* For identification only

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 2012/13

INTERIM RESULTS

The board (the "Board") of directors (the "Director(s)") 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 2012 with comparative figures for the corresponding period of 2011/12 as follows:

CONDENSED CONSOLIDATED INCOME STATEMENT

For the six months ended 31 October 2012

		Unaudited Six months ended 31 October	
		2012	2011
	Notes	**RMB'000**	RMB'000
Turnover	*3*	**1,235,639**	1,289,142
Cost of sales		**(749,199)**	(639,497)
Gross profit		**486,440**	649,645
Other revenue		**3,847**	8,345
Gain arising from changes in fair value less costs to sell of biological assets		**40,549**	36,341
Selling and distribution expenses		**(180,993)**	(173,462)
General and administrative expenses		**(84,076)**	(79,982)
Profit from operations	*4*	**265,767**	440,887
Finance costs		**(50,285)**	(49,964)
Profit before taxation		**215,482**	390,923
Taxation	*5*	**(65,391)**	(98,737)
Profit for the period attributable to owners of the Company		**150,091**	292,186
Earnings per share	*7*		
– Basic		**RMB17 cents**	RMB33 cents
– Diluted		**RMB17 cents**	RMB33 cents

The accompanying notes form an integral part of these condensed consolidated interim financial statements.

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 31 October 2012

	Unaudited Six months ended 31 October	
	2012	2011
	RMB'000	RMB'000
Profit for the period	**150,091**	292,186
Other comprehensive income for the period (after tax)		
Exchange differences on translation of financial statement of overseas subsidiaries	**5,081**	(321)
Total comprehensive income for the period attributable to owners of the Company	**155,172**	291,865

The accompanying notes form an integral part of these condensed consolidated interim financial statements.

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 October 2012

	Notes	At 31 October 2012 RMB'000 (Unaudited)	At 30 April 2012 RMB'000 (Audited)
Non-current assets			
Fixed assets			
– Property, plant and equipment	*8*	**1,869,867**	1,920,034
– Interest in leasehold land held for own use under operating leases		**255,819**	223,197
Long-term prepaid rentals		**922,372**	986,595
Deposits paid for prepaid rentals and acquisition of fixed assets	*9*	**1,496,365**	275,600
		4,544,423	3,405,426
Current assets			
Inventories		**71,860**	47,085
Biological assets		**73,776**	121,163
Current portion of long-term prepaid rentals		**40,018**	40,018
Trade and other receivables	*10*	**79,191**	59,159
Bank deposits with maturity over 3 months		**47,433**	33,749
Cash and cash equivalents		**717,956**	1,683,456
		1,030,234	1,984,630
Current liabilities			
Amount due to a director	*11*	**8,181**	8,148
Trade and other payables	*12*	**128,032**	130,654
Income tax payable		**31,035**	30,110
Convertible bonds		**1,344,600**	1,313,528
		1,511,848	1,482,440
Net current (liabilities)/assets		**(481,614)**	502,190
Total assets less current liabilities		**4,062,809**	3,907,616

	Note	At 31 October 2012 RMB'000 (Unaudited)	At 30 April 2012 RMB'000 (Audited)
Non-current liabilities			
Deferred tax liabilities		**76,111**	76,090
		76,111	76,090
Net current assets		**3,986,698**	3,831,526
Capital and reserves			
Share capital	*13*	**92,236**	92,236
Reserves		**3,894,462**	3,739,290
Total equity attributable to owners of the Company		**3,986,698**	3,831,526

The accompanying notes form an integral part of these condensed consolidated interim financial statements.

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 31 October 2012

	Attributable to owners of the Company								
	Share capital RMB'000 (Note 13)	Share premium RMB'000	PRC statutory reserve RMB'000	Merger reserve RMB'000	Share-based compensation reserve RMB'000	Convertible bonds reserve RMB'000	Exchange reserves RMB'000	Retained profit RMB'000	Total RMB'000
At 1 May 2012 (audited)	**92,236**	**702,532**	**205,190**	**14,694**	**25,586**	**46,108**	**(121,291)**	**2,866,471**	**3,831,526**
Profit for the period	–	–	–	–	–	–	–	**150,091**	**150,091**
Exchange difference on translation of financial statements of overseas subsidiaries	–	–	–	–	–	–	**5,081**	–	**5,081**
Total comprehensive income for the period	–	–	–	–	–	–	**5,081**	**150,091**	**155,172**
Transfer to retained profits upon lapse of share options	–	–	–	–	**(496)**	–	–	**496**	–
As at 31 October 2012 (unaudited)	**92,236**	**702,532**	**205,190**	**14,694**	**25,090**	**46,108**	**(116,210)**	**3,017,058**	**3,986,698**
At 1 May 2011 (audited)	92,236	702,532	192,771	14,694	34,210	48,320	(110,095)	2,374,150	3,348,818
Profit for the period	–	–	–	–	–	–	–	292,186	292,186
Exchange difference on translation of financial statements of overseas subsidiaries	–	–	–	–	–	–	(321)	–	(321)
Total comprehensive income for the period	–	–	–	–	–	–	(321)	292,186	291,865
Dividend paid	–	–	–	–	–	–	–	(47,738)	(47,738)
Transfer to retained profits upon lapse of share options	–	–	–	–	(3,064)	–	–	3,064	–
Effect of redemption of convertible bonds	–	–	–	–	–	(2,212)	–	23,863	21,651
As at 31 October 2011 (unaudited)	92,236	702,532	192,771	14,694	31,146	46,108	(110,416)	2,645,525	3,614,596

The accompanying notes form an integral part of these condensed consolidated interim financial statements.

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOW

For the six months ended 31 October 2012

	Unaudited Six months ended 31 October	
	2012	2011
	RMB'000	RMB'000
Net cash generated from operating activities	**333,979**	467,734
Net cash used in investing activities	**(1,286,326)**	(458,954)
Net cash used in financing activities	**(19,304)**	(107,882)
Effect of foreign exchange rate changes	**6,151**	(2,305)
Decrease in cash and cash equivalents	**(965,500)**	(101,407)
Cash and cash equivalents at 1 May	**1,683,456**	1,711,631
Cash and cash equivalents at 31 October	**717,956**	1,610,224

The accompanying notes form an integral part of these condensed consolidated interim financial statements.

NOTES TO CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

For the six months ended 31 October 2012

1. CORPORATE 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 Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange"). The addresses of its registered office and principal place of business are Clarendon House, 2 Church Street, Hamilton, HM 11, Bermuda and Rooms 4120-24, 41/F., Sun Hung Kai Centre, 30 Harbour Road, Wanchai, Hong Kong, respectively.

The Company is an investment holding company and the principal activities of its subsidiaries are set out in note 3 to the condensed consolidated interim financial statements.

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

2. BASIS OF PREPARATION

The condensed consolidated interim financial information has been prepared in accordance with the applicable disclosure provisions of the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules"), as well as Hong Kong Accounting Standards ("HKASs") 34 "Interim Financial Reporting" issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA").

The HKICPA has issued a number of amendments to Hong Kong Financial Reporting Standards ("HKFRSs") and one new interpretation that are first effective for the current accounting period of the Group. These developments relate primarily to clarification of certain disclosure requirements applicable to the Group's financial statements. These developments have had no material impact on the contents of this interim financial report.

Save as the above, the accounting policies applied by the Group in this interim financial report are the same as those applied by the Group in its consolidated financial statements for the year ended 30 April 2012.

Certain new standards, amendments and interpretations have been issued but are not effective for the current accounting period. The Group has not early adopted those new standards, amendments or interpretations and is in the process of making an assessment of 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 judgments, 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 30 April 2012. The condensed consolidated interim financial information does not include all of the information required for full set of financial statements prepared in accordance with HKFRSs, which term collectively includes HKASs and Interpretations.

3. TURNOVER AND SEGMENTAL REPORTING

a) Turnover

The Group is principally engaged in the growing, processing and sales of agricultural products, consumer food and beverage products. An analysis of the Group's turnover for the six months ended 31 October 2012 and 2011 is as follows:

	Unaudited Six months ended 31 October 2012 RMB'000	2011 RMB'000
Sales of goods		
– Sales to import/export companies in the PRC	**235,430**	405,142
– Sales to other customers in the PRC	**1,000,209**	884,000
	1,235,639	1,289,142

b) Segment reporting

The Group's reportable segments, based on the information provided to the Group's most senior executive management for the purposes of resource allocation and assessment of segment performance, are as follows:

	Fresh produce and processed products		Branded beverage products		Branded food products and others		Total	
	2012 RMB'000	2011 RMB'000	**2012 RMB'000**	2011 RMB'000	**2012 RMB'000**	2011 RMB'000	**2012 RMB'000**	2011 RMB'000
Revenue form external customers	**460,863**	600,356	**678,232**	581,751	**96,544**	107,035	**1,235,639**	1,289,142
Inter-segment revenue	**19,712**	4,331	**–**	–	**–**	–	**19,712**	4,331
Reportable segment revenue	**480,575**	604,687	**678,232**	581,751	**96,544**	107,035	**1,255,351**	1,293,473
Reportable segment profit	**124,965**	273,057	**146,528**	157,686	**21,896**	30,057	**293,389**	460,800

	Unaudited Six months ended 31 October 2012 RMB'000	2011 RMB'000
Revenue		
Reportable segment revenue	**1,255,351**	1,293,473
Elimination of inter-segment revenue	**(19,712)**	(4,331)
Consolidated turnover	**1,235,639**	1,289,142
Profit or loss		
Reportable segment profit derived from Group's external customers	**293,389**	460,800
Finance costs	**(50,285)**	(49,964)
Finance income	**3,307**	3,292
Other revenue	**540**	1,424
Unallocated depreciation and amortisation	**(6,944)**	(10,211)
Unallocated head office and corporate expenses	**(24,525)**	(13,300)
Loss on redemption of convertible bonds	**–**	(1,118)
Consolidated profit before taxation	**215,482**	390,923

4. OPERATING PROFIT

Operating profit is stated after crediting and charging the following:

	Unaudited Six months ended 31 October 2012 RMB'000	2011 RMB'000
Crediting		
Interest income	**3,307**	6,920
Net foreign exchange gain	**–**	11,507
Charging		
Depreciation of own property, plant and equipment	**94,731**	91,530
Staff costs (including directors' emoluments)	**96,514**	99,161
Research and development expenses	**18,934**	20,689
Amortisation of long-term prepaid rentals	**39,248**	25,223
Amortisation of interests in leasehold land held for own use under operating leases	**2,973**	3,659
Net foreign exchange loss	**3,833**	–

5. TAXATION

	Unaudited Six months ended 31 October 2012 RMB'000	2011 RMB'000
Current tax – PRC Enterprise Income Tax		
Provision for the period	**65,391**	81,772
Deferred tax		
Origination and reversal of temporary differences	**–**	16,965
	65,391	98,737

a) **PRC enterprise income tax**

The provision for PRC Enterprise Income Tax for the Company's subsidiaries in the PRC is based on PRC Enterprise Income Tax rate of 25% of the taxable income as determined in accordance with the relevant income tax rules and regulations of the PRC. During the period, certain PRC subsidiaries are still subject to tax at 50% of the standard tax rate under the relevant tax rules and regulations.

b) **Hong Kong profits tax**

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

c) **Other income tax**

Pursuant to the rules and regulations of Bermuda and the British Virgin Islands, the Group is not subject to any income tax in Bermuda or the British Virgin Islands.

6. DIVIDEND

No dividend was declared for the six months ended 31 October 2012 (six months ended 31 October 2011: Nil).

7. EARNINGS PER SHARE

a) **Basic earnings per share**

The calculation of basic earnings per share is based on the profit for the period attributable to owners of the Company of approximately RMB150,091,000 (six months ended 31 October 2011: RMB292,186,000) and on the weighted average of 884,035,540 ordinary shares (six months ended 31 October 2011: 884,035,540 ordinary shares).

b) **Diluted earnings per share**

The calculation of diluted earnings per share is based on the profit for the period attributable to owners of the Company of approximately RMB150,091,000 (six months ended 31 October 2011: RMB292,186,000) and the weighted average number of 884,035,540 ordinary shares (six months ended 31 October 2011: 885,397,555 ordinary shares) after adjusting for the effects of all dilutive potential ordinary shares under the Company's share option scheme. The convertible bonds have an anti-dilutive effect and are ignored in the calculation of diluted earnings per share.

	Unaudited Six months ended 31 October 2012	2011
Weighted average number of ordinary shares during the period	**884,035,540**	884,035,540
Effect of deemed issue of shares under the Company's share option scheme for nil consideration	**–**	1,362,015
Weighted average number of ordinary shares (diluted)	**884,035,540**	885,397,555

8. PROPERTY, PLANT AND EQUIPMENT

During the period, approximately RMB55,184,000 (six months ended 31 October 2011: RMB316,973,000) was spent on acquisition of property, plant and equipment.

9. DEPOSITS PAID FOR PREPAID RENTAL AND ACQUISITION OF FIXED ASSETS

	At 31 October 2012 RMB'000 (Unaudited)	At 30 April 2012 RMB'000 (Audited)
Deposit paid for acquisition of property, plant and equipment	**366,865**	275,600
Deposits paid for long-term prepaid rentals	**1,129,500**	–
	1,496,365	275,600

10. TRADE RECEIVABLES

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

The aging analysis is as follows:

	At 31 October 2012 RMB'000 (Unaudited)	At 30 April 2012 RMB'000 (Audited)
Within 1 month	**30,112**	27,892

11. AMOUNT DUE TO A DIRECTOR

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

12. TRADE PAYABLES

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

	At 31 October 2012 RMB'000 (Unaudited)	At 30 April 2012 RMB'000 (Audited)
Within 1 month	**21,500**	39,234
Over 1 month but less than 3 months	**–**	5,050
	21,500	44,284

13. SHARE CAPITAL

	At 31 October 2012 RMB'000 (Unaudited)	At 30 April 2012 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 2012: 884,035,540) ordinary shares of HK$0.10 each	**92,236**	92,236

There was no movement in the issued share capital of the Company during the current period.

14. COMMITMENTS

a) Capital commitments

At the end of the reporting period, the Group had the following capital commitments:

	At 31 October 2012 RMB'000 (Unaudited)	At 30 April 2012 RMB'000 (Audited)
Contracted but not provided for		
– Purchase of property, plant and equipment	**368,521**	46,569

b) **Operating lease commitments**

At the end of the reporting period, the Group's total future minimum lease payments under non-cancellable operating leases were repayable as follows:

	At 31 October 2012 RMB'000 (Unaudited)	At 30 April 2012 RMB'000 (Audited)
Within one year	**18,737**	31,141
After one year but within five years	**119,697**	125,224
After five years	**1,472,000**	346,520
	1,610,434	502,885

15. CONTINGENT LIABILITIES

The Group did not have any significant contingent liabilities as at 31 October 2012 (30 April 2012: Nil).

16. 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	
	2012 RMB'000	2011 RMB'000
Short-term employee benefits	**1,995**	2,338
Post-employment benefits	**18**	19
	2,013	2,357

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

b) **Transaction with other related parties**

Except for an amount due to a director as disclosed in note 11, the Group did not have any material related party transactions during the period.

17. APPROVAL OF THE INTERIM FINANCIAL INFORMATION

The unaudited condensed consolidated interim financial information for the six months ended 31 October 2012 was approved and authorised for issue by the Board on 28 December 2012.

INTERIM DIVIDEND

The Board has resolved not to declare an interim dividend for the six months ended 31 October 2012 (six months ended 31 October 2011: Nil).

MANAGEMENT DISCUSSION AND ANALYSIS

Results Review

The Group recorded a decline in revenue for the first half of 2012/13. Total revenue of the Group was RMB1,235.6 million for the period, representing a drop rate of 4.2% as compared with RMB1,289.1 million in the first half of 2011/12. Gross profit declined by 25.1% to RMB486.4 million, with gross profit margin being 39.4%, as compared with 50.4% in the first half of 2011/12. The drop in gross profit margin was mainly due to the Group's inflationary pressure on raw materials such as white sugar and grains, coupled with a shift in focus from agricultural export business to a domestic one which derives a relatively lower gross profit margin. Higher portion of sales of beverage products which were manufactured by third party OEMs also accounted for the decrease in gross profit margin. In view of the above factors, together with the Group's slight increase in expenditure of various marketing and promotion activities, operating profit of the Group decreased by 39.7% from RMB440.9 million in the first half of 2011/12 to RMB265.8 million in the first half of 2012/13. Profit attributable to owners of the Company for the period was RMB150.1 million, as compared with RMB292.2 million in the first half of 2011/12.

Business Review

The Group experienced tough operating environment during the period, with the rapid cost inflation, the high mobility of human resources for production workers and the fierce competition among the industry players, which imposed great hurdles to maintain high growth in profits. In particular, the slowdown in the global economy and the continuous and increasing Sino-Japanese diplomatic tension dragged down the export business which had been enjoying a higher gross profit margin in the past.

Our branded beverage products business continues to be a major growth driver during the period, representing approximately 54.9% of the total Group revenue for the first half of 2012/13 (first half of 2011/12: 45.1%). Processed products and fresh produce contributed 37.3% (first half of 2011/12: 46.6%), while the remaining 7.8% was contributed by branded food (first half of 2011/12: 8.3%).

For the six months ended 31 October 2012, the Group achieved a 13.1% growth in domestic sales (excluding sales to import/export companies) (first half of 2011/12: 21.2%) as compared with the corresponding period last year, which reached RMB1,000.2 million (first half of 2011/12: RMB884.0 million) and represented 80.9% (first half of 2011/12: 68.6%) of the Group's total revenue. The increase in growth was mainly attributed by the more intense focus on the domestic market by our branded beverage products business whilst there was a decrease in revenue derived from the export business. Revenue generated from sales through import/export companies in the PRC amounted to RMB235.4 million (first half of 2011/12: RMB405.1 million), representing 19.1% (first half of 2011/12: 31.4%) of the Group's total revenue.

Dampened by the lackluster performance of fresh produce and processed products segments, profit attributable to owners of the Company for the six months ended 31 October 2012 was RMB150.1 million, representing a year-on-year decrease of 48.6% (first half of 2011/12: RMB292.2 million). Basic earnings per share were RMB17 cents, compared with RMB33 cents in the first half of 2011/12.

In view of the decline in sales volume and profit margin of the export business, the Group has reallocated more resources to its domestic multi-grain business. By utilizing its long established cultivation technique plus its specialization in multi-grain food and beverage businesses, as well as a complete control of source of origin and quality of its products, the Group has entered into lease agreements for multi-grain farmland of additional 150,000 mu in Bai Cheng city of Jilin province as a measure to safeguard its corporate image and brand value through the production of quality multi-grain raw materials.

With an emphasis on high quality products by leveraging its vertically integrated business model, the Group has been capitalizing on branding its own business in recent years in order to build an everlasting "Green" brand in China. The Group has successfully created a renowned brand name "China Green" and various other product names for different categories of branded businesses. Upholding the value of the brands is therefore of utmost importance to the success of the Group in the long run.

Branded Food and Beverage Products

Revenue from the branded food and beverage products business surged 12.5% to approximately RMB774.8 million (first half of 2011/12: RMB688.7 million). This figure includes revenue from branded beverage products of approximately RMB678.2 million, which grew by 16.6% from RMB581.7 million in the first half of 2011/12. The gross profit margin of the branded food and beverage business was 29.3% and 48.4% respectively.

Traditional healthy food and beverage are increasingly popular and gaining more awareness in China. Going in line with this trend, the key beverage product series of the Group are the mixed-grain series, with best-selling flavours including green bean, red bean, oat and walnut, etc. Other branded products include vegetable and fruit juice, multi-grain porridge, sour plum juice as well as honey water which are still at their maiden stage.

The total marketing and promotion costs incurred represented approximately 10.9% (first half of 2011/2012: 11.2%) of the total revenue from branded products during the period. One notable marketing event is the Group's sponsorship of a large scale talent show on Hebei satellite television which has been broadcasting from July to December 2012. There are 604 rounds of elimination competition held in more than a hundred different cities in China. This activity greatly helps the Group raise its brand profile and achieve a higher market penetration in the long run.

As of the end of October 2012, for the beverage products business, we had one plant with a full annual production capacity of approximately 120,000 tons. The Group is expecting to complete its second beverage production plant in the middle of 2013 in order to maximize its own production capacity.

Processed Products

The Group's processed products include primarily canned, frozen and pickled products. Among all processed products, sweet corn continued to be well-received by customers and derived higher sales revenue. During the first half of 2012/2013, the total revenue from the processed products business was RMB299.4 million, as compared with RMB395.2 million in the first half of 2011/12, representing a decrease of 24.2%. The export market accounted for 76.5% of the revenue (first half of 2011/12: 92.8%) whilst the remaining was from the domestic market. The gross profit margin of this segment was 30.3% (first half of 2011/12: 52.2%).

Fresh Produce

The fresh produce showed a decrease in revenue which amounted to RMB161.5 million during the period (first half of 2011/12: RMB205.2 million). The gross profit margin was 24.0% (first half of 2011/12: 50.9%). The domestic market accounted for 91.0% (first half of 2011/12: 81.2%) of total fresh produce revenue whilst the remaining was from the export market. Sweet corn, lotus root, radish, hairy bean and water melon continued to be the top products in this segment, contributing approximately RMB71.3 million, or 44.2% of total fresh produce revenue.

Outlook and Prospects

As disclosed in the announcement dated 28 November 2012, in light of the complex and challenging economic, political and operational environment faced by the Group's agricultural segment, the Company proposed to form a working group spearheaded by Mr. Sun Shao Feng, the Chairman and the Chief Executive Officer of the Company, to formulate plans to focus the Group's resources on high growth segments.

The Group expects to grow with its branded food and beverage business, with multi-grain as the core materials. This will be complemented by the expansion of farmland which is specialized in growing multi-grain crops and construction of more production plants.

To strengthen the Group's key growth drivers with a view for sustainable and profitable growth, the Group is contemplating to implement the following strategies:

1) Expansion of sales network

The Group has already established a wide distribution network across China (except for Hong Kong, Macau, Taiwan and Tibet) through distributors. With an aim to further penetrate into some core provinces with high business volume, the Group will allocate more resources to strengthen its sales team in these areas. Furthermore, the Group will also develop its own distribution channel to minimize reliance on third parties and to capture higher profit margin of the businesses.

2) Investment in multi-grain cultivation bases

In view of the growing demand for high quality products from domestic health-conscious consumers and to protect the well-established "China Green" brand, the Group has recently invested in multi-grain cultivation bases which are located in Bai Cheng city of Jilin province, the northern part of China. This will help minimize the impact of shortage of raw materials supply to cater for the expanding domestic multi-grain markets and control the cost of production for downstream businesses. In addition, the Group can make use of its long established capability in farming to help ensure supply of quality multi-grain raw materials and to increase production yield by mitigating the impact of adverse weather condition through newly built robust infrastructure.

3) Investment in equipment and production plants

With the branded beverage segment continuing to achieve encouraging sales revenue in the first half of 2012/13, the Group will invest in fully-automated multi-grain food and beverage production plants to cope with the expected increasing demand and to reduce over reliance on third party OEMs. This will help improve the profit margin and better ensure the quality of production and packaging.

In view of the deterioration in capital market conditions over the period, the management was of the view that it would be inadvisable to proceed with the spin-off of branded beverage products business as disclosed in the announcement dated 21 April 2011 as this would undervalue the prime assets of the Group and undermine the interest of shareholders of the Company. The spin-off is put on hold until further notice.

As disclosed in the announcement dated 4 July 2012, the Company has been contemplating whether to carry out a liability management exercise in relation to its existing indebtedness in the near future. Further announcement(s) will be made by the Company concerning the form and timing of any possible liability management exercise if and when appropriate.

DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS IN SHARES

As at 31 October 2012, the interests or short positions of the Directors and chief executives 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 Stock Exchange 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 provisions 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") as set out in Appendix 10 to the Listing Rules, are set out below:

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

Name of Director	Capacity	Long position/ short position	Number of ordinary shares held	Approximate percentage of shareholding in the Company
Mr. Sun Shao Feng	Beneficial owner	Long position	8,400,000 *(Note 1)*	0.95%
	Interest of controlled corporation	Long position	407,274,000 *(Note 2)*	46.07%
		Total:	415,674,000	47.02%

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 407,274,000 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 executives of the Company 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 the SFO as recorded in the register to be kept under section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange 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 2012 under the Scheme are as follows:

	Number of share options							
Name or category of participants	Balance as at 1 May 2012	Granted during the period	Exercised during the period	Lapsed during the period	Outstanding as at 31 October 2012	Exercise price (HK$)	Date of Grant	Exercisable Period
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								
	3,003,000	–	–	(591,000)	2,412,000	3.50	19 April 2006	19 April 2007 to 11 Dec 2013#
Sub-total	3,003,000	–	–	(591,000)	2,412,000			
Total	11,403,000	–	–	(591,000)	10,812,000			

\# 70% of 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 are exercisable from 30 May 2008 and the remaining 30% are exercisable from 30 May 2009 to 11 December 2013.

SUBSTANTIAL SHAREHOLDERS AND OTHER PERSONS' INTERESTS IN SHARES

As at 31 October 2012, so far as is known to the Directors, the following persons (other than the Directors and the chief executives 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 of Shareholder	Capacity	Nature	Number of ordinary shares held	Approximate percentage of shareholding in the Company
Capital Mate *(Note)*	Beneficial owner	Long position	407,274,000	46.07%
Deutsche Bank Aktiengesellschaft	Beneficial owner	Long position	832,885	0.09%
	Beneficial owner	Short position	825,000	0.09%
	Investment manager	Long position	26,860,571	3.04%
	Person having a security interest in shares	Long position	25,061,019	2.83%

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 407,274,000 ordinary shares of the Company owned by Capital Mate.

Save as disclosed above, the Directors are not aware of any other persons who have interests or short positions in the shares, underlying shares or debentures of the Company or any associated corporations (within the meaning of the SFO) as recorded in the register required to be kept under section 336 of the SFO.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

Neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities during the six months ended 31 October 2012.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code as set out in Appendix 10 to the Listing Rules as the code of conduct regarding Directors' securities transactions. Having made specific enquiry of all Directors, the Company confirmed that all Directors have complied with the required standards as set out in the Model Code throughout the period under review.

CORPORATE GOVERNANCE PRACTICES

The Company has adopted the code provisions set out in the Corporate Governance Code and Corporate Governance Report ("CG Code") as set out in Appendix 14 to the Listing Rules, which came into effect on 1 January 2005 and was revised and renamed on 1 April 2012.

During the six months ended 31 October 2012, the Company was in compliance with the code provisions set out in the CG Code except for the deviations from code provisions A.1.8, A.2.1, A.4.1, A.6.7 and E.1.2 which are explained below.

Code provision A.1.8 of the CG Code provides that an issuer should arrange appropriate insurance cover in respect of legal action against its directors. The Company is in the process of identifying appropriate insurance cover in respect of legal action against its Directors.

Code provision A.2.1 of the CG Code provides that the responsibilities between the chairman and chief executive officer ("CEO") should be divided. Mr. Sun Shao Feng, the chairman of the Company, currently performs the CEO role. 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 further believes that the balance of power and authority for the present arrangement will not be impaired and is adequately ensured by the current Board which comprises experienced and high calibre individuals with sufficient number thereof being independent non-executive Directors.

Code provision A.4.1 of the CG Code provides that non-executive directors should be appointed for a specific term and subject to re-election. The independent non-executive Directors are not appointed for a specific term, but they are subject to retirement from office by rotation in accordance with the bye-laws of the Company.

Code provision A.6.7 of the CG Code provides that non-executive Directors should attend general meetings and develop a balanced understanding of the views of shareholders. Mr. Huang Zhigang, Mr. Hu Ji Rong and Mr. Zheng Baodong, the independent non-executive Directors, did not attend the special general meeting and the annual general meeting ("AGM") of the Company held on 13 June 2012 and 18 October 2012 respectively due to dealing with their own official engagement.

Code provision E.1.2 of the CG Code provides that the chairman of the board should attend the annual general meeting. He should also invite the chairmen of the audit, remuneration, nomination and any other committees (as appropriate) to attend. Mr. Sun Shao Feng, the chairman of the Board, did not attend the AGM because he missed his flight due to dealing with the Group's business. Mr. Huang Zhigang, the chairman of the audit committee, remuneration committee, nomination committee and corporate governance committee of the Company, did not attend the AGM due to the reason stated above.

Save as the aforesaid and in the opinion of the Directors, the Company has met all code provisions set out in the CG code for the six months ended 31 October 2012.

AUDIT COMMITTEE

The Company established an audit committee (the "Audit Committee") on 12 December 2003 with written terms of reference in compliance with the CG Code, which currently comprises three independent non-executive Directors, namely Mr. Huang Zhigang (as chairman), Mr. Hu Ji Rong 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 2012.

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

Hong Kong, 28 December 2012