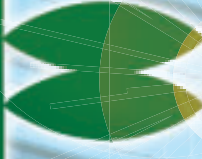


中绿现代
农业科研所



中國綠色食品(控股)有限公司*
CHINA GREEN (HOLDINGS) LIMITED
(Incorporated in Bermuda with limited liability) (Stock code : 904)



INTERIM
REPORT 08/09

* For identification only

INTERIM RESULTS

The board of directors (the “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 2008. 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 (the “Audit Committee”).

CONDENSED CONSOLIDATED INCOME STATEMENT

For the six months ended 31 October 2008

		Unaudited Six months ended 31 October	
	<i>Notes</i>	2008 RMB'000	2007 RMB'000
Turnover	3	672,440	533,703
Cost of sales		(327,907)	(258,273)
Gross profit	3	344,533	275,430
Other revenue		10,153	8,318
Gain arising from changes in fair value less estimated point-of-sale costs of biological assets		49,969	34,055
Selling and distribution expenses		(65,962)	(51,355)
General and administrative expenses		(47,154)	(47,993)
Profit from operation		291,539	218,455
Finance cost		(26,342)	(1,127)
Profit before taxation	4	265,197	217,328
Income tax	5	(41,937)	(9,546)
Profit attributable to equity holders of the Company		223,260	207,782
Dividends	6	57,013	55,312
Earnings per share			
– Basic	7(a)	RMB25 cents	RMB24 cents
– Diluted	7(b)	RMB25 cents	RMB21 cents

The notes on pages 5 to 16 form part of the interim financial report.



CONDENSED CONSOLIDATED BALANCE SHEET

At 31 October 2008

	Notes	At 31 October 2008 RMB'000 (Unaudited)	At 30 April 2008 RMB'000 (Audited)
Non-current assets			
Property, plant and equipment	8	604,360	523,390
Interests in leasehold land held for own use under operating leases		150,995	152,330
Long-term prepaid rental		86,694	113,078
Deposits for property, plant and equipment		62,400	—
		904,449	788,798
Current assets			
Financial asset at fair value through profit and loss	9	132,241	138,913
Inventories		48,213	26,158
Biological assets		81,775	43,059
Current portion of long-term prepaid rentals		41,756	38,175
Trade receivables	10	22,569	13,666
Prepayments, deposits and other receivables		16,105	21,066
Cash and cash equivalents	11	2,114,611	2,097,974
		2,457,270	2,379,011
Current liabilities			
Due to directors	12	773	6,046
Trade payables	13	3,715	1,795
Accruals and other payables		24,611	22,261
Tax payable		72,227	54,902
		101,326	85,004
Net current assets		2,355,944	2,294,007
Total assets less current liabilities		3,260,393	3,082,805
Non-current liabilities			
Convertible bonds	14	884,743	843,185
Net Assets		2,375,650	2,239,620
Represented by:			
Capital and reserves		2,375,650	2,239,620

The notes on pages 5 to 16 form part of the interim financial report.



CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 31 October 2008

	Share capital RMB'000	Share premium RMB'000	PRC statutory reserves RMB'000	Merger reserve RMB'000	Share option reserve RMB'000	Convertible bonds reserve RMB'000	Exchange reserve RMB'000	Retained profits RMB'000	Total RMB'000
As at 1 May 2007 (audited)	88,921	592,241	101,011	14,694	18,866	4,067	(15,480)	881,216	1,685,536
Equity-settled share-based transactions	-	-	-	-	16,389	-	-	-	16,389
Share issued under conversion of convertible bonds	2,360	64,964	-	-	-	(4,067)	-	-	63,257
Share issued under exercise of share options	1,064	46,154	-	-	(9,970)	-	-	-	37,248
Equity components of convertible bonds	-	-	-	-	-	116,788	-	-	116,788
Profit for the period	-	-	-	-	-	-	-	207,782	207,782
Profit appropriation to PRC statutory reserve	-	-	11,255	-	-	-	-	(11,255)	-
Dividends paid	-	-	-	-	-	-	-	(53,027)	(53,027)
Exchange differences on translation into presentation currency	-	-	-	-	-	-	(3,372)	-	(3,372)
As at 31 October 2007 (unaudited)	92,345	703,359	112,266	14,694	25,285	116,788	(18,852)	1,024,716	2,070,601
As at 1 May 2008 (audited)	92,105	696,714	140,046	14,694	43,189	94,040	(51,202)	1,210,034	2,239,620
Equity-settled share-based transactions	-	-	-	-	6,450	-	-	-	6,450
Share issued under exercise of share options	131	5,760	-	-	(1,299)	-	-	-	4,592
Profit for the period	-	-	-	-	-	-	-	223,260	223,260
Dividends paid	-	-	-	-	-	-	-	(70,290)	(70,290)
Exchange differences on translation into presentation currency	-	-	-	-	-	-	(27,982)	-	(27,982)
As at 31 October 2008 (unaudited)	92,236	702,474	140,046	14,694	48,340	94,040	(79,184)	1,363,004	2,375,650

The notes on pages 5 to 16 form part of the interim financial report.



CONDENSED CONSOLIDATED CASH FLOW STATEMENT*For the six months ended 31 October 2008*

	Unaudited	
	Six months ended	
	31 October	
	2008	2007
	RMB'000	RMB'000
Net cash inflow from operating activities	261,681	203,100
Net cash used in investing activities	(168,413)	(16,089)
Net cash (used in)/inflow from financing activities	(65,698)	966,468
Effect of foreign exchange rate changes	(10,933)	(5,722)
Increase in cash and cash equivalents	16,637	1,147,757
Cash and cash equivalents at 1 May	2,097,974	1,050,537
Cash and cash equivalents at 31 October	2,114,611	2,198,294

The notes on pages 5 to 16 form part of the interim financial report.



NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS*For the six months ended 31 October 2008***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 “HKSE”).

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

2. BASIS OF PREPARATION

The interim financial report has been prepared in accordance with the applicable disclosure provisions of the Rules Governing the Listing of Securities on the HKSE (the “Listing Rules”), including compliance with Hong Kong Accounting Standard (“HKAS”) 34 “Interim financial reporting” issued by the Hong Kong Institute of Certified Public Accountants (the “HKICPA”).

The interim financial report has been prepared in accordance with the same accounting policies adopted in the 2007/08 annual financial statements. In the current interim period, the Group has applied, for the first time, certain new standards and amendments issued by the HKICPA, which are effective for accounting periods beginning on or after 1 January 2008 as set out below:

HK(IFRIC) – Int 11	HKFRS 2 – Group and treasury share transactions
HK(IFRIC) – Int 12	Service Concession Arrangements
HK(IFRIC) – Int 14	HKAS 19 – The Limit on a Defined Benefit Assets, Minimum Funding Requirements and their Interaction
Amendments to HKAS 39 and HKFRS 7	Reclassification of Financial Assets

The adoption of these new standards and amendments has no material effect on how the results for the current and/or prior accounting periods are prepared and presented.

Certain new standards, amendments and interpretations have been issued that are not effective for the current accounting period. The Group has not early adopted those new standards, amendments and interpretations and is in the process of making an assessment of what the impact of these new standards, amendments and interpretation on its results of operations and financial position.

The preparation of an interim financial report in conformity with HKAS 34 requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses on a year to date basis. Actual results may differ from these estimates.



The interim financial report contains condensed consolidated financial statements and selected explanatory notes. The notes include an explanation of events and transactions that are significant to an understanding of the changes in financial position and performance of the Group since the 2007/08 annual financial statements. The condensed consolidated interim financial statements and notes thereon do not include all of the information required for full set of financial statements prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs", which term collectively includes HKASs and Interpretations).

The financial information relating to the financial year ended 30 April 2008 that is included in the interim financial report as being previously reported information does not consider the Company's statutory financial statements for that financial year but is derived from those financial statements. Statutory financial statements for the year ended 30 April 2008 are available from the Company's registered office.

3. SEGMENTAL REPORTING

a) Business segments

The Group is principally engaged in the growing 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 2008 and 2007 are as follows:

	Unaudited	
	Six months ended	
	31 October	
	2008	2007
	RMB'000	RMB'000
Turnover		
Fresh produce	170,727	140,381
Processed products	170,073	138,018
Pickled products	115,498	70,885
Beverage products	111,551	89,292
Rice products	34,812	34,773
Rice flour products	35,776	32,741
Instant noodle	34,003	27,613
	672,440	533,703
Gross profit		
Fresh produce	82,127	67,250
Processed products	95,554	78,841
Pickled products	58,168	37,709
Beverage products	65,260	52,285
Rice products	10,201	9,786
Rice flour products	17,866	17,217
Instant noodle	15,357	12,342
	344,533	275,430

b) Geographical segments

The Group's operations are principally located in The People's Republic of China (the "PRC").

An analysis of the Group's turnover and gross profit by geographical locations for the six months ended 31 October 2008 and 2007 are as follows:

	Unaudited	
	Six months ended	
	31 October	
	2008	2007
	RMB'000	RMB'000
Turnover		
Japan	145,386	172,160
PRC	369,105	295,258
Other Asian countries	71,178	26,095
Europe	69,647	35,765
Australia	373	562
America	9,139	2,813
Africa	7,612	1,050
	672,440	533,703
Gross profit		
Japan	78,475	96,520
PRC	183,373	142,616
Other Asian countries	36,660	14,250
Europe	36,849	19,682
Australia	188	270
America	4,779	1,519
Africa	4,209	573
	344,533	275,430

Over 99% of the Group's assets at each respective balance sheet date are located in the PRC. Accordingly, no geographical analysis of segment assets and capital expenditure is presented.



4. PROFIT BEFORE TAXATION

Profit before taxation is arrived after crediting and charging the following:

	Unaudited	
	Six months ended	
	31 October	
	2008	2007
	RMB'000	RMB'000
Crediting		
Interest income	9,830	7,639
Gain arising from changes in fair value less estimated point-of-sale costs of biological assets	49,969	34,055
<hr/>		
Charging		
Depreciation of owned property, plant and equipment	34,723	27,621
Staff costs (including directors emoluments)	65,957	79,492
Research and development expenses	13,782	14,292
Interest expenses on convertible bonds	26,342	1,127
Amortisation of long-term prepaid rentals	22,983	19,347
Amortisation of land lease premium	1,349	821
Loss on changes in fair value of financial asset at fair value through profit or loss	4,674	–
Net foreign exchange loss	1,445	1,310
<hr/>		

5. INCOME TAX

	Unaudited	
	Six months ended	
	31 October	
	2008	2007
	RMB'000	RMB'000
Hong Kong profits tax (<i>note a</i>)	–	–
PRC enterprise income tax (<i>note b</i>)	41,937	9,546
<hr/>		
	41,937	9,546
<hr/>		

a) Hong Kong profits tax

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

b) PRC enterprise income tax

PRC subsidiaries are subject to PRC enterprise income tax at the appropriate current rates of taxation ruling in the PRC. During the period, certain PRC subsidiaries are subject to tax at 50% of the standard tax rates or fully exempted from PRC enterprise income tax under the relevant tax rules and regulations.

6. DIVIDENDS

At a Board meeting held on 13 January 2009, the Board has resolved to declare an interim dividend of HK\$0.073 (equivalent to approximately RMB0.064) per share for the six months ended 31 October 2008 (2007: HK\$0.068 per share).



7. 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 RMB223,260,000 (2007: RMB207,782,000) and on the weighted average of 883,583,583 ordinary shares (2007: 868,518,312 ordinary shares) in issue during the period, calculated as follows:

Weighted average number of ordinary share

	Unaudited Six months ended 31 October	
	2008	2007
Issued ordinary shares at 1 May (audited)	882,550,540	847,028,433
Effect of issuance of shares under share option scheme	1,033,043	9,300,000
Effect of conversion rights attached to convertible bonds exercised	–	12,189,879
	<hr/>	
Weighted average number of ordinary shares at 31 October (unaudited)	883,583,583	868,518,312

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 RMB223,260,000 (2007: RMB208,909,000) and the weighted average number of ordinary shares of 886,786,973 (2007: 980,162,456 ordinary shares) after adjusting for the effects of all dilutive potential ordinary shares under the Company's share option scheme and convertible bonds. The convertible bonds outstanding during current period had an anti-dilutive effect and are ignored in the calculation of diluted earnings per share for the current period.

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

	Unaudited Six months ended 31 October	
	2008	2007
	RMB'000	RMB'000
Profit attributable to ordinary equity shareholders	223,260	207,782
Net after tax effect of effective interest on liability component of convertible bonds	–	1,127
Profit attributable to ordinary equity shareholders (diluted)	223,260	208,909

ii) Weighted average number of ordinary shares (diluted)

	Unaudited Six months ended 31 October	
	2008	2007
Weighted average number of ordinary shares at 31 October	883,583,583	868,518,312
Effect of deemed issue of shares under the Company's share option scheme for nil consideration	3,203,390	5,524,801
Effect of conversion of convertible bonds	–	106,119,343
Weighted average number of ordinary shares at 31 October (diluted)	886,786,973	980,162,456

8. PROPERTY, PLANT AND EQUIPMENT

During the period, approximately RMB115,663,000 (2007: RMB35,976,000) were spent on acquisition of property, plant and equipment.



9. FINANCIAL ASSET AT FAIR VALUE THROUGH PROFIT OR LOSS

	At	At
	31 October	30 April
	2008	2008
	RMB'000	RMB'000
	(Unaudited)	(Audited)
Unlisted marketable debt securities, at market value	132,241	138,913

10. TRADE RECEIVABLES

Credit terms granted by the Group to customers are generally within one month.

The aging analysis is as follows:

	At	At
	31 October	30 April
	2008	2008
	RMB'000	RMB'000
	(Unaudited)	(Audited)
Within 1 month	22,569	13,666

11. CASH AND CASH EQUIVALENTS

	At	At
	31 October	30 April
	2008	2008
	RMB'000	RMB'000
	(Unaudited)	(Audited)
Cash at banks	2,114,273	2,097,649
Cash on hand	338	325
	2,114,611	2,097,974

12. DUE TO DIRECTORS

The amount due to Mr. Sun Shao Feng, a Director of the Company, is unsecured, interest-free and repayable on demand.

13. TRADE PAYABLES

Included in trade payables are balances with the following aging analysis:

	At 31 October 2008 RMB'000 (Unaudited)	At 30 April 2008 RMB'000 (Audited)
Within 1 month	3,670	1,795
Over 1 month but less than 3 months	45	–
	3,715	1,795

14. CONVERTIBLE BONDS

Pursuant to a bond placement agreement dated 22 October 2007, the Company issued zero coupon convertible bonds ("Bond") for an aggregate principal amount of RMB1,000,000,000 (equivalent to approximately of HK\$1,032,098,256) to independent investors on 29 October 2007. The initial conversion price is HK\$11 per ordinary share (subject to adjustment) at any time during the period beginning on and after 9 December 2007 to 22 October 2010.

On the maturity date, the outstanding convertible bonds will be redeemed by the Company at 104.6% of the principal amount.

The fair value of the liability component is estimated by computing the present value of all future cash flows discounted by the prevailing market rate of interest for a similar instrument.

Interest expense on the Bond is calculated using the effective interest method by applying the effective interest rate of 5.8021%

During the period, no Bond has been converted into the Company's ordinary shares.



15. SHARE CAPITAL

The following is a summary of movements in the authorised and issued share capital of the Company:

	At 31 October 2008 RMB'000 (Unaudited)	At 30 April 2008 RMB'000 (Audited)
Authorised:		
2,000,000,000 ordinary shares of HK\$0.10 each	212,000	212,000
Issued and fully paid:		
884,035,540 (30 April 2008: 882,550,540) ordinary shares of HK\$0.10 each	92,236	92,105

A summary of movements in the issued share capital of the Company during the period is as follow:

	Number of ordinary shares of HK\$0.10 each '000	Nominal value HK\$'000	RMB equivalent RMB'000
Issued and fully paid:			
At 1 May 2008 (audited)	882,550	88,255	92,105
Issue of shares under exercise of options	1,485	149	131
At 31 October 2008 (unaudited)	884,035	88,404	92,236

16. COMMITMENTS**a) Capital commitments**

At the balance sheet date, the Group had the following capital commitments:

	At 31 October 2008 RMB'000 (Unaudited)	At 30 April 2008 RMB'000 (Audited)
Contracted but not provided for		
– Purchase of property, plant and equipment	140,914	11,972

b) Operating lease commitments

At the balance sheet date, the total future minimum lease payments under non-cancellable operating leases are repayable as follows:

	At 31 October 2008 RMB'000 (Unaudited)	At 30 April 2008 RMB'000 (Audited)
Within one year	27,734	27,356
After one year but within five years	121,411	92,369
After five year	194,500	194,500
	343,645	314,225

17. CONTINGENT LIABILITIES

The Group did not have any significant contingent liabilities as at the balance sheet date (30 April 2008: Nil).



18. MATERIAL RELATED PARTY TRANSACTIONS**a) Key management personnel remuneration**

Remuneration for key management personnel of the Group, including amounts paid to the Company's directors and certain of the highest paid employees, is as follows:

	Unaudited	
	Six months ended	
	31 October	
	2008	2007
	RMB'000	RMB'000
Short-term employee benefits	837	1,189
Post-employment benefits	18	9
Equity compensation benefits	2,906	7,284
	3,761	8,482

Total remuneration is included in "staff costs" (see note 4).

b) Transaction with other related parties

Except for an amount due to directors as disclosed in note 12, the Group did not enter into any material related party transactions during the period.

19. COMPARATIVE FIGURES

Certain comparative figures in the interim financial statements have been reclassified to conform to the current period's presentation.

20. APPROVAL OF THE INTERIM FINANCIAL STATEMENTS

The unaudited condensed consolidated interim financial statements were approved and authorised for issue by the Board on 13 January 2009.

INTERIM DIVIDEND

The Board resolved to declare an interim dividend of HK\$0.073 (equivalent to RMB0.064) per share for the six months ended 31 October 2008 to be payable on Tuesday, 24 February 2009 to those shareholders whose names appear on the register of members of the Company on Friday, 13 February 2009.

CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from Thursday, 12 February 2009 to Friday, 13 February 2009, both dates inclusive, during which period no transfer of shares will be effected. In order to qualify for the interim dividend, all transfer 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, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong for registration no later than 4:30 p.m. on Wednesday, 11 February 2009.

Holders of the zero coupon convertible bonds (the "Bonds") of the Company due 2010 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 3:00 p.m. on Thursday, 5 February 2009 in order to qualify for the interim dividend.



BUSINESS REVIEW

2008 was a tough year for the global economy. During the period under review, despite the fact that worldwide economy turned sour, the Group managed to maintain stable growth in both turnover and profit. With a changing product mix, the Group has also maintained its gross profit margin.

Consumers worldwide becoming more health conscious has bred growing demand for off-season produce and high quality fruits and vegetables. During the period under review, fresh produce recorded steady growth while processed products achieved prominent escalation. Although sale to Japan dropped for the first time, the Group had successfully expanded its overseas markets to South Korea, Taiwan, England and Russia, etc. Revenue from export sale increased by approximately 27% to RMB303 million and accounted for 45% of the total turnover of the Group. Grasping opportunities with export markets, the Group was able to increase export sale and further optimized its vertically integrated business platform.

Cultivation bases and processing plants

As of 31 October 2008, the Group has intact control of 40 cultivation bases and 10 processing plants across the country, operating strictly and effectively on a vertical green food supply chain. Together they have a total cultivation area of 79,100 mu and total annual cultivation capacity reaching approximately 324,200 tons. As for the processing operation its annual capacity totaled approximately 530,600 tons. The plants were built and operated according to international standards, thus boast excellent hygiene allowing the Group to guarantee its products safe and of high quality. Committed to becoming a fully-integrated global green food supplier, the Group continued to have complete control on its production including: seeding to harvesting, sterilizing to packaging, storage to distribution, to preserve freshness and ensure safety of its agricultural produces.

SEGMENT REVIEW

Fresh Produce

The Group has recorded stable growth in turnover of fresh produce contributed mainly from China, South Korea and Taiwan. During the period under review, turnover of fresh produce totaled RMB171 million, increased by 22% compared with the same period last year, and accounted for approximately 25% of the Group's overall turnover. Within, the best sellers were hairy beans, radish and sweet corn, which brought total turnover amounted to approximately RMB56 million, representing approximately 33% of total turnover in this category.

Processed Products

Processed products continue to be a significant growth driver for China Green. The Group's processed products included water-boiled products, quick frozen products, canned products and pickled products. Bolstered by increasing demand for canned and quick frozen products from overseas markets, turnover of processed products totaled RMB286 million during the period under review, accounted for approximately 37% higher than the same period last year and approximately 42% of the Group's total turnover. Within, quick frozen products, canned products and water-boiled products each accounted for approximately 30% of overall turnover of processed products respectively.

Branded Food and Beverage products

The Group's branded products include beverages, non-fried instant noodles, rice and rice flour products. During the period under review, turnover from branded food and beverage products totaled approximately RMB216 million, representing 32% of the total turnover of the Group and was approximately 17% higher than the same period last year.

With the leading product from corn milk series reporting a turnover of approximately RMB79 million, turnover from beverage products totaled approximately RMB112 million, accounted for 52% of branded food and beverage turnover and about 25% higher than the last corresponding period. In addition, non-fried instant noodles recorded approximately RMB34 million in turnover, representing an increase of about 23% compared with the same period last year. During the period under review, turnover of rice and rice flour products were relatively stable totaling approximately RMB35 million and RMB36 million respectively, accounted for about 33% of the total turnover from branded food and beverage products.



Brand Development

The Group started its brand building efforts in 2005 and over the past few years, has continued to strengthen its brand by adopting a gradual market development strategy to capture new provincial market one at a time. Overtime, its brand is recognized as a “Famous Trademark” in the Fujian Province. Moreover, the Group plans to extend presence to other parts of Southern China under the vision “All-round green to a healthier China.” The Group will continue to boost its brand via different means and channels in future to capture market awareness.

Food Safety Issue and Research Development

It has been the Group’s core mission to make certain of its produces are of the highest hygiene and safety level over the past 10 years. According to the recent food safety and quality incidents in China, food safety measures and risk indicators are becoming more alarmed globally and many indications go into ensuring that food is safe to consume.

The tainted milk incidents in September 2008 sparked concerns over the safety of all milk products made in China. To assure customers of the quality of its corn milk series products, milk powder used by the Group is all sourced from New Zealand since the Group has launched its milk related products. In addition, the Group further publicized the steps it has been taking to ensure safety of its supply chain, including to require suppliers to provide certificates of quality control and guarantees for all the latest products, to ensure milk powder is safe for consumption.

In addition, the Group is dedicated to its research and developments in providing technological improvements to mass standardizing cultivation and advanced processing of fruits and vegetables. The Group conducts regular research on improving cultivation techniques and plantation methods. For branded products, it is expected to launch an average of 4-5 new products on an annual basis.

MANAGEMENT DISCUSSION AND ANALYSIS

Financial Review

During the period under review, the Group effectively implemented its business development strategies and recorded stable growth. Its turnover reached approximately RMB672 million.

Gross profit increased to approximately RMB345 million. As for the gross profit margins of the three major product segments, fresh produce and branded products were approximately 48% and 50%, slightly higher than the same period last year. The gross profit margin of processed products was around 54%, slightly lower than the last corresponding period.

For the net profit, during the period under review, the Group's net profit margin fell to 33% to approximately RMB223 million, reflecting mostly a significant increase in finance cost due to the issuance of convertible bonds in October 2007. Furthermore, the increase in enterprise income tax expenses post tax free period for some subsidiaries of the Group expiring also contributed to the lower net profit margin.

Liquidity and financial resources

As at 31 October 2008, the Group had fixed deposits and cash and cash equivalents of approximately RMB2,114,611,000. The Group deposited funds in various banks in the PRC and licensed banks in Hong Kong.

As at 31 October 2008, the zero coupon convertible bonds of the Company due 2010 issued on 29 October 2007 (the "Bond") with an aggregate principal amount of RMB1,000,000,000 were still outstanding. The Group's gearing ratio as at 31 October 2008, calculated by dividing net borrowing of approximately RMB884,743,000 by total equity of approximately RMB2,375,650,000 was approximately 37%.

Capital commitments and contingencies

During the period under review, the Group was committed to the expansion of existing facilities to enhance its production capacity. As at 31 October 2008, the Group has contractual capital commitments of approximately RMB140,914,000. As at 31 October 2008, 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 of fluctuation in exchange rates

For the six months ended 31 October 2008, 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 Board considered that no hedging of such exchange rate risk is required. Nevertheless, the management will continue to monitor the foreign exchange exposure and will take prudent measures as and when appropriate. After reasonable and cautious assessment, the Directors consider 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 investments, nor had it made any material acquisition or disposal of subsidiaries.

Charges on assets

As at 31 October 2008, the Group had not pledged any assets to its bankers to secure banking facilities granted to the Group.

Staff and remuneration policies

As at 31 October 2008, the Group had a total of over 8,000 employees, of which approximately 4,200 were workers at the Group's cultivation bases. The aggregate staff costs and Directors' remuneration for the six months ended 31 October 2008 totaled approximately RMB65,957,000 (same period of year 2007: approximately RMB79,492,000). Employees are paid 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 1,485,000 shares due to the exercise of share options at an exercise price of HK\$3.50 per share granted under the share option scheme of the Company.

FUTURE PROSPECT

To continue the safety of food supply, much attention has landed on the complete procedures of food preparation, processing and distribution. The Group is certainly among those placing utmost importance in food safety. Approaching to becoming a fully vertically-integrated supplier in the green food industry, the Group started operating its logistics and distribution business in Shanghai in May 2008, delivering fresh and processed produce directly to supermarkets, chain restaurants and central kitchens of different institutions.

Going forward, as consumers globally become increasingly health conscious and demand for processed foods continues to grow particularly in China, the Group is opened to ample business opportunities. Armed with competitive advantages and able to ensure stable supply of consistently high quality products to customers, it will continue to enhance the group's cultivation and processing capacity to strengthen its upstream operations, while effectively manage its brand so as to foster a solid customer base and grow its brand into one of the top green food brands in the world.

China Green entered into its second decade in 2008. In the years to come, it will forge ahead with transforming from a vegetable and fruit cultivator and processor into a fully integrated green food supplier with strong brand presence in China and oversea markets. Furthermore, the Group will continue to explore and develop new markets, focus on Research & Development of high quality products and seek to bring added value to customers. The key goals of China Green are to develop business under the guidance of its values and core mission:

1. Supplying high quality, hygienic and safe green foods, making China Green a paragon for standardized plantation of green food in the PRC;
2. Building processing plants and raising processing capacity, and enriching product mix so as to become the largest green food production and processing platform in the PRC;
3. Enhancing the corporate brand, aiming for "China Green" to become the leading brand of instant green foods in the PRC; and
4. Strengthening the supply chain, aiming to build the best fresh green food supply chain in the PRC.



DIRECTORS' INTERESTS IN SHARES

At 31 October 2008, the interests or short positions of the Directors and chief executive of the Company in the shares, underlying shares and debentures of the Company or any associated corporation (within the meaning of Part XV of the Securities and Futures Ordinance (“SFO”)) which were notified to the Company and the HKSE pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they are taken or deemed to have under such provision of the SFO), or which were required, pursuant to section 352 of the SFO, to be entered in the register referred to therein, or which were required, pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (“Model Code”), are set out below:

Interests or short positions in shares, underlying shares and debentures of the Company

Name of director	Capacity	Long position/ Short position	Number of ordinary shares/underlying shares held	Percentage of the Company's issued share capital
Mr. Sun Shao Feng	Beneficial owner	Long position	8,400,000 (Note 1)	0.95%
	Controlled corporation	Long position	405,606,000 (Note 2)	45.88%
		Total:	414,006,000	46.83%

Notes:

1. These 8,400,000 shares are derived from the interest in 8,400,000 share options granted by the Company, details of which are set out in the section headed “INTERESTS IN SHARE OPTIONS” below; and
2. These 405,606,000 ordinary shares of the Company are held through Capital Mate Limited (“Capital Mate”), a company incorporated in the British Virgin Islands with limited liability which is wholly and beneficially owned by Mr. Sun Shao Feng.

Save as disclosed above, none of the Directors, chief executive or their associates had any interests or short positions in any shares, underlying shares and debentures of the Company or any of its associated corporations as defined in Part XV of SFO as recorded in the register to be kept under section 352 of the SFO or as otherwise notified to the Company and the HKSE pursuant to the Model Code.

INTERESTS IN SHARE OPTIONS

The Company adopted a share option scheme (the “Scheme”) on 12 December 2003, pursuant to which the Board may, at its discretion, invite any eligible participants to take up options to subscribe for shares of the Company in aggregate not exceeding 30% of the shares in issue from time to time.

Details of movement of the share options during the six months ended 31 October 2008 under the Scheme are as follows:

Name or category of participants	Number of share options					Exercise price (HK\$)	Date of Grant	Exercisable Period
	Balance at 1 May 2008	Granted during the period	Exercised during the period	Lapsed during the period	Outstanding at 31 October 2008			
Director								
Mr. Sun Shao Feng	8,400,000	-	-	-	8,400,000	7.29	30 May 2007	30 May 2008 to 11 Dec 2013 ^{††}
Sub-total	8,400,000	-	-	-	8,400,000			
Employees								
	9,360,000	-	1,485,000	-	7,875,000	3.50	19 April 2006	19 April 2007 to 11 Dec 2013 [†]
	10,500,000	-	-	-	10,500,000	7.29	30 May 2007	30 May 2008 to 11 Dec 2013 ^{††}
	600,000	-	-	-	600,000	8.50	3 April 2008	3 April 2009 to 11 Dec 2013 ^{†††}
Sub-total	20,460,000	-	1,485,000	-	18,975,000			
Total	28,860,000	-	1,485,000	-	27,375,000			



- # 70% of the share options fall to be issued under the share options are exercisable from 19 April 2007 and the remaining 30% are exercisable from 19 April 2008 to 11 December 2013.
- ** 70% of the share options fall to be issued under the share options are exercisable from 30 May 2008 and the remaining 30% are exercisable from 30 May 2009 to 11 December 2013.
- *** 70% of the share options fall to be issued under the share options are exercisable from 3 April 2009 and the remaining 30% are exercisable from 3 April 2010 to 11 December 2013.

SUBSTANTIAL SHAREHOLDERS AND OTHER PERSONS' INTERESTS IN SHARES

As at 31 October 2008, so far as is known to the Directors, the following persons (other than the Directors and chief executive of the Company) had interests or short positions in the shares and underlying shares of the Company as recorded in the register required to be kept under section 336 of the SFO.

Interests or short positions in shares and underlying shares of the Company

Name	Capacity	Long position/ short position	Number of ordinary shares held	Percentage of the Company's issued share capital
Capital Mate (Note)	Beneficial owner	Long position	405,606,000	45.88%
Invesco Hong Kong Limited	Investment Manager	Long position	44,766,000	5.06%

Note:

Capital Mate, a company incorporated in the British Virgin Islands with limited liability is wholly and beneficially owned by Mr. Sun Shao Feng. Hence, Mr. Sun is deemed to be interested in these 405,606,000 ordinary shares of the Company owned by Capital Mate.

Save as disclosed above, no other parties were recorded in the register of the Company required to be kept under section 336 of the SFO having interests or short positions in the shares or underlying shares of the Company as at 31 October 2008.

PURCHASE, SALE OR REDEMPTION OF SECURITIES

Neither the Company nor its subsidiaries purchased, redeemed or sold any of the Company's listed securities during the six months ended 31 October 2008.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code as set out in Appendix 10 to the Listing Rules. All the Directors have confirmed that they have complied with the required standards as set out in the Model Code throughout the period under review.

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 2008, 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 ("Chairman") and chief executive officer ("CEO") should be divided. The Company does not have a 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.

Save as the aforesaid and in the opinion of the Directors, the Company has met the code provisions set out in the CG Code for the six months ended 31 October 2008.



AUDIT COMMITTEE

The Company established an Audit Committee on 12 December 2003 with written terms of reference in compliance with the CG Code, and currently comprises four independent non-executive Directors, Mr. Hu Ji Rong, Mr. Huang Zhigang, Mr. Lu Hong Te and Mr. Zheng Baodong. The primary duties of the Audit Committee are to review the financial reporting process and internal control system of the Group. The Audit Committee has reviewed the unaudited interim financial statements for the six months ended 31 October 2008.

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

Hong Kong, 13 January 2009