



# 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 2006

#### 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 2006 together with the comparative figures for the corresponding period of 2005 as follows:

#### CONSOLIDATED INCOME STATEMENT

FOR THE YEAR ENDED 30 APRIL 2006

	Note	2006 RMB'000	2005 RMB'000 (As restated)
Turnover	2	686,602	470,537
Costs of sales		(332,186)	(215,991)
Gross profit	2, 3	354,416	254,546
Other revenues	2	8,623	2,172
Income from negative goodwill		–	451
Gain arising from changes in fair value less estimated point-of-sale costs of biological assets		15,166	13,336
Selling and distribution expenses		(64,883)	(37,308)
General and administrative expenses		(38,881)	(20,665)
Net other operating expenses		(6,470)	(4,675)
Operating profits		267,971	207,857
Finance cost		(5,705)	(5)
Profit before taxation	3	262,266	207,852
Taxation	4	9,009	(24,350)
Profit attributable to shareholders	5	271,275	183,502
Dividends	6	75,173	50,066
Earnings per share – Basic	7	RMB37.3 cents	RMB27.5 cents
Earnings per share – Diluted	7	RMB36.4 cents	N/A

\* For identification purposes only

**CONSOLIDATED BALANCE SHEET**

AT 30 APRIL 2006

	2006 RMB'000	2005 RMB'000 (As restated)
<b>ASSETS</b>		
<b>Non-current assets</b>		
Property, plant and equipment	400,928	196,740
Negative goodwill	–	(6,318)
Biological assets	–	1,050
Long-term prepaid rental	65,062	71,682
Lease premium for land	66,432	9,584
	<b>532,422</b>	<b>272,738</b>
<b>Current assets</b>		
Inventories	7,689	5,236
Biological assets	36,152	30,869
Accounts receivable	22,605	9,202
Short-term prepaid rental	397	397
Prepayment, deposits paid and other receivable	37,818	107,728
Current portion of long-term prepaid rental	27,042	25,144
Current portion of lease premium for land	1,404	182
Bank balances and cash	852,898	531,791
	<b>986,005</b>	<b>710,549</b>
<b>LIABILITIES</b>		
<b>Current liabilities</b>		
Due to a director	–	879
Accounts payable and accrued expenses	16,170	22,981
Taxation payable	67,325	73,077
	<b>83,495</b>	<b>96,937</b>
<b>Net current assets</b>	<b>902,510</b>	<b>613,612</b>
<b>Total assets less current liabilities</b>	<b>1,434,932</b>	<b>886,350</b>
<b>Non current liabilities</b>		
Convertible bonds	301,786	–
Deferred taxation	516	3,773
	<b>(302,302)</b>	<b>(3,773)</b>
<b>NET ASSETS</b>	<b>1,132,630</b>	<b>882,577</b>
<b>CAPITAL AND RESERVES</b>		
Share capital	77,507	77,115
Reserves	1,055,123	805,462
	<b>1,132,630</b>	<b>882,577</b>

Notes:

## 1. PRINCIPAL ACCOUNTING POLICIES

### (a) Statement of compliance

These financial statements have been prepared in accordance with all applicable Hong Kong Financial Reporting Standards (HKFRSs), which collective term includes all applicable individual Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards (“HKASs”) and Interpretations issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”), accounting principles generally accepted in Hong Kong and the disclosure requirements of the Hong Kong Companies Ordinance. These financial statements also comply with the applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited. A summary of the significant accounting policies adopted by the Group is set out below.

The HKICPA has issued a number of new and revised HKFRSs that are effective or available for early adoption for accounting periods beginning on or after 1 January 2005. Information on the changes in accounting policies resulting from initial application of these new and revised HKFRSs for the current and prior accounting periods reflected in these financial statements is provided in note 3 to the consolidated financial statements.

### (b) Basis of preparation of the financial statements

The consolidated financial statements for the year ended 30 April 2006 comprise the Company and its subsidiaries (together referred to as the “Group”).

The measurement basis used in the preparation of the financial statements is the historical cost basis except that the following assets and liabilities are stated at their fair value as explained in the accounting policies set out below:

- biological assets

The preparation of financial statements in conformity with HKFRSs requires management to make judgments, estimates and assumptions that affect the application of policies and reported amounts of assets, liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgments about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods. Judgment made by management in the application of HKFRSs that have significant effect on the financial statements are disclosed in note 3 to the consolidated financial statements.

## 2. TURNOVER AND REVENUES

The Group is principally engaged in the growing and sale of agricultural products. Turnover represents sales of products received and receivable net of discounts. Revenues recognised by the Group can be summarised as follows:

	2006 <i>RMB'000</i>	2005 <i>RMB'000</i> (As restated)
Turnover		
Sales of agricultural products	<b>686,602</b>	470,537
Other revenues		
Interest income	6,357	2,089
Rental income	–	25
Sundry income	13	3
Handling income	1,512	–
Government grant	741	–
Exchange gain	–	55
	<b>8,623</b>	2,172
Total revenues	<b>695,225</b>	472,709

(a) **Business segment**

For the year ended 30 April 2006, there was only one business segment of growing and sales of agricultural products.

	2006 <i>RMB'000</i>	2005 <i>RMB'000</i> (As restated)
Turnover		
Fresh produce	297,622	293,026
Processed products	124,797	85,603
Pickled products	83,102	59,271
Rice products	81,005	26,228
Rice flour products	30,041	–
Beverage products	70,035	6,409
	<u>686,602</u>	<u>470,537</u>
Gross profit		
Fresh produce	160,589	161,611
Processed products	70,932	48,369
Pickled products	45,360	34,202
Rice products	22,114	7,118
Rice flour products	15,807	–
Beverage products	39,614	3,246
	<u>354,416</u>	<u>254,546</u>

(b) **Geographical segment**

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

	2006 <i>RMB'000</i>	2005 <i>RMB'000</i> (As restated)
Turnover		
Japan	278,047	228,811
PRC	328,667	186,972
Other South East Asian countries	37,753	32,494
Europe	38,806	20,824
Australia	3,329	1,436
	<u>686,602</u>	<u>470,537</u>
Gross profit		
Japan	164,335	140,872
PRC	145,229	81,621
Other South East Asian countries	20,939	18,839
Europe	22,017	12,411
Australia	1,896	803
	<u>354,416</u>	<u>254,546</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 are principally located in the PRC.

### 3. PROFIT BEFORE TAXATION

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

	2006 <i>RMB'000</i>	2005 <i>RMB'000</i> (As restated)
<b>Crediting:</b>		
Gain arising from changes in fair value less estimated point-of-sale costs of biological assets	15,166	13,336
Amortisation of negative goodwill	—	451
<b>Charging:</b>		
Auditors' remuneration	779	819
Depreciation of owned property, plant and equipment (net of amount capitalised in inventory)	21,843	10,104
Operating lease expenses		
– land and buildings	3,501	1,372
– other property, plant and equipment	33	26
Staff costs (including directors' emoluments)	73,359	58,818
Retirement cost	172	169
Interest expenses on convertible bonds	5,705	—
Research and development expenses	5,010	4,143
Amortisation of long-term prepaid rental included in cost of goods sold (net of amount capitalized in inventories)	26,361	20,700
Amortisation of lease premium for land	1,555	125
Provision for doubtful debts	71	—
Loss on disposal of operation on cultivation base	1,376	—
Loss on disposal of property, plant and equipment	382	46
Exchange loss	2,371	—

### 4. TAXATION

	2006 <i>RMB'000</i>	2005 <i>RMB'000</i> (As restated)
Hong Kong profits tax	—	—
PRC enterprise income tax	(5,752)	24,329
Overseas income tax	—	—
	(5,752)	24,329
Deferred taxation	(3,257)	21
Tax (income)/expenses	(9,009)	24,350

(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 (2005: Nil).

(b) **PRC enterprises income tax (“EIT”)**

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, in September 2005, 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 [2005] No. 5, domestic PRC State-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 2006 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 in Thailand, 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.

(d) The charges during the year ended 30 April 2006 can be reconciled to the profit of consolidated income statement as follows:

	2006 <i>RMB'000</i>	2005 <i>RMB'000</i> (As restated)
Profit before taxation	<u>262,266</u>	<u>207,852</u>
Tax at the respective applicable tax rates	68,249	50,676
Tax effect of operating loss of group's companies not subject to income tax	4,777	1,429
Tax effect of income that are not taxable	(607)	(195)
Tax effect of profit exempted from income tax as a result of tax benefit	(76,357)	(28,997)
Tax effect of expenses that are not deductible	–	540
Tax effect of unrealized tax loss	681	833
Reversal of overprovision of income tax	(5,752)	–
Others	–	64
	<u>          </u>	<u>          </u>
Tax (income)/expenses	<u>(9,009)</u>	<u>24,350</u>

5. **PROFIT ATTRIBUTABLE TO SHAREHOLDERS**

The consolidated profit attributable to shareholders includes a profit of RMB82,683,000 (2005: RMB52,375,000) which has been dealt with in the financial statements of the Company.

6. **DIVIDENDS**

	2006		2005	
	<i>RMB per share</i>	<i>RMB'000</i>	<i>RMB per share</i>	<i>RMB'000</i>
Interim dividend paid of HK\$0.038 (2005: HK\$0.028) per ordinary share	0.039	28,474	0.030	21,592
Final dividend proposed of HK\$0.062 (2005: HK\$0.038) per ordinary share	0.064	<u>46,699</u>	0.039	<u>28,474</u>
Total		<u>75,173</u>		<u>50,066</u>

At a meeting held on 28 August 2006, the directors proposed a final dividend of HK\$0.062 (equivalent to RMB0.064) per ordinary share.

Proposed dividend is subject to the approval by the shareholders at the forthcoming annual general meeting and not yet accounted for in the current year's financial statements.

7. **EARNINGS PER SHARE**

The calculation of the basic earnings per share for the year ended 30 April 2006 is based on the profit attributable to shareholders during the year of RMB271,275,000 (2005: RMB183,502,000) and on the weighted average number of approximately 728,093,349 (2005: 667,664,384) ordinary shares in issue during the year.

The calculation of diluted earnings per share is based on the profit attributable to ordinary equity shareholders of the Company of RMB276,980,000 (2005: RMB183,502,000) and the weighted average number of ordinary shares of 760,838,394 (2005: 667,664,384 shares) after taken into account of the effect of outstanding convertible bonds and share options.

## **MANAGEMENT DISCUSSION AND ANALYSIS**

### **Corporate Profile**

The Group has been engaged in the cultivation and export of various fruits and vegetables since 1998, and has now expanded its business scope to freshness preservation, processing and sales of various green food, with businesses in more than 10 countries including China, Japan, Korea, Germany, Italy and Australia. The Group's customers include importers, wholesalers, processors, re-processors and retailers.

The shares of the Company were listed on the main board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange") in January 2004. Its PRC headquarter is located at Xiamen, Fujian Province. Its subsidiaries are widespread from Huian and Zhangpu of Fujian Province, to Changyang and Wanquan of Hebei Province and Fengxin of Jiangxi Province. "Zhonglu (Fujian) Agriculture Comprehensive Development Company Limited" located in Huian, Fujian Province was recognized as "State-Level Agricultural Leading Enterprises" and "全國食品工業優秀龍頭企業" by the state government.

### **Corporate Objectives**

The Company aims to be a fully-integrated global green food supplier, engaged in cultivation, freshness preservation, processing and sales of a great variety of green food through its logistics and distribution networks in order to satisfy the demand of customers around the world who are increasingly conscious of health and food safety.

### **Business Review**

Consumers around the world are becoming more and more health-conscious, this is particularly true among the increasingly affluent Chinese consumers, and is the major factor for the sustained rise in the demand of green food worldwide. Under the leadership of the Group's experienced management team and leveraging on the backing of its base management and all-altitude base coverage with international standards, the Group can enjoy superior edges to seize the opportunities from rising demand in the market, bringing stable growth to the business. The rapid upgrading of the consumption structure of the PRC, together with the continuous urbanization have helped to increase the demand of green food in the PRC. As such, the Group has been actively adjusting its strategies, including the exploration of consumer green food and planning of the construction of logistics centers, so as to strengthen its downstream businesses.

From its upstream business, the Group successfully become the role model of standardized green food plantator and the major green food processor to downstream business, meanwhile the Group will focus on brand management, logistics and distribution networks aggressively, upon successful integration, the Group's supply chain management business will generate significant synergetic effects and economies of scale, which will allow the Group to enter new markets and explore into newly developed business frontiers.

The Group has cultivation bases covering widened altitudes, allowing it to control the operation of the overall green food supply chain, including cultivation, freshness preservation, processing and distribution of various kinds of green food. As the Group's processing plants in Wanquan, Hebei Province, Fengxin, Jiangxi Province and Zhangpu, Fujian Province commence production, the Group's processing capacity will increase to approximately 360,000 tons. During the year under review, the Company recorded very encouraging growth both in terms of business scale and scope within the industry.

## **Business Segments**

### *Fresh agricultural produces*

Turnover from the sales of fresh produces in 2006 amounted to RMB298 million, accounting for approximately 43% of the Group's revenue. Amongst the Group's products, the highest sales was recorded from naganegi, broccoli and onions, which in total reached approximately RMB98 million, representing approximately 33% of turnover of fresh produces.

### *Processed products*

During the year, turnover of the Group's processed products was RMB389 million, which was accounted for 57% of the Group's total revenue. The products included in this category were the water boiled product, quick frozen product, pickled product and canned product, beverage product, rice product and rice flour product.

Water boiled product was another growth item, accounted for about 15% of total turnover. Among those, water boiled radish were the leading products, with turnover amounting to RMB38 million. Quick frozen product was another growth driver, with turnover of RMB17.9 million.

Turnover for the Group's pickled product amounted to RMB83 million, representing approximately 12.1% of the Group's income. Among the Group's pickled product, pickled plum and pickled mushroom were the leading products, with turnover at RMB26.97 million and 34.62 million respectively.

In 2006, the Group's turnover for beverage product amounted to RMB70 million, representing a significant growth of RMB63.6 million over the previous year, while its contribution to the Group's income increased from last years' 1.3% to about 10%. This resulted from the Group's brand emphasised sales strategies, with concentrated sales of beverage product in specific locations. Among the Group's beverage product, corn milk achieved the best sales volume in the period under review, standing at RMB55.7 million.

Turnover from the sales of rice products in 2006 amounted to RMB81 million, accounting for approximately 12% of the Group's revenue.

Turnover from the sales of rice flour products in 2006 amounted to RMB30 million, accounting for approximately 4.4% of the Group's revenue.

### *Gross profit and gross profit margin*

During the year under review, the Group achieved an overall gross profit margin of 51.6%. Gross profit margin for the sales of fresh produces was 54.0%. Such decrease was due to increased investment in improving the nutrient of the cultivation bases. Gross profit margin for the sales of processed fruits and vegetables was 56.8%, which is similar with previous year. Gross profit margin for the sales of pickled products was 54.6%, the reason for the decrease was due to the increased cost for the improvement for processing technology. Gross profit margin for the sales of beverages was 56.6%, which is similar with previous year. Gross profit margin for the sales of rice products was 27.3%, which is similar with previous year. Gross profit margin for the sales of rice flour products was 52.6%.

### *Cultivation and processing factory*

The Group has cultivation bases covering all altitudes of 44,000mu. Therefore, it is able to control the operation of the overall green food supply chain. Moreover, as the Group's processing plants in Wanquan, Hebei Province, Fengxin, Jiangxi Province and Zhangpu, Fujian Province commence production in the year, the Group's processing capacity will increase to approximately 360,000 tons. During the year under review, the Group recorded very encouraging growth both in terms of cultivation and scope within the industry.



### *Product Variety*

The Group will continue to improve its product lines, and apart from the above products, it will also enhance the development capabilities of its research and development team to commence in the development of new products. Upon the completion of the installation works on two quick-frozen production lines for each of Hebei and Zhangpu (Fujian) companies, it is anticipated that exports of the Group's quick-frozen products will reach record high in the coming financial year. In addition, through market analysis, China Green Jiangxi under the Group concluded its development strategies for non-fry products. For beverage products, besides the existing corn milk, China Green Quanzhou under the Group also developed new products such as purple sago and coconut drinks (紫米露) and oatmeal milk to cater for the increasing demands for cereal drinks in the market.

### *Development of new products*

In light of market diversification, the Group established a research and development team, realizing the Group's commitment to research and development. In order to accelerate the research of new products, the Group entered into a comprehensive collaboration letter of intent with 集美大學生物工程學院, for the comprehensive collaborations on all aspects such as the engagement on development projects, purchase of patents and training of professionals and promoting talents. At the same time, the Group also maintained close relationships with the research laboratory of Fujian Agriculture and Forestry University. Our subsidiaries have also been exploring collaborations with relevant research institutions or colleges according to local resources, with an aim to develop more new products and diversify product variety.

### *Brand management*

During the year, China Green commenced in the integration of existing brands, with China Green trademark as its core, and 中綠粗糧, 玉米莊園, 碧雲, 中綠莊園, 田園生活 brands as members of the China Green family. In the meantime, the Group also put significant efforts in brand promotion, and conducted a series of promotional activities in Xiamen and Jiangxi, through various channels such as buses, billboards and televisions, to enhance marketing in the Fujian and Jiangxi regions. Moreover, the Group captured the opportunities from the Fourth 廈門食博會 and 商品交易會 of Fujian Province, to display the Group's capabilities and attracted much attention and reports from various media.

Furthermore, the Group engaged international and domestic professional strategic companies to formulate strategies for the promotion of the Group's sales and its overall image. As a result, the overall image of the Group and positions of some of its products were significantly reinforced.

### *Quality maintenance*

In 2005, Zhonglu Huian maintained its status as the "State Level Leading Agricultural Enterprise". The Group was also awarded the Safty food, Green food, ISO 90001:2000 and the HACCP certifications. Meanwhile, the Group's newly established subsidiaries have begun their applications for various quality certificates. Among them, Zhonglu Hubei has been awarded the HACCP certificate, and Zhonglu Quanzhou have also met the requirements for the QS certification for the beverage products. Going forward, China Green will continue to implement international standards of food hygiene and quality control for its products.

### *Corporate Governance*

The Group acknowledges its responsibilities to shareholders and investors, and has strictly complied with the requirements of relevant laws, regulations and rules of relevant securities regulatory authorities since the listing of the Company's shares in January 2004. The Group is committed to enhance the transparency of its corporate governance and disclosures. The Board adheres to corporate governance principles, and continues to improve on corporate management, and enhance its standard of corporate governance, so as to safeguard and enhance shareholders' values.

### **Treasury Policy**

As at 30 April 2006, the Group had cash and cash equivalents of approximately RMB853 million. The Group deposited funds in banks in the PRC and licensed banks in Hong Kong.

### **Capital commitments and contingencies**

During the year, the Group was 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 RMB17 million. As at 30 April 2006, the Group has not provided any form of guarantee for any company outside the Group and has not been involved in any material legal proceedings for which provision for contingent liabilities was required.

### **Exposure to fluctuation in exchange rates**

For the year ended 30 April 2006, the Group conducted its business transactions principally in US dollars and Renminbi. The Group has not experienced any material difficulties or negative impacts on its operations as a result of fluctuations in currency exchange rates. The Directors consider no hedging of exchange risk is required. Nevertheless, the management will continue to monitor the foreign exchange exposure and will take prudent measures as and when it is appropriate. After reasonable and cautious assessment, the Directors considers the appreciation of Renminbi in the year has had insignificant impact on the Group's export business.

### **Significant investments and acquisitions**

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

### **Charge on assets**

As at 30 April 2006, 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 2006, the Group had a total of over 6,600 employees, amongst which approximately 3,500 are workers in the Group's cultivation bases. The aggregate staff costs and Directors' remuneration for the year ended 30 April 2006 amounted to approximately RMB73 million (2005: approximately RMB59 million). Employees are remunerated at a competitive level, taking into account individual performance and experience. Other benefits include mandatory provident funds and year-end bonus based on individual performance.

### **Future Development Strategies**

As consumers are becoming increasingly health-conscious, and the trend towards healthy balanced diet, global demand for "Green Food" will remain high. Therefore, the Group is highly confident towards the general market and its business development.

In light of the Group's efforts in establishing brand management this year and the development for logistics delivery business for the coming year, the Company will be able to fully capitalize from the overall supply chain of the green food business, from cultivation and purchasing to freshness preservation and processing, as well as the sequence of delivering and distributing of green food towards the world. The Company will continue to leverage on its edges to capture any emerging business opportunity, so as to achieve sustained growth in the coming few years.

#### *The Most Standardized Green Agricultural Plantation Model in the PRC*

The Group took the lead to introduce advanced cultivation technology within and outside the PRC, and implemented agricultural and production industrialized management operating model, set the standard for modern agriculture, such implementations include strategically established operating policies to set production according to sales; adopted a different plantation supply model for Northern and Southern China; ensured stable product supply; as well as formulated the Group standardized plantation product manual. In addition, the Group implements comprehensive green controls on its plantation, from seed selection, soil testing, establishment of irrigation facilities, training of plantation management team and application of pesticides, to efficiently ensure food safety and to continue to supply green food to consumers.

### *The Largest Cultivation and Processing Platform for Green Food*

To cater for the sustained rise in demand from around the world, the Group is set to enhance processing capacity and expand processing categories as its another major strategy. The Group is currently planning to construct a second phase of processing facilities in Zhangpu of Fujian Province and Fengxin of Jiangxi Province. The new facilities will be equipped with various processing production chains, so as to increase the annual processing volume of the Group to a total of 400,000 tons. The plant expansion will not only enhance the Group's processing capacity and economies of scale, but will also allow the Group to efficiently utilize its all-altitude plantation base. Apart from application of advanced technologies to enhance its processing business, the Group will further use any surplus fruits and vegetables from the fresh produce delivery business and process into value-added food. In the long run, the new complex is expected to enhance the Group's profitability significantly.

### *China Green's No.1 Fast Consumer Foods*

As the upgrading of the consumer structure of the PRC continues to accelerate, GDP and urbanization continue to grow, further pushing demand for China Green's food. In order to expand the market share of the green consumer food market, the Group will further explore more varieties of its domestic brands and develop various series of green food, aimed at achieving brand awareness and popularity of the Group's green food amongst the PRC consumers on an extensive basis, and solidify consumers' confidence in the Group's products.

### *The PRC's Most Comprehensive Green Fresh Logistics and Frozen Food Supply Chain*

In light of the rapid changes in the spending patterns of the PRC, the Group will further develop its downstream businesses in the coming year. To this front, the Group is planning to establish a green food logistics and delivery centre in Shanghai, to focus on the purchasing and distribution of green food within and outside the PRC. The construction of a logistics and delivery centre will not only enhance the Group's distribution capacity, but will also strengthen its upstream businesses, and allow the Group to efficiently utilize its own cultivation and processing platforms, to achieve its goal of becoming a global vertically-integrated supply chain supplier.

## **FINAL DIVIDEND AND CLOSURE OF REGISTER OF MEMBERS**

The Board has resolved to recommend to the shareholders of the Company at the forthcoming annual general meeting of the Company to be held on 28 September 2006 ("2006 AGM") a final dividend of HK\$0.062 (approximately RMB0.064) (2005: HK\$0.038 (approximately RMB0.039)) per share to be paid on 9 October 2006 to those shareholders whose names appear on the register of members of the Company on 28 September 2006. Taking into account of the interim dividend of HK\$0.038 per share (2005: HK\$0.028) and the proposed final dividend, total dividends for the year will amount to of HK\$72,984,000 (approximately RMB75,173,000) (2005: HK\$48,015,000 (approximately RMB50,066,000)).

### **Closure of Register of Members**

The Register of Members of the Company will be closed from Friday, 22 September 2006 to Thursday, 28 September 2006, both days inclusive, during which period no transfer of shares will be registered. In order to qualify for the proposed final dividend and to attend the 2006 AGM, all transfers of shares accompanied by the relevant share certificates must be lodged with the Company's branch share registrar in Hong Kong, Computershare Hong Kong Investor Services Limited at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong not later than 4:00 p.m. on Thursday, 21 September 2006.

Holders of the 2.125% convertible bonds (the "Bonds") of the Company should lodge the conversion notice together with the relevant document evidenced the title of the Bonds to the conversion agent of the Bonds not later than 4:00 p.m on Friday, 15 September 2006 in order to qualify for the proposed final dividend and to attend the 2006 AGM.

## **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 Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules"), which came into effect on 1 January 2005.

During the year ended 30 April 2006, the Company was in compliance with the code provisions set out in the CG Code except for the following:

<b>Deviation from the CG Code</b>	<b>Relevant CG Code provisions</b>	<b>Remedial steps to be/ has been taken to comply with the CG Code</b>
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 independent non-executive Directors, namely Mr. Hu Ji Rong and Mr. Lin Chuan Bi are not appointed for specified term but are subject to the provision for retirement and rotation of Directors under the Bye-laws of the Company (“Bye-laws”)	A.4.1	The Company has entered into letter agreement with these two independent non-executive Directors respectively on 12 December 2005 to fix the term of their appointment to two years and they are also subject to the retirement by rotation at least once every three years in accordance with the Bye-Laws.

Save as those mentioned above and in the opinion of the Directors, the Company has met the code provisions set out in the CG Code during the year ended 30 April 2006.

#### **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 year ended 30 April 2006.

#### **AUDIT COMMITTEE**

The Company established an audit committee (the “Audit Committee”) on 12 December 2003, and currently comprising of three independent non-executive Directors, Mr. Lin Chuan Bi, Mr. Hu Ji Rong and Mr. Zheng Baodong. The primary duties of the Audit Committee are to review the financial reporting process of the Group. During the year ended 30 April 2006, the Audit Committee held 2 meetings with all members present to review with the management the accounting principles and practices adopted by the Group and discussed internal control and financial reporting matters. In addition, the Audit Committee has reviewed the final results for the year ended 30 April 2006.

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

Hong Kong, 28 August 2006

*As at the date of this announcement, the Board comprises Mr. Sun Shao Feng, Mr. Kung Sze Wai and Mr. Leung Kwok Fai Ben Rich 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.”