 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.

6. **Dividends**

At a Board meeting held on 20 January 2006, the Board has resolved to declare an interim dividend of RMB0.0395 (equivalent to HK$0.038) per share for the six months ended 31 October 2005 (2004: RMB0.0297).

7. **Earnings per share**

The calculation of the basic earnings per share is based on the Group's profits for the period of RMB106,425,000 (2004: RMB62,083,000) and the number of shares of 727,500,000 (2004: 622,500,000) in issue during the period.

Diluted earnings per share is not presented as there were no dilutive potential shares existed during the period.

INTERIM DIVIDEND AND CLOSURE OF REGISTER OF MEMBERS

The Board resolved to declare an interim dividend of RMB0.0395 (equivalent to HK$0.038) per share for the six months ended 31 October 2005 to be payable on 17 February 2006 to those shareholders whose names appear on the register of members of the Company on 15 February 2006.

The register of members of the Company will be closed on 15 February 2006, during which no transfer of shares will be effected. In order to qualify for the interim dividend, 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 13 February 2006.

MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL REVIEW

The Group saw a satisfactory growth in turnover and profit attributable to shareholders during the six months ended 31 October 2005. During the period under review, the Group's turnover amounted to approximately RMB262,475,000, representing an increase of approximately 48% compared to the same period in 2004. 20% of the increment was mainly driven by the additional capacity from the new cultivation bases and processing plants located in Hubei and Hebei Province while 82% of the increment was mainly contributed by the Group's reinforced "Brand Building" campaign for the beverage and rice in domestic market.

The gross profit margin in the sales of fresh produces remains at about 46% while the gross profit margin of processed fruit and vegetables was decreased to 52% as compared to 56% of prior period. Such decrease was mainly due to the higher portion of the sales of processed fruit and vegetables with lower gross profit margin that led to lower overall gross profit margin of processed fruit and vegetables. Besides, higher portion of gain on change in fair value of biological assets for processed products were recognised in last year that resulted in higher cost of processed products sold and thus lower gross profit margin of processed fruit and vegetables during the current period. On the other hand, the gross profit margin of rice was at 27% which is lower than the other products of the Group due to it targets only the domestic market. As a result, the overall gross profit margin of the Group was decreased to 45% as compared to 50% of prior period.

During the period under review, the operating profits margin was 41%, as compared to 46% of prior period. It was attributable to the increase in operating expenses in the processing plants of Hebei, Jiangxi, and Fujian (Zhangpu).

The net profit margin for the period under review was 41%, as compared to 35% of prior period. The increase in net profit margin was attributable to PRC enterprise income tax exemption granted to the principal wholly owned subsidiary, Zhonglu (Fujian) Agriculture Comprehensive Development Company Limited, as a benefit for being one of the "State-Level Agricultural Leading Enterprise" award meanwhile the other subsidiaries of the Group also enjoy the exemption of 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.

BUSINESS REVIEW

Having the new processing factories came into operation, the Group could reinforce its corporate goal to become a leading modernized food enterprise to provide a fresh, healthy, diversified and safe choice of food to both international and domestic consumers through its own cultivation, processing, freshness and preservation, sales and distribution network and facilities.

Cultivation bases

During the six months ended 31 October 2005, the Group's aggregate areas of long-leased cultivation bases increased to approximately 45,000 mu and divided into 24 vegetable cultivation bases, 5 fruit cultivation bases and 1 organic rice cultivation base.

Processing factories

As at 31 October 2005, the Group operated a total of 9 processing plants with total annual production capacity of approximately 270,000 tonnes. In December 2005, the new processing plant, located in Zhangpu, Fujian Province, commenced operation which will increase, the total production capacity of the Group to approximately 330,000 tonnes.

Sales performance

For the six months ended 31 October 2005, the sales of fresh produces accounted for 39% of total turnover, while the sales of processed fruit and vegetables, beverage and rice accounted for 33%, 9% and 19% of the total turnover respectively.

Fresh produces

During the period under review, the overall sales of fresh produces was slightly decreased by RMB1,537,000 as compared to the same period in 2004. Such decrease was due to the increase in demand for fresh produces in the international market and the Group shifted the sales of fresh produces from domestic market to international market. The domestic sales of fresh produces was decreased approximately 9% to approximately RMB68,759,000 in compare to the prior period, while the international sales of fresh produces was increased approximately 18% as compared to the prior period reached approximately RMB33,442,000.

Processed products

Processed products became the key business driver during the period under review, accounted for 61% of the Group's total turnover. Processed products included processed fruit and vegetables, beverage and rice.

Fruit and vegetables

During the period under review, the overall sales of processed fruit and vegetables was increased by 24% to RMB86,528,000 as compared to the same period in 2004. Such increment was mainly contributed by the additional capacity from the new cultivation bases and processing plants located in Hubei and Hebei Province.

Beverage

During the period under review, the overall sales of beverage was increased by RMB19,632,000 as compared to the same period in 2004. Such increment was mainly contributed by the reinforced to "Brand Building" campaign of the corn beverage series in the domestic market.

Rice

During the period under review, the sales of new launched product segment "rice" was approximately RMB49,707,000.

FUTURE PROSPECTS

Looking forward, the Group will continue to expand its revenue by developing of value-added fruit and vegetables, mushroom, rice and rice processed products including import the seeds and the cultivation technology as well as using the Group's unique standardization and implement management system. The Group also further reinforce the research and development of products, marketing and promotion ability as well as expand the distribution channel in order to strengthen the corporate brand as a cultivation, processing, freshness and preservation, sales and distribution supplier.

The Group committed to develop the second stage of processing plant located in Jiangxi and Fujian (Zhangpu). The Jiangxi processing plant will focus on the processing of our crops related products and convenient food while the Fujian (Zhangpu) processing plant will focus on the processing and distribution of fruit and convenient food in Shenzhen, Guangdong and Fujian Province.

Moreover, the Group is planning to construct a processing plant in Shanghai to focus on the distribution of processed fruit and vegetables, mushroom and crop related products in Shanghai Zhe Jiang province and Jiangsu provinces as well as export to Japan. The new plant will perform multiple functions including processing; storage and refrigeration warehousing; and distribution center of processed fruit and vegetables and convenient food.

LIQUIDITY, FINANCIAL RESOURCES AND CAPITAL STRUCTURE

Financial resources

The Group generally finances its operation with internally generated cash flows. As at 31 October 2005, the Group had bank balance and cash of approximately RMB486,738,000 of which approximately RMB386,264,000 were denominated in Renminbi, approximately RMB63,057,000 were denominated in Hong Kong dollars, approximately RMB37,067,000 denominated in U.S. dollars and approximately RMB350,000 denominated in Thai Baht.

Most of the income and expenses of the Group are denominated in Renminbi, U.S. dollars and Hong Kong dollars and the Group has not experienced any material difficulties on its operations or liquidity as a result of fluctuations in currency exchange rates during the six months ended 31 October 2005. During the period, the Group had not used any financial instruments for hedging purposes and hence there was no hedging instruments outstanding as at 31 October 2005.

Borrowings and banking facilities

The Group had no bank borrowings and hence zero gearing ratio (calculated by total bank borrowings over the total assets) as at 31 October 2005. The Group also did not have any assets charged as at 31 October 2005.

Commitments

As at 31 October 2005, the Group has outstanding contractual capital commitments of approximately RMB17,302,000 in respect of property, plant and equipment, and operating lease commitments of approximately RMB230,708,000 mainly in respect of land and building including cultivation bases.

Contingent liabilities

As at 31 October 2005, the Group had no significant contingent liabilities.

Significant Investment and Acquisition

During the period under review, the Group made a significant investment nor had it made any material acquisition or disposal of subsidiaries and associated companies.

STAFF AND REMUNERATION POLICIES

As at 31 October 2005, the Group had a total of over 6,600 employees, of which approximately 3,500 are workers on the Group's cultivation bases. Employees are remunerated at a competitive level taken in the account of their performance, experience. Other benefits included 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 or any of its subsidiaries options to subscribe for shares in the Company in accordance with the terms of the share option scheme. On 15 December 2005, the Company granted an aggregate of 21,600,000 share options at an exercise price of HK$2.05 per share to the eligible employees of the Company.

CODE ON CORPORATE GOVERNANCE PRACTICES

The Company was in compliance with the code provisions set out in the Code on Corporate Governance Practices ("Code") in Appendix 14 to the Listing Rules effective on 1 January 2005, except for the following:

	Deviation from the Code	Relevant Code provisions	Remedial steps to be / has been taken to comply with the Code
1.	The responsibilities between the chairman and chief executive officer have not been divided.	A.2.1	The Company does not have a separate chairman and chief executive officer ("CEO") and Mr. Sun Shao Feng currently performs these two roles. The Board believes that vesting the roles of both Chairman and CEO in the same person has the benefit of ensuring consistent leadership within the Group and enables more effective and efficient overall strategic planning for the Group. The Board believes that the balance of power and authority for the present arrangement will not be impaired and is adequately ensured by current Board which comprises experienced and high calibre individuals with sufficient number thereof being independent non-executive directors.
2.	Two non-executive Directors are not appointed for a specified term but is subject to the provision for retirement and rotation of Directors under the Bye-laws of the Company ("Bye-laws").	A.4.1	The Company will negotiate with the two non-executive Directors to determine the tenure of their appointment and to procure any future appointment of non-executive Director with a specific term and subject to retirement.

CODE OF CONDUCT REGARDING SECURITIES TRANSACTIONS BY DIRECTORS

During the six months ended 31 October 2005, the Company complied with the code of conduct regarding securities transactions by Directors on terms no less exacting than the required standard of dealings set out in Model Code for Securities Transactions by Directors of Listed Issuers in Appendix 10 to the Listing Rules. Having made specific enquiry of all Directors, all Directors confirmed that they have complied with the required standard of dealings and its code of conduct regarding securities transactions by Directors.

PURCHASE, SALE AND REDEMPTION OF LISTED SECURITIES

Neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's securities during the six months ended 31 October 2005.

AUDIT COMMITTEE

The Company established an Audit Committee on 12 December 2003 and adopted a new set of written terms of reference on 20 January 2006 in compliance with the Code. The primary duties of the Audit Committee are to review the financial reporting process and internal control principles of the Group. The Audit Committee consists of the three independent non-executive Directors of the Company. The Audit Committee has reviewed the unaudited interim financial statements for the six months ended 31 October 2005.

CHANGE OF DIRECTORS

The Board also announces that Mr. Zheng Baodong was appointed as independent non-executive Director, Mr. Huang Hua resigned as executive Director and Ms. Hu Bao Zheng resigned as independent non-executive Director all with effect from 20 January 2006. On the same date, Mr. Zheng Baodong was appointed as a member of the Audit Committee and Compensation Committee of the Company.

Mr. Huang and Ms. Hu have confirmed that both of them have no disagreement with the Board and there is no matter relating to their resignations that needs to be brought to the attention of the shareholders of the Company.

Mr. Zheng Baodong, aged 39, graduated and received his master and doctorate degree in Horticulture from Fujian University of Agricultural (福建農學院), major in storage and processing of agricultural products. Currently, Mr. Zheng is the deputy Dean of the faculty of food science and technology and the head of the food science and technology research centre and appointed as a professor at Fujian Agriculture and Forestry University. He is also the president of Fujian Province Food Additives Industrial Association (福建省食品添加劑工業協會), vice president of Fujian Province Institute of Nutrition (福建省營養學會) and deputy secretary and executive of Fujian Province Institute of Food and Science Technology (福建省食品科學技術學會). He is entitled to receive special government allowance from the China State Council for expert. Mr. Zheng has extensive experience in education, scientific research and development activities in food science and technology sector, and in recent years he also involved in development of scientific and technological research items and various horizontal integration cooperation projects. In the last three years, Mr. Zheng did not hold any directorship in listed public companies.

There is no service contract entered into between the Company and Mr. Zheng. His appointment is for a term of two years but he is subject to retirement in accordance with the Bye-laws. Mr. Zheng will receive a director's fee of RMB25,000 per annum which is determined with reference to the prevailing market conditions. He does not have any relationship with any Directors, senior management or substantial or controlling shareholders of the Company and does not have any interests in the shares of the Company within the meaning of Part XV of the Securities and Futures Ordinance (Chapter 571, Laws of Hong Kong).

Save as disclosed above, the Board is not aware of any other matters that it considers necessary to be brought to the attention of the holders of the securities of the Company.

The Board would like to take this opportunity to express its appreciation to Mr. Huang and Ms. Hu for their valuable contributions to the Company during their term of services and to extend its warmest welcome to Mr. Zheng to join the Board.

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

Hong Kong, 20 January 2006

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

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