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)

INTERIM RESULTS OF THE SIX MONTHS ENDED 31 OCTOBER 2006

INTERIM RESULTS

The Board of Directors (the "Board") of China Green (Holdings) Limited (the "Company") is pleased to present the unaudited Interim Results of the Company and its subsidiaries (together the "Group") for the six months ended 31 October 2006. The consolidated interim financial statements are unaudited and condensed, together with selected explanatory notes, are set out below and have been reviewed by the Company's Audit Committee.

CONDENSED CONSOLIDATED PROFIT AND LOSS ACCOUNT

For the six months ended 31 October 2006

		Unaudited	
		Six months ended 31 October	
		2006	2005
	Note	***RMB'000***	*RMB'000*
Turnover	4	**387,179**	262,475
Cost of sales		**(189,723)**	(144,792)
Gross profit	4	**197,456**	117,683
Other revenues		**11,610**	2,890
Gain arising from changes in fair value less estimated point-of-sale costs of biological assets		**23,148**	22,775
Selling and distribution expenses		**(40,014)**	(18,239)
General and administrative expenses		**(33,068)**	(15,639)
Net other operating expenses		**(7,286)**	(3,045)
Operating profits	5	**151,846**	106,425
Finance cost		**(10,324)**	–
Profit before taxation		**141,522**	106,425
Taxation	6	**–**	–
Profit attributable to equity holders of the Company		**141,522**	106,425
Dividends	7	**37,781**	28,751
Earnings per share			
– Basic	8(a)	**RMB19 cents**	RMB15 cents
– Diluted	8(b)	**RMB18 cents**	RMB15 cents

* *For identification purpose only*

CONDENSED CONSOLIDATED BALANCE SHEET
As at 31 October 2006

	As at 31 October 2006 *RMB'000* (Unaudited)	As at 30 April 2006 *RMB'000* (Audited)
Non-current assets		
Property, plant and equipment	**430,176**	400,928
Lease premium for land	**65,731**	65,062
Long-term prepaid rental	**68,221**	66,432
	564,128	532,422
Current assets		
Inventories	**23,705**	7,689
Biological assets	**52,722**	36,152
Accounts receivables	**15,800**	22,605
Short-term prepaid rental	**57**	397
Prepayment, deposits and other receivables	**37,368**	37,818
Current portion of long-term prepaid rental	**31,042**	27,042
Current portion of lease premium for land	**1,404**	1,404
Fixed deposits	**105,453**	–
Bank balances and cash	**799,026**	852,898
	1,066,577	986,005
Current liabilities		
Accounts payables, accruals and other payables	**20,945**	16,170
Taxation payable	**67,325**	67,325
	88,270	83,495
Net current assets	**978,307**	902,510
Total assets less current liabilities	**1,542,435**	1,434,932
Non-current liabilities		
Convertible bonds	**203,868**	301,786
Deferred taxation	**516**	516
	204,384	302,302
Net assets	**1,338,051**	1,132,630
Represented by:		
Capital and reserves	**1,338,051**	1,132,630

Notes:

1. General information

The Company was incorporated in Bermuda under the Companies Act 1981 of Bermuda as an exempted company with limited liability and its shares are listed on The Stock Exchange of Hong Kong Limited (the "Stock Exchange").

This condensed consolidated interim financial information is presented in Renminbi ("RMB"), unless otherwise stated.

2. Basis of preparation

The 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 (the "Listing Rules") issued by the Stock Exchange 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").

3. Accounting policies

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 2006.

In the current period, the Group has applied, for the first time, a number of new Hong Kong Financial Reporting Standards (the "HKFRSs"), Amendments and Interpretations ("HK(IFRIC) – Int(s)") issued by HKICPA, where are effective for accounting periods beginning on or after 1 December 2005, 1 January 2006, 1 March 2006 or 1 May 2006 respectively as follows :

HKAS 19 Amendment	Actuarial Gains and Losses, Group Plans and Disclosures
HKAS 21 Amendment	Net Investment in a Foreign Operation
HKAS 39 Amendment	Cash Flow Hedge Accounting of Forecast Intragroup Transactions
HKAS 39 Amendment	The Fair Value Option
HKAS 39 and HKFRS 4 Amendments	Financial Guarantee Contracts
HKFRS 6	Exploration for and Evaluation of Mineral Resources
HKFRS-Int 4	Determining whether an Arrangement contains a Lease

HKFRS-Int 5	Rights to Interests Arising from Decommissioning, Restoration and Environmental Rehabilitation Funds
HK(IFRIC)-Int 6	Liabilities Arising from Participating in a Specific Market – Waste Electrical and Electronic Equipment
HK(IFRIC)-Int 7	Applying the Restatement Approach under HKAS 29
HK(IFRIC)-Int 8	Scope of HKFRS 2

The adoption of these new standards, amendments and interpretations had no material effect on how the results for the current or prior accounting periods have been prepared and presented. Accordingly, no prior period adjustment has been required.

The Group has not early applied the following new standards, amendments and interpretations that have been issued but are not yet effective.

HKAS 1 Amendment	Capital Disclosures [1]
HKFRS 7	Financial Instruments : Disclosures [1]
HK(IFRIC)-Int 9	Reassessment of Embedded Derivatives [2]
HK(IFRIC)-Int 10	Interim Financial Reporting and Impairment [3]

1 Effective for annual periods beginning on or after 1 January 2007
2 Effective for annual periods beginning on or after 1 June 2006
3 Effective for annual periods beginning on or after 1 November 2006

4. Segmental Reporting

(a) Business segments

The Group is principally engaged in the planting and sales of agricultural products. An analysis of the Group's turnover and gross profit by product categories for the six months ended 31 October 2006 and 2005 are as follows:

	Unaudited Six months ended 31 October	
	2006	2005
	RMB'000	*RMB'000*
Turnover		
Fresh produces	**111,933**	102,201
Processed products	**98,940**	63,391
Pickled products	**54,185**	23,137
Beverage	**53,638**	24,039
Rice products	**38,172**	49,707
Rice flour products	**30,311**	–
	387,179	262,475
Gross profit		
Fresh produces	**52,943**	46,983
Processed products	**56,721**	34,351
Pickled products	**29,818**	10,668
Beverage	**31,876**	12,104
Rice products	**10,272**	13,577
Rice flour products	**15,826**	–
	197,456	117,683

(b) Geographical segments

An analysis of the Group's result of operation by geographical locations for the six months ended 31 October 2006 and 2005 are as follows:

	Unaudited Six months ended 31 October	
	2006	2005
	RMB'000	*RMB'000*
Turnover		
Mainland China	**209,834**	146,273
Japan	**126,572**	108,050
Other Asian countries	**12,842**	7,748
Europe	**37,545**	–
Australia	**386**	404
	387,179	262,475
Gross profit		
Mainland China	**95,959**	54,527
Japan	**71,812**	59,279
Other Asian countries	**7,478**	3,644
Europe	**21,989**	–
Australia	**218**	233
	197,456	117,683

No analysis of assets and additions to property, plant and equipment by geographical locations 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").

5. Operating profits

Operating profits are stated after crediting and charging the following:

	Unaudited Six months ended 31 October **2006** ***RMB'000***	 2005 *RMB'000*
Crediting		
Interest income	**7,437**	1,636
Waived interest expenses on convertible bonds	**3,895**	–
Gain arising from changes in fair value less estimated point-of-sale costs of biological assets	**23,148**	22,775
Charging		
Depreciation of owned property, plant and equipment (net of amount capitalized in inventories)	**15,355**	10,132
Staff costs (including directors emoluments)	**53,560**	36,108
Research and development expenses	**9,393**	1,948
Interest expenses on convertible bonds	**10,324**	–
Amortisation of long-term prepaid rental included in cost of goods sold (net of amount capitalised in inventories)	**11,370**	10,821
Loss on disposal of property, plant and equipment	**106**	373
Loss on disposal of biological assets	**–**	822
Exchange loss	**608**	2,018

6. Taxation

	Unaudited Six months ended 31 October **2006** ***RMB'000***	 2005 *RMB'000*
Hong Kong profits tax *(note a)*	**–**	–
PRC enterprise income tax *(note b)*	**–**	–
	–	–

(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 of the Group 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 State-Level Agricultural Leading Enterprises are entitled to certain tax benefits including full exemption of PRC enterprise income tax. Other PRC subsidiaries incorporated in the past two years still enjoyed 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.

7. Dividends

At a Board meeting held on 24 January 2007, the Board has resolved to declare an interim dividend of RMB0.048 (equivalent to HK$0.048) per share for the six months ended 31 October 2006 (2005: RMB0.0395).

8. Earnings per share

(a) Basic earnings per share

The calculation of basic earnings per share is based on the profit attributable to ordinary equity shareholders of the Company of RMB141,522,000 (2005: RMB106,425,000) and on the weighted average of 736,609,145 ordinary shares (2005: 727,500,000 ordinary shares) in issue during the period, calculated as follows:

Weighted average number of ordinary shares :

	2006	2005
Issued ordinary shares at 1 May (audited)	**731,266,478**	727,500,000
Effect of conversion rights attached to convertible bonds exercised	**5,342,667**	–
Weighted average number of ordinary shares at 31 October (unaudited)	**736,609,145**	727,500,000

(b) Diluted earnings per share

The calculation of diluted earnings per share is based on the profit attributable to ordinary equity shareholders of the Company of RMB147,952,000 (2005: RMB106,425,000) and the weighted average number of ordinary shares of 825,699,978 (2005: 727,500,000 ordinary shares), calculated as follows:

(i) Profit attributable to ordinary equity shareholders of the Company (diluted) :

	Unaudited	
	2006	2005
	RMB'000	*RMB'000*
Profit attributable to ordinary equity shareholders	**141,522**	106,425
Net after tax effect of effective interest on liability component of convertible bonds	**6,430**	–
Profit attributable to ordinary equity shareholders (diluted)	**147,952**	106,425

(ii) Weighted average number of ordinary shares (diluted):

	Unaudited	
	2006	2005
Weighted average number of ordinary shares at 31 October	**736,609,145**	727,500,000
Effect of conversion of convertible bonds into the Company's new ordinary shares	**80,979,284**	–
Effect of full exercise of share options	**8,111,549**	–
Weighted average number of ordinary shares at 31 October (diluted)	**825,699,978**	727,500,000

REPORT OF THE BOARD

INTERIM DIVIDEND

The Board resolved to declare an interim dividend of RMB0.048 (equivalent to HK$0.048) per share for the six months ended 31 October 2006 to be payable on Monday, 5 March 2007 to those shareholders whose names appear on the register of members of the Company on Wednesday, 14 February 2007.

CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from Friday, 9 February 2007 to Wednesday, 14 February 2007, both dates inclusive, during which period no transfer of shares will be effected. In order to qualify for the interim dividend, all transfer accompanies by the relevant share certificates must be lodged with the Company's branch share registar and transfer office in Hong Kong, Computershare Hong Kong Investor Services Limited, Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong for registration no later than 4:00 p.m. on Thursday, 8 February 2007.

Holders of the 2.125% convertible bonds (the "Bonds") of the Company should lodge the conversion notice together with the relevant document evidencing the title of the Bonds to the conversion agent of the Bonds not later than Friday, 2 February 2007 in order to qualify for the interim dividend.

BUSINESS REVIEW

During the period under review, the PRC economy maintained its strong growth momentum. In 2006, the GDP growth was about 9%. In addition, with a clear objective of stimulating economic growth by means of domestic consumption instead of fixed asset investments, the PRC government implemented some measures to curb overheat investment. In addition, with increasing wealth and health consciousness of Chinese population, the living standard gradually enhanced. Those improvements eventually boosted the consumer confidence of urban and suburban citizens. Altogether with the implementation of various measures to encourage the development of retail industry and to assure food quality by the government authorities, the demand for green and healthy food is undoubtedly surging.

Given the favorable environment, by leveraging on management and expertise who strictly adhered to the development strategies, the Group sustained its growth with turnover and net profit growth of 48% and 33% respectively period on period.

Cultivation bases and Processing plants

During the period under review, a total of approximately 8,000 mu of cultivation bases was newly leased at Wanquan, Hebei Province, Fengxin, Jiangxi Province and Zhangpu, Fujian Province, the Group is further to leverage on this diverse cultivation bases with different climates and conditions in order to ensure a stable supply of fresh produces throughout the year. As at 31 October 2006, the Group's aggregate areas of long-leased cultivation bases increased to approximately 52,000 mu and divided into 27 vegetable cultivation bases, 5 fruit cultivation bases and 1 organic rice cultivation base with total annual cultivation capacity of approximately 236,000 tonnes.

In order to benefit from increasing global demand for processed fruit and vegetables, the Group continued to consolidate and expand its green food processing platform. With a continual process of upgrading, the Group operated a total of 10 processing plants with total annual processing capacity of approximately 397,000 tonnes as at 31 October 2006.

During the period under review, the Group's export sales and domestic sales were approximately RMB177,345,000 and RMB209,834,000 respectively, representing approximately 46% and approximately 54% of total sales. The Group's largest export destination - Japan - contributed approximately 71% of export sales while Europe contributed approximately 21% of the export sales. The increase was mainly underpinned from the demand for processed products in Germany and Belgium. For domestic market, a 43% increase in overall sales against the same period last year. The increase was mainly due to the robust demand for beverages and rice flour products in Fujian and Jiangxi Provinces.

Sales performance

For the six months ended 31 October 2006, the sales of fresh produces accounted for 29% of total turnover, while the sales of processed fruit and vegetables, beverage, rice and rice flour products accounted for 39%, 14%, 10% and 8% of the total turnover respectively.

Fresh produces

During the period under review, the overall sales of fresh produces was increased approximately 10% over the same period in 2005. Such increase was mainly contributed by sustained robust demand for fresh fruit and vegetables in the domestic market.

Processed products

Processed products continue to become as the key business driver during the period under review, the amount made up approximately 71% (2005: approximately 61%) of the Group's total turnover. Processed products included processed fruit and vegetables, beverages, rice and rice flour.

Processed fruit and vegetables

During the period under review, the overall sales of processed fruit and vegetables was increased by approximately 77% to approximately RMB153,125,000 (2005: approximately RMB86,528,000). Such increment was mainly contributed by strong growth in global demand for pickled products and instant-frozen products.

Beverages

During the period under review, the overall sales of beverages was increased by approximately 123% to approximately RMB53,638,000 (2005: approximately RMB24,039,000). Such increment was mainly contributed by the sustained robust demand for the corn milk series in Fujian and Jiangxi Provinces.

Rice

During the period under review, the sales of rice was decreased by approximately 23% to approximately RMB38,172,000 (2005: approximately RMB49,707,000).

Rice flour

During the period under review, the sales of new launched product segment "rice flour" was amounted to approximately RMB30,311,000.

MANAGEMENT DISCUSSION AND ANALYSIS

Financial review

The Group continued to deliver double-digit percentage growth in turnover and profit attributable to shareholders during the six months ended 31 October 2006. During the first half of this financial year, the Group's turnover grew approximately 48% to approximately RMB387,179,000 representing approximately 23% of the increment of sales contributed from the export market and approximately 25% of the increment of sales contributed from the domestic market.

The gross profit margin in the sales of fresh produces was slightly increased to approximately 47% as compared to approximately 46% of prior period while the gross profit margin of processed fruit and vegetables was increased to approximately 57% as compared to approximately 52% of prior period. Such increase was mainly due to the sales of processed fruit and vegetables with high gross profit margin in other Asian countries and Europe. Moreover, the gross profit margin of beverage was increased to approximately 59% as compared to approximately 50% of prior period. Such increase was mainly due to the improvement in the processing technique. On the other hand, the Group's lowest gross profit margin product – rice – generated turnover of approximately RMB38,172,000, approximately 23% decrease against the same period last year. As a result, the overall gross profit margin of the Group was improved to approximately 51% as compared to approximately 45% of prior period.

During the period under review, the net profits margin was approximately 37%, as compared to approximately 41% of prior period. It was attributable to the increase in selling and distribution expenses for our branded products as we deepened our advertising coverage while the administrative expenses increment was due to the charges of employees' share options scheme. Moreover, the increment of finance costs was due to the interest expenses for the convertible bonds in the reporting period.

Liquidity and financial resources

As at 31 October 2006, the Group had fixed deposits and cash and cash equivalents of approximately RMB904,479,000. The Group deposited funds in banks in the PRC and licensed banks in Hong Kong.

As at 31 October 2006, the 2.125% convertible bonds (the "Bonds") with an aggregate principal amount of HK$215,000,000 were still outstanding. The Group's gearing ratio as at 31 October 2006, calculated by dividing net borrowing of approximately RMB203,868,000 by total equity of approximately RMB1,338,051,000 was approximately 0.15.

Capital commitments and contingencies

During the period under review, the Group was committed to the expansion of the Group's existing facilities to enhance its production capacity. As at 31 October 2006, the Group has outstanding contractual capital commitments of approximately RMB9.7 millions. As at 31 October 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 six months ended 31 October 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 exchanges 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 period 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 31 October 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 31 October 2006, the Group had a total of over 6,600 employees, amongst which approximately 3,500 are workers in the Group's cultivation bases. 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.

Capital structure

During the period under review, the Company issued 37,664,782 ordinary shares as a result of the conversion of the Bonds in the aggregate principal amount of HK$100,000,000 at the conversion price of HK$2.6550 per share.

FUTURE PROSPECTS

Looking forward, as increasing affluent consumers gain greater awareness of the healthy benefits of green food, the Group is persistently to position as the comprehensive green food supplier in fiscal year 2007.

In the year ahead, the Group's development will be underpinned by four major thrusts:

Standardized green food supplier

In November 2006, the Group decided to lease a total of 20,000 mu of cultivation base in Tianmen, Hubei Province so as to further implement the Group's seasonal complementary model on its all-altitude cultivation bases. Moreover, the Group planned to develop this cultivation base as the largest organic cultivation base in the PRC on which we will initiate to adopt the isolated management attitude with the combinations of contemporary ecological principle, environmentalology and scientific technological measures in order to integrate with the Group's modern cultivation method. On the other hand, the Group will gradually take the lead to introduce advanced cultivation technology to the newly leased cultivation bases so as to implement comprehensive green controls in order to ensure food safety.

Large scale green food production and processing platform

As at 31 October 2006, the Group's annual processing capacity was amounted to approximately 397,000 tonnes. Going forward, the Group will continue to broaden its processing capacity .

The leading brand for green consumption food

In this fiscal year, the Group will put more efforts on China Green's brands and planned to spend approximately RMB40 millions for promoting the brands and its related products. The management will selectively take brands to be regionally well known ones and gradually extended to other provinces in the PRC. The management strives to create the Group's brands as the leader in green food categories.

Green food supply chain

Leveraging on the existing cultivation bases and food processing platform for green food, the Group successfully extended its export market to Spain and Russia. Looking forward, the Group will continue in exploring business opportunities in overseas market. On the other hand, the Group proactively sought for suitable locations and strategic partners to extend its distribution network in the PRC. As a result, the management will continue to put efforts and strives to achieve its goals to become a national comprehensive vertically integrated green food supplier in the PRC.

PURCHASE, SALE OR REDEMPTION OF SECURITIES

Neither the Company nor any of its subsidiaries purchased, redeemed or sold any of the Company's listed securities during the six months ended 31 October 2006.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code set out in Appendix 10 to the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules") as the code of conduct regarding securities transactions by the Directors. Having made specific enquiry of all Directors, the Company confirmed that all Directors have complied with the required standard set out in the Model Code during the six months ended 31 October 2006.

CODE ON CORPORATE GOVERNANCE PRACTICES

The Company has adopted the code provisions set out in the Code on Corporate Governance Practices ("CG Code") as set out in Appendix 14 to the Listing Rules, which came into effect on 1 January 2005.

During the six months ended 31 October 2006, the Company was in compliance with code provisions set out in the CG Code except that code provision A.2.1 of the CG Code provides that the responsibilities between the chairman and chief executive officer ("CEO") should be divided. The Company does not have a separate Chairman and 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.

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 CG Code. The primary duties of the Audit Committee are to review the financial reporting process and internal control system of the Group. The Audit Committee comprises three independent non-executive Directors, Mr. Hu Ji Rong, Mr. Lin Chuan Bi and Mr. Zheng Bao Dong. The Audit Committee has reviewed the unaudited interim financial statements for the six months ended 31 October 2006.

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

Hong Kong, 24 January 2007

As at the date of this announcement, (a) the executive Directors are Mr. Sun Shao Feng, Mr. Kung Sze Wai and Mr. Leung Kwok Fai Ben Rich; (b) the independent non-executive Directors are Mr. Hu Ji Rong, Mr. Lin Chuan Bi and Mr. Zheng Bao Dong.

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