

# Chairman's Statement

Dear Shareholders,

On behalf of the Board of Directors (the "Board" or the "Directors") of China Green (Holdings) Limited (the "Company"), I am pleased to present the first Annual Report of the Company and its subsidiaries (collectively refer to the "Group") for the year ended 30 April 2004 since its successful listing on the Main Board of the Stock Exchange of Hong Kong Limited (the "Stock Exchange") on 13 January 2004.

## OVERVIEW

Looking back at the financial year ended 30 April 2004, the listing on the Stock Exchange was expanded to a whole new horizon in the Group's development. The listing also signifies that the Group has stepped into a new stage of development full of opportunities and challenges. We are enthusiastically and competently striving for reaching another new height in the future.

For the year ended 30 April 2004, turnover for the Group rose sharply by 45.2% to approximately RMB375 million over the past fiscal year 2003. Profit attributable to shareholders surged 25.2% to approximately RMB146 million. Earnings per share grew by 11.5% to RMB29 cents. The Board recommends the payment of a final dividend of HK0.02 per ordinary share for the year ended 30 April 2004.

## BUSINESS REVIEW

The Group has firmly established itself as one of the leading vegetable and fruit grower and processor in the PRC. The Group was established in 1998 and is principally engaged in the growing, processing and sales of vegetable and fruit and developed some food processing technology in the PRC. The Group opened its first processing factory with an annual production capacity of approximately 2,500 tons in Hui An County, Fujian Province, the PRC. The first long-term lease cultivation base of the Group occupies 1,000mu of farmland and also commenced operation in Hui An County in 2000. Presently, the Group operates 4 processing factories with an annual production capacity of 85,000 tons of vegetables and fruits and leases 22 vegetable and 5 fruit cultivation bases in Fujian Province, Zhejiang Province and Hubei Province with a total area of about 34,000mu.

The Group grows its products by itself in long-term lease cultivation bases. The Group's strategy on locating the cultivation bases and processing factories is accompanied with an end-to-end, vertically integrated approach to the cultivation and processing of vegetable and fruit aiming to control the quality and efficiency of its whole production process.

"To operate under the guidance of market, to serve the best interest of our customers and the society" has been our business motto since the Group founded in 1998. Over the years, the Group has placed great importance on its quality control over the full production process from cultivation to processing. The Group was accredited with ISO 9002:1994 Certification in 2001 in recognition of the standards employed throughout its production process. Recently, the Group was again awarded with ISO 9001:2000 in July 2004 for processing and packaging of fresh vegetable and production at retort pouch food.

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In addition to providing top quality products to its customers, the Group also places strong emphasis on maintaining food safety and hygiene. The Group's two production facilities located in the Hui An County, Fujian Province, the PRC, were awarded with the internationally recognized HACCP certification to acknowledge the observance of the strictest hygiene standards throughout the fresh vegetables processing and packaging and retort pouch food production in July 2004.

In year 2004, the Group has been re-selected as the leading industrialized agricultural enterprise in Fujian Province (福建省農業產業龍頭企業) and the leading food industry enterprise in China (中國食品行業龍頭企業).

## OUTLOOK

Looking ahead to the coming year, the Group has identified a number of challenging opportunities for further growth and development.

Regarding the overseas market, according to the World Bank's information, the global economy and the major developed countries' consumption power have been gradually improved in 2004. The increase in consumption does not only encourage stronger global demand on China's export products, but also provides a broadened overseas market to the Group. In the coming year, the Group is planning to expand its existing processing factories in Fujian in order to increase its production capacity for overseas market expansion.

With respect to the domestic market, the PRC central government has actively reformed the structure of agricultural economy and devoted great efforts to modernize and develop agro-industries other than traditional crop cultivation aiming at achieve high comprehensive agricultural efficiency. The PRC central government has also vigorously promoted the industrialized management of agricultural activities and developed farm produce processing, sales, storage, transportation and preservation to extend the farm produce-related industrial chain. The agricultural policies of the PRC central government will provide a solid grasp over the Group's future development. Therefore, the Group is planning to expand new cultivation bases in Hebei, Shanghai, Jiangxi and Fujian in order to increase its cultivation capacity.

## APPRECIATION

On behalf of the Board, I would like to express my gratitude towards all shareholders and customers for their enduring support over the years. I would also like to thank every director, the management and staff member for their continuous efforts to the Group. I believe that the concerted efforts of directors, the management and staff members would enable the Group to achieve a more prosperous growth in the future.

**Sun Shao Feng**

*Chairman*

Hong Kong, 25 August 2004