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 2013/14

* For identification only

INTERIM RESULTS

The board (the "Board") of directors (the "Director(s)") of China Green (Holdings) Limited (the "Company") presents the unaudited interim results of the Company and its subsidiaries (together the "Group") for the six months ended 31 October 2013 with comparative figures for the corresponding period of 2012/13 as follows:

CONDENSED CONSOLIDATED INCOME STATEMENT

For the six months ended 31 October 2013

		Unaudited Six months ended 31 October	
		2013	2012
	Notes	**RMB'000**	RMB'000
Turnover	*3*	**1,096,094**	1,235,639
Cost of sales		**(737,050)**	(749,199)
Gross profit		**359,044**	486,440
Other losses	*4*	**(46,150)**	–
Other revenue		**4,570**	3,847
Gain arising from changes in fair value less costs to sell of biological assets		**21,850**	40,549
Selling and distribution expenses		**(184,734)**	(180,993)
General and administrative expenses		**(96,946)**	(84,076)
Profit from operations	*5*	**57,634**	265,767
Finance costs		**(74,293)**	(50,285)
(Loss)/profit before taxation		**(16,659)**	215,482
Taxation	*6*	**(46,668)**	(65,391)
(Loss)/profit for the period attributable to owners of the Company		**(63,327)**	150,091
(Loss)/earnings per share	*8*		
– Basic		**RMB(7.2) cents**	RMB17 cents
– Diluted		**RMB(7.2) cents**	RMB17 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 2013

	Unaudited Six months ended 31 October	
	2013	2012
	RMB'000	RMB'000
(Loss)/profit for the period	**(63,327)**	150,091
Other comprehensive income for the period (after tax)		
Item that may be reclassified subsequently to profit or loss		
Exchange differences on translation of financial statement of overseas subsidiaries	**31,926**	5,081
Total comprehensive (loss)/income for the period attributable to owners of the Company	**(31,401)**	155,172

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

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 October 2013

	Notes	**At 31 October 2013 RMB'000 (Unaudited)**	At 30 April 2013 RMB'000 (Audited)
Non-current assets			
Fixed assets			
– Property, plant and equipment	*9*	**2,805,410**	2,829,639
– Interest in leasehold land held for own use under operating leases		**245,710**	253,884
Long-term prepaid rentals		**1,330,830**	1,402,303
Deposits paid for acquisition of fixed assets	*10*	**234,472**	241,949
		4,616,422	4,727,775
Current assets			
Inventories		**72,048**	61,592
Biological assets		**99,977**	40,893
Current portion of long-term prepaid rentals		**122,792**	122,792
Trade and other receivables	*11*	**80,945**	90,329
Bank deposits with maturity over 3 months		**–**	18,119
Pledged bank deposits	*12*	**65,000**	–
Cash and cash equivalents		**615,495**	422,632
		1,056,257	756,357
Assets classified as held for sale	*13*	**105,105**	–
		1,161,362	756,357
Current liabilities			
Amount due to a director	*14*	**7,958**	8,088
Trade and other payables	*15*	**180,923**	96,856
Income tax payable		**36,852**	23,613
Convertible bonds		**1,293,441**	1,370,487
		1,519,174	1,499,044
Net current liabilities		**(357,812)**	(742,687)
Total assets less current liabilities		**4,258,610**	3,985,088

	Notes	At 31 October 2013 RMB'000 (Unaudited)	At 30 April 2013 RMB'000 (Audited)
Non-current liabilities			
Deferred tax liabilities		**70,876**	70,876
Borrowings	*16*	**304,923**	–
		375,799	70,876
Net assets		**3,882,811**	3,914,212
Capital and reserves			
Share capital	*17*	**92,236**	92,236
Reserves		**3,790,575**	3,821,976
Total equity attributable to owners of the Company		**3,882,811**	3,914,212

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 2013

	Attributable to owners of the Company								
	Share capital RMB'000 *(Note 17)*	**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 2013 (audited)	**92,236**	**702,532**	**218,242**	**14,694**	**25,142**	**46,108**	**(119,735)**	**2,934,993**	**3,914,212**
Loss for the period	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**(63,327)**	**(63,327)**
Exchange difference on translation of financial statements of overseas subsidiaries	**–**	**–**	**–**	**–**	**–**	**–**	**31,926**	**–**	**31,926**
Total comprehensive loss for the period	**–**	**–**	**–**	**–**	**–**	**–**	**31,926**	**(63,327)**	**(31,401)**
Profit appropriation of PRC statutory reserve	**–**	**–**	**901**	**–**	**–**	**–**	**–**	**(901)**	**–**
As at 31 October 2013 (unaudited)	**92,236**	**702,532**	**219,143**	**14,694**	**25,142**	**46,108**	**(87,809)**	**2,870,765**	**3,882,811**
At 1 May 2012 (audited)	92,236	702,532	205,190	14,694	25,586	46,108	(121,291)	2,866,471	3,813,526
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

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 2013

	Unaudited Six months ended 31 October **2013** **RMB'000**	 2012 RMB'000
Net cash generated from operating activities	**128,763**	333,979
Net cash used in investing activities	**(130,574)**	(1,286,326)
Net cash generated from/(used in) financing activities	**162,877**	(19,304)
Effect of foreign exchange rate changes	**31,797**	6,151
Increase/(decrease) in cash and cash equivalents	**192,863**	(965,500)
Cash and cash equivalents at 1 May	**422,632**	1,683,456
Cash and cash equivalents at 31 October	**615,495**	717,956

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 2013

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 2013.

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 2013. 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 2013 and 2012 is as follows:

	Unaudited Six months ended 31 October 2013 RMB'000	2012 RMB'000
Sales of goods		
– Sales to import/export companies in the PRC	**14,583**	235,430
– Sales to other customers in the PRC	**1,081,511**	1,000,209
	1,096,094	1,235,639

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	
	2013 RMB'000	2012 RMB'000	**2013 RMB'000**	2012 RMB'000	**2013 RMB'000**	2012 RMB'000	**2013 RMB'000**	2012 RMB'000
Revenue from external customers	**173,791**	460,863	**848,017**	678,232	**74,286**	96,544	**1,096,094**	1,235,639
Inter-segment revenue	**22,559**	19,712	**-**	-	**-**	-	**22,559**	19,712
Reportable segment revenue	**196,350**	480,575	**848,017**	678,232	**74,286**	96,544	**1,118,653**	1,255,351
Reportable segment (loss)/profit	**(336)**	124,965	**159,797**	146,528	**1,084**	21,896	**160,545**	293,389

	Unaudited Six months ended 31 October 2013 RMB'000	2012 RMB'000
Revenue		
Reportable segment revenue	**1,118,653**	1,255,351
Elimination of inter-segment revenue	**(22,559)**	(19,712)
Consolidated turnover	**1,096,094**	1,235,639
Profit or loss		
Reportable segment profit derived from the Group's external customers	**160,545**	293,389
Finance costs	**(74,293)**	(50,285)
Finance income	**25**	3,307
Other revenue	**635**	540
Unallocated depreciation and amortisation	**(34,120)**	(6,944)
Unallocated head office and corporate expenses	**(23,301)**	(24,525)
Impairment loss recognised on property, plant and equipment	**(46,150)**	–
Consolidated (loss)/profit before taxation	**(16,659)**	215,482

4. OTHER LOSSES

	Unaudited Six months ended 31 October 2013 RMB'000	2012 RMB'000
Impairment loss recognised on property, plant and equipment		
– At cost	**29,821**	–
– Interest expenses capitalised into construction-in-progress in prior years	**16,329**	–
	46,150	–

5. PROFIT FROM OPERATIONS

Operating profit is stated after crediting and charging the following:

	Unaudited Six months ended 31 October	
	2013	2012
	RMB'000	RMB'000
Crediting		
Interest income	**701**	3,307
Rental income	**819**	429
Government grant	**3,000**	–
Charging		
Depreciation of own property, plant and equipment	**95,594**	94,731
Staff costs (including directors' emoluments)	**76,376**	96,514
Research and development expenses	**10,763**	18,934
Amortisation of long-term prepaid rentals	**59,053**	39,248
Amortisation of interests in leasehold land held for own use under operating leases	**3,349**	2,973
Net foreign exchange loss	**51**	3,833

6. TAXATION

	Unaudited Six months ended 31 October	
	2013	2012
	RMB'000	RMB'000
Current tax – PRC Enterprise Income Tax		
Provision for the period	**46,668**	65,391

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.

7. DIVIDEND

No dividend was declared for the six months ended 31 October 2013 (six months ended 31 October 2012: Nil).

8. (LOSS)/EARNINGS PER SHARE

a) Basic (loss)/earnings per share

The calculation of basic (loss)/earnings per share is based on the loss for the period attributable to owners of the Company of approximately RMB63,327,000 (profit for six months ended 31 October 2012: RMB150,091,000) and on the weighted average of 884,035,540 ordinary shares (six months ended 31 October 2012: 884,035,540 ordinary shares).

b) Diluted (loss)/earnings per share

The calculation of diluted (loss)/earnings per share is based on the loss for the period attributable to owners of the Company of approximately RMB63,327,000 (profit for six months ended 31 October 2012: RMB150,091,000) and the weighted average number of 884,035,540 ordinary shares (six months ended 31 October 2012: 884,035,540 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 (loss)/earnings per share.

	Unaudited Six months ended 31 October	
	2013	2012
Weighted average number of ordinary shares during the period	**884,035,540**	884,035,540

9. PROPERTY, PLANT AND EQUIPMENT

During the period, approximately RMB172,558,000 (six months ended 31 October 2012: RMB55,184,000) was spent on acquisition of property, plant and equipment.

10. DEPOSITS PAID FOR ACQUISITION OF FIXED ASSETS

	At 31 October 2013 RMB'000 (Unaudited)	At 30 April 2013 RMB'000 (Audited)
Deposit paid for acquisition of interest in leasehold land held for own use under operating lease	**30,000**	39,667
Deposits paid for acquisition of property, plant and equipment	**204,472**	202,282
	234,472	241,949

11. 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 2013 RMB'000 (Unaudited)	At 30 April 2013 RMB'000 (Audited)
Within 1 month	**46,873**	25,868
Over 1 month but within 3 months	**7,049**	20,660
	53,922	46,528

12. PLEDGED BANK DEPOSITS

Bank deposit is pledged to bank as security for the following activity:

	At 31 October 2013 RMB'000 (Unaudited)	At 30 April 2013 RMB'000 (audited)
Bank borrowing *(Note 16)*	**65,000**	–

The pledged bank deposit will be released upon the settlement of the relevant bank borrowing.

13. ASSETS CLASSIFIED AS HELD FOR SALE

On 18 October 2013, a wholly owned subsidiary of the Company entered into the equity transfer contract, the purchaser has agreed to acquire the sales interest at the consideration of RMB104,000,000 which will be satisfied by the purchaser in cash in phases. Please refer to the Company's announcement date 20 October 2013 for detail.

The major classes of assets and liabilities of the subsidiary at the end of reporting period are as follows:

	At 31 October 2013 RMB'000 (Unaudited)
Construction in progress	**55,043**
Interest in leasehold land held for own use under operating leases	**50,062**
Assets of classified as held of sale	**105,105**

14. 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.

15. TRADE PAYABLES

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

	At 31 October 2013 RMB'000 (Unaudited)	At 30 April 2013 RMB'000 (Audited)
Within 1 month	**42,820**	32,769

16. BORROWINGS

	At 31 October 2013 RMB'000 (Unaudited)	At 30 April 2013 RMB'000 (audited)
Bank borrowing *(Note 1)*	**64,923**	–
Long terms borrowing *(Note 2)*	**240,000**	–
	304,923	–
Secured	**64,923**	–
Unsecured	**240,000**	–
	304,923	–
More than two years, but not more than five years	**304,923**	–

Notes:

1. Secured by an irrevocable standby letter of credit issued by China Merchants Bank Co., Ltd., Xiamen Branch with pledged bank deposits of RMB65,000,000 with interest at HIBOR + 1.2% per annum. The weighted average effective interest rate on the bank loan is 1.41% per annum.

2. The long term borrowing was in connection with the subscription agreement with Peking University V-Ming (Shanghai) Investment Holdings Co., Limited ("PKU V-Ming Investment"). According to the subscription agreement, PKU V-Ming Investment granted the entrusted loan in the principal amount of RMB240,000,000 to a Company's indirect wholly owned subsidiary for a term of five years at an annual interest of 5%. In return, a total of 226,553,576 new Shares of the Company would be allotted and issued to Partner Shanghai Limited ("PSL"), which is wholly-owned by Mr. Bi Hao, who in turn holds his interest in PSL acting as a trustee for and on behalf of PKU V-Ming Investment. For the detail information, please refer to the Company's circular dated 2 October 2013.

17. SHARE CAPITAL

	At 31 October 2013 RMB'000 (Unaudited)	At 30 April 2013 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 2013: 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.

18. COMMITMENTS

a) Capital commitments

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

	At 31 October 2013 RMB'000 (Unaudited)	At 30 April 2013 RMB'000 (Audited)
Contracted but not provided for		
– Purchase of property, plant and equipment	**426,192**	431,103

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 2013 RMB'000 (Unaudited)	At 30 April 2013 RMB'000 (Audited)
Within one year	**27,401**	39,775
After one year but within five years	**387,050**	550,925
After five years	**1,672,000**	1,772,000
	2,086,451	2,362,700

19. CONTINGENT LIABILITIES

The Group did not have any significant contingent liabilities as at 31 October 2013 (30 April 2013: Nil).

20. 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	
	2013	2012
	RMB'000	RMB'000
Short-term employee benefits	**2,072**	1,995
Post-employment benefits	**16**	18
	2,088	2,013

Total remuneration is included in "staff costs" (see note 5).

b) Transaction with other related parties

Except for an amount due to a director as disclosed in note 14, the Group did not have any material related party transactions during the period.

21. EVENTS AFTER THE REPORTING PERIOD

On 25 July 2013, the Company paid RMB100 million to the bondholders of the convertible bonds which matured on 12 April 2013 (the "Old Bonds"). On 13 November 2013, the Company paid approximately RMB318.4 million to the bondholders of the Old Bonds and issued two branches of bond (the "New Bonds" and the details of the new Bonds to be disclosed below) in full satisfaction of its obligations under the Old Bonds. Therefore, the Old Bonds were successfully restructured on 13 November 2013.

The New Bonds are

(i) in the denomination of RMB40,000 each in principal amount of US Dollar settled 7.00 per cent. secured convertible bonds due 2016, with aggregate amount of RMB515,280,000, convertible into ordinary shares of the Company; and

(ii) in the denomination of RMB40,000 each in principal amount of US Dollar settled 10.00 per cent. secured convertible bonds due 2016, with aggregate amount of RMB515,280,000, convertible into ordinary shares of the Company.

22. APPROVAL OF THE INTERIM FINANCIAL INFORMATION

The unaudited condensed consolidated interim financial information for the six months ended 31 October 2013 was approved and authorised for issue by the Board on 27 December 2013.

INTERIM DIVIDEND

The Board has resolved not to declare an interim dividend for the six months ended 31 October 2013 (six months ended 31 October 2012: Nil).

MANAGEMENT DISCUSSION AND ANALYSIS

Results Review

The Group recorded a decline in revenue for the first half of 2013/14. Total revenue of the Group was RMB1,096.1 million for the period, representing a drop rate of 11.3% as compared with RMB1,235.6 million in the first half of 2012/13.

The breakdowns of the Group's revenue are as follows:

	Six months ended 31 October 2013 RMB'000	Six months ended 31 October 2012 RMB'000
Branded beverages products	**848,017**	678,232
Fresh produce and processed products	**173,791**	460,863
Branded food products and others	**74,286**	96,544
	1,096,094	1,235,639

The decline in the Group's revenue is mainly due to the decline in operational performance of the Group's fresh produce and processed products because of the weakened demand from Japan, one of our key markets for the Group's fresh produce and processed products, following the continuous diplomatic tension between China and Japan as well as the continuous appreciation of RMB against Japanese Yen making exports to Japan comparatively more expensive. The sales to export/import companies dropped from RMB235.4 million for the six months ended 31 October 2012 to RMB14.6 million for the six months ended 31 October 2013.

Our branded beverage products business continues to be the major growth driver during the period, representing approximately 77.4% of the total Group revenue for the first half of 2013/14 (first half of 2012/13: 54.9%). Processed products and fresh produce contributed 15.9% (first half of 2012/13: 37.3%), while the remaining 6.7% was contributed by branded food (first half of 2012/13: 7.8%).

Gross profit of the Group declined by 26.2% to RMB359.0 million, with gross profit margin being 32.8%, as compared with 39.4% in the first half of 2012/13. The profitability of the Group's fresh produce and processed products segment continued to deteriorate and the gross profit from this segment dropped from approximately RMB133.1 million in the first half of 2012/13 to RMB12.0 million in this term. As the demand for the Group's fresh produce and processed products continued to decline as stated above, fewer agricultural produces were planted in light of the limited self life and expendability of fresh agricultural produces which resulted in a lower efficiency of the said segment. The shift of focus from export market to domestic market of the fresh produce and processed products segment also dampened the gross profit margin as sales in domestic market usually yield a relatively lower price and margin.

Regarding the Group's branded beverages products segment, there was an inflationary pressure from wages and raw materials such as white sugar and grains and the gross profit margin during the period under review was approximately 41.3% compared to 48.7% in the corresponding period of 2012/13. Besides, approximately 59.7% (approximately 41.5% for the six months ended 31 October 2012) of the branded beverages products sold for the six months ended 31 October 2013 were manufactured by third party original equipment manufacturing ("OEM") producers. The higher portion of beverage products manufactured by third party OEM producers also accounted for the decrease in the gross profit margin.

In view of the above factors, together with the Group's increase in expenditure on legal and professional fee for the restructuring of the Company's convertible bonds and a provision for loss due to the disposal of a subsidiary as announced by the Company on 20 and 23 October 2013, operating profit of the Group decreased by 78.3% from RMB265.8 million in the first half of 2012/13 to RMB57.6 million in the first half of 2013/14.

Apart from the drop in the operating profit, there was a substantial increase in finance costs due to the fact that the Company's convertible bonds were in default since 12 April 2013, attracting additional default interest payment. As a result, the loss attributable to owners of the Company for the period was RMB63.3 million, as compared with a profit attributable to owners of the Company RMB150.1 million in the first half of 2012/13.

Business Review

The operating environment during the period continued to be tough for the Group with inflation on wages and raw materials, the fierce competition among the industry players and uncertainties surrounding the Group's operations following the default of the Company's convertible bonds being the biggest challenges to the Group.

Fresh produce and processed products

The Group's fresh produce and processed products include primarily fresh vegetables such as sweet corn, lotus root, radish, hairy bean and water melon, as well as canned and frozen products. During the first half of 2013/2014, the total revenue from the fresh produce and processed products business dropped significantly from RMB460.9 million to RMB173.8 million which is mainly due to the continuing deterioration of the Group's export business.

The continuous and increasing Sino-Japanese diplomatic tension and appreciation of RMB against Japanese Yen have dragged down the export business of the fresh produce and processed products which used to be a major profit contributing segment in the past. The first half of 2013/14 is the first time that the Group experienced an operating loss from the fresh produce and processed products segment. As the business environment for the said segment continue to deteriorate and there is not yet any sign of recovery for the export business, the Board will continue to monitor the situation and development of the industry and formulate the suitable strategy tailored for the said segment, such as to identify new demand from domestic customers or to dispose of certain under-performing assets of this segment, etc., in order to ensure the continuous growth of the Group as a whole.

Branded food products

The Group's branded food products include primarily rice and hotpot products sold under the Group's own brand. Revenue from the branded food products decreased from approximately RMB96.5 million in the first half of 2012/13 to approximately RMB74.3 million in this term. As the branded food products are still at their early stage and the corresponding brand is not yet well recognized in the consumer market, there is certain volatility in the demand for these products at this stage. The Group considers that the contribution from this segment is not yet material to the Group's operations but the management will continue to monitor the development of this segment in the near future to assess if further resources would need to be invested in this segment in order to expand its operations and enhance its profitability.

Branded beverage products

Despite the decline in both the fresh produce and processed products and the branded food products segments, the Group was successful in expanding its branded beverages products segment and achieved a growth of 25.0% in revenue from the sales of branded beverages products.

Consistent with the strategy the Group has always been adopting for the branded beverage products segment, the Group continued its efforts in expanding its distribution of the branded beverage products in the domestic market. As at 31 October 2013, the branded beverage products were being sold in 27 provinces and 4 cities in China.

The major sales locations of our branded beverage products are as follows:

	October 2013	October 2012
	RMB'000	RMB'000
Jiangsu province	**163,377**	122,271
Anhui province	**113,523**	75,470
Sichuan province	**60,616**	42,348
Henan province	**56,594**	49,553
Jiangxi province	**55,047**	39,374
Others	**398,860**	349,216
Total	**848,017**	678,232

In view of the trend that traditional healthy food and beverages are becoming increasingly popular and getting more awareness in China, the Group is currently selling 33 different specifications of branded beverage products of which key beverage product series are the mixed-grain series, with best-selling flavours in green bean, red bean, oat and walnut. The Group will continue to assess the reception from the consumers of our products and adjust the flavours and product types from time to time to meet the demand of the market.

The five highest selling branded beverage products are as follows:

	October 2013	October 2012
	RMB'000	RMB'000
Culiangwang Green Bean Matcha	**245,796**	208,359
Culiangwang Walnuts	**245,104**	104,143
Culiangwang Red Bean	**158,286**	135,206
Culiangwang Multi Grains with Milk	**28,815**	–
Culiangwang Oat	**28,130**	62,638
Others	**141,886**	167,886
Total	**848,017**	678,232

Analysis of the cost of sales of the branded beverage products is as follows:

	October 2013	October 2012
	RMB'000	RMB'000
Packaging materials	**180,702**	144,168
Raw materials	**212,895**	131,687
Depreciation	**24,526**	24,112
Fuel costs	**6,202**	7,285
Direct labour costs	**6,206**	4,205
Processing fees to third party OEM producers	**62,180**	33,378
Others	**4,701**	3,375
Total	**497,412**	348,210

Note: Raw materials include mainly sugar and multi grains such as green bean, red bean, walnuts, oat, peanuts and sweet corns.

REPORT OF THE BOARD

Although the Group remains to be one of the major sweet corn producers in China, the business transformation since 2009 has changed the Group from a pure agricultural company with export focus to a fast moving consumer goods company in healthy multi grain beverages with domestic market as its focus. Within four years, the Group has built up the well-recognised "Culiangwang" brand and extensive distribution network all over China. At the same time, the Group's business transformation also brought an important change to the Group's sourcing and purchasing activities in recent years. Since the farmlands originally leased in South China are not ecologically and climatically suitable for growing multi grains other than sweet corns, sweet corn is therefore the only multi grain being sourced from our own farmland for production of our branded beverage products for now, which accounted for approximately 6.6% of the multi grains used for the six months ended 31 October 2013. For multi grains other than sweet corns, the Group needs to purchase them from other suppliers in the market and perform numerous different quality and safety testings in order to ensure product quality and safety.

In the future, the Group aims to leverage more on our previous agricultural experience and expertise to create higher degree of vertical integration and more values along the value chains from the upstream to the downstream operations. The agricultural function will play a supportive role to the sustainable growth of the Group's branded beverage business. The Group has entered into lease agreements for multi grain farmland of 200,000 mu in Baicheng city of Jilin province with a view to producing multi grains as raw materials tailored for the branded beverage products. By doing so, we believe that the synergy between the upstream and downstream operations will not only be more fully reflected on the profitability of the Group, but will also help to ensure better food quality and safety by mastering the source of the raw materials in multi grains, and preserve the value of our brand. We believe that the establishment and development of the multi grains cultivation bases in Baicheng city of Jilin province is critical to the success of the sustainable and long term growth of the Group's branded beverage products business.

Currently, the Group has one plant for producing branded beverage products located in Quanzhou City of Fujian Province with an annual capacity of approximately 120,000 tons in paper packs and 30,000 tons in metallic cans. Simultaneously, the Group is also engaging 7 third party OEM producers to produce the branded beverage products, which accounted for approximately 59.7% of the production volume. The Group has always been extremely cautious in selecting its OEM producers as the OEM business model always poses a risk of the leakage of confidential formula of the beverage products and of the sufficiency of processing capacity during the peak seasons.

In view of the relatively low proportion of self-production of our branded beverage products, the Group is building new self-owned factories to reduce reliance on the OEM producers with a view to minimising the risks associated with the OEM business model and improving the overall margin of the branded beverage products business. As at 31 October 2013, the plant in Tianmen City of Hubei Province was substantially completed. Following the installation of the production and packaging equipment, we expect the trial production to commence before end of first quarter in 2014. This plant will be initially running on an annual capacity of 30,000 tons with a view to increasing to an annual capacity of 120,000 tons within 2 years.

To meet the growing demand of our branded beverage products, the Group has plans to build more processing plants for the production of branded beverage products in the future, namely, a plant in Huangtang Town of Fujian Province, one in Wanquan County of Hebei Province, one in Fuyang City of Anhui Province and one in Baicheng City of Jilin Province. The Group is keen to maintain sustainable growth of our branded beverage products business with a cost-effective capital structure. We believe that the establishment of processing plants across different locations in China can help to minimise the transportation costs and better manage the potential risks related to labour mobility in China. However, the pace of the construction will very much depend on the growth of demand of our branded beverage products and also the adequacy and availability of the Group's free capital. In view of our financial capacity, the Group is likely to build the processing plants one by one to ensure the best possible utilisation of the Group's free capital and maintain the liquidity of the Group.

Revenue from the branded beverage products business increased by 25.0% to approximately RMB848.0 million (first half of 2012/13: RMB678.2 million). The total marketing and promotion costs incurred during the period under review was approximately RMB81.3 million (first half of 2012/2013: RMB84.1 million). We are able to maintain our marketing and promotion costs at a similar level as our brand has gradually obtained more recognition in the consumer market following the promotion and advertising activities in the past years. It is our intention to maintain a good balance between the expenditure on marketing and promotion and the continuous growth of our brand reputation in the consumer market, in order to improve our profitability and deliver better results to our stakeholders.

Outlook and Prospects

Although the fresh produce and processed products and branded food products segments recorded a drop in revenue in this term, there was encouraging growth achieved by the branded beverage products segment during the period under review. The Group expects to continue its focus on the growth of its branded beverage products business, with multi grain beverages being the key driver. In order to expand the sales of the branded beverage products, the Group will continue to expand its distribution network in China by increasing the number of distributors, with an aim to increase the penetration of its brand and the sales volume of our branded beverage products. To meet the growing demand of our branded beverage products, the Group will increase its processing capability by continuing its investment in fully-automated beverage processing plant and continue to invest in the multi grain cultivation base in Jilin province in order to create better vertical integration and ensure better food safety and brand preservation. However, all of the Group's capital expenditure will be invested prudently to ensure the liquidity of the Group. We believe that a truly vertically integrated operation is the right direction for the Group and such a business model will be able to deliver long-term profitability and sustainable growth to our stakeholders.

In accordance with the announcement on 5 November 2013, the Company's convertible bonds were successfully restructured on 13 November 2013 which has removed certain uncertainties surrounding the Group's operations since April 2013. We would want to focus more of our resources and time on the business expansion to achieve long-term growth and returns for all our stakeholders.

Group's Liquidity, Financial Resources and Capital Structure

During the period under review, in order to improve the Group's financial position, immediate liquidity and cash flows as well as prepare the necessary funding for the restructuring of the Company's convertible bonds which matured on 12 April 2013, the Group obtained further funding through the disposal of a subsidiary and a funding arrangement with Peking University V-Ming (Shanghai) Investment Holdings Co., Limited ("PKU V-Ming Investment") where PKU V-Ming Investment, through its nominee, extended a loan of RMB240 million through an entrusted bank in China to the Group. In return, Partner Shanghai Limited ("PSL"), a company incorporated in the British Virgin Islands with limited liability, agreed to subscribe as a principal for 226,553,576 ordinary shares of the Company (the "Subscription"), subject to the terms and conditions in the master framework and subscription agreement entered into, inter alia, between the Company and PSL on 4 September 2013. The Subscription was approved by the then shareholders of the Company at a special general meeting held on 18 October 2013 and the Subscription has not yet been completed. PSL is wholly-owned by Mr. Bi Hao, who in turn holds his interest in PSL acting as a trustee for and on behalf of PKU V-Ming Investment. Please refer to the Company's circular dated 2 October 2013 for details of the Subscription.

As at 31 October 2013, the total equity attributable to shareholders of the Company was approximately RMB3,882.8 million (30 April 2013: RMB3,914.2 million). The Group had current assets of RMB1,161.4 million (30 April 2013: RMB756.4 million) and current liabilities of RMB1,519.2 million (30 April 2013: RMB1,499.0 million). The current ratio was 0.8 times (30 April 2013: 0.5 times).

The Group's major current liabilities and outstanding debt as at 31 October 2013 was RMB1,293.4 million, which was primarily the convertible bonds issued by the Company and matured on 12 April 2013 (30 April 2013: RMB1,370.5 million). The Group's gearing ratio (total debt divided by shareholders' equity) as at 31 October 2013 was 33.3% (30 April 2013: 35.0%). As noted above, the Company's convertible bonds matured on 12 April 2013 were successfully restructured on 13 November 2013.

As at 31 October 2013, the Group had pledged deposits as well as cash and cash equivalents of approximately RMB680.5 million (30 April 2013: RMB422.6 million). The majority of the Group's funds has been deposited in banks in the PRC and Hong Kong. Having considered the capital raised during the period under review and the successful restructuring of the Company's convertible bonds subsequent to 31 October 2013, the directors are satisfied that the Group will have sufficient capital to meet its working capital requirements and financial obligations in full as they fall due in the foreseeable future.

The Group will continue to implement strict financial management policies and monitor its capital structure based on the ratio of total liabilities to total assets. As at 31 October 2013, the ratio of total liabilities to total assets was 32.8% (30 April 2013: 28.6%).

Capital Commitments and Contingent Liabilities

The Group has approved the expansion of existing production facilities by building new production plants. As at 31 October 2013, the Group had contractual capital commitments of approximately RMB426.2 million (30 April 2013: RMB431.1 million).

As at 31 October 2013, the Group had not provided any form of guarantee for any companies outside the Group and had not involved in any material legal proceedings for which provision for contingent liabilities was required.

Fluctuation in Exchange Rates

For the six months ended 31 October 2013, the Group conducted its business transactions principally in Renminbi. The Group did not experience any material difficulties or negative impact on its operations as a result of fluctuation in currency exchange rates. Accordingly, the Directors concluded that the foreign currency exchange risk exposure was relatively limited and no hedging of such exchange risk was required at that time.

As an internal policy, the Group will continue to implement a prudent financial management policy and does not participate in any high-risk speculative activities. The management of the Company will continue to monitor its foreign exchange exposure and take appropriate measures if needed.

Significant Investments Held and Material Acquisitions and Disposals

During the period under review, the Group made no significant investments, or material acquisitions. On 18 October 2013, the Group entered into a sale and purchase agreement to dispose of its 100% equity interest in Zhonglu (Shanghai) Industry Investment Limited to an independent third party for a cash consideration of RMB104 million. As at the date of this report, this disposal is not yet completed. Please refer to the Company's announcements on 20 October 2013 and 23 October 2013 for details. Other than this disposal, the Group made no other disposal of subsidiaries during the period under review.

Pledge on Group's Assets

Details of the pledge of assets of the Group as at 31 October 2013 are set out in note 12 to the financial statements.

Staff and Remuneration Policies

As at 31 October 2013, the Group had a total of approximately 5,886 employees, of which approximately 2,001 were workers at the Group's cultivation bases and approximately 2,634 were workers at the Group's processing plants. The aggregate employee compensation and Directors' remuneration for the six months ended 31 October 2013 totalled approximately RMB76.4 million (six months ended 31 October 2012: RMB96.5 million). Employees are paid competitively, taking into account individual performance, experience, and their respective roles and positions. Other benefits offered by the Group included statutory provident funds, year-end bonuses, and share options granted to selected employees on the basis of their individual performance.

Future Plans for Material Investments/Capital Assets and Source of Funds

As at 31 October 2013, the Group maintained sufficient funds for its capital investments and operations in the next financial year.

DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS IN SHARES

As at 31 October 2013, 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

At the annual general meeting of the Company held on 18 October 2013 (the "2013 AGM"), the shareholders of the Company approved the adoption of a new share option scheme (the "Scheme") and the termination of the share option scheme which was adopted by the Company on 12 December 2003 (the "Old Scheme"). The Scheme will expire on 18 October 2023. Options granted under the Old Scheme prior to such termination will continue to be valid and exercisable in accordance with the rules of the Old Scheme. During the period under the review, no share option was granted under the Scheme and the Old Scheme.

Details of movement of the share options during the six months ended 31 October 2013 under the Old Scheme are as follows:

Name or category of participants	Number of share options: Balance as at 1 May 2013	Granted during the period	Exercised during the period	Lapsed during the period	Outstanding as at 31 October 2013	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								
	2,412,000	–	–	–	2,412,000	3.50	19 April 2006	19 April 2007 to 11 Dec 2013#
Sub-total	2,412,000	–	–	–	2,412,000			
Total	10,812,000	–	–	–	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 2013, 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	Capacity	Position	Number of ordinary shares held	Approximate percentage of shareholding in the Company (*Note 1*)
Capital Mate (*Note 2*)	Beneficial owner	Long position	407,274,000	46.07%
Chen Yuanming (*Note 3*)	Beneficial owner	Long position	44,244,000	5.00%
	Family interest	Long position	840,000	0.10%
Peking University V-Ming (Shanghai) Investment Holdings Co., Limited (*Note 4*)	Beneficial Owner	Long position	226,553,576	25.63%

Notes:

1) As at 31 October 2013, the Company's issued ordinary share capital was HK$88,403,554 divided into 884,035,540 ordinary shares of HK$0.1 each ("Shares").

2) 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 Shares owned by Capital Mate.

3) Chen Yuanming is deemed to be interested in 840,000 Shares held by his spouse, Dai Shaobo.

4) As at 31 October 2013, the subscription of 226,553,576 Shares has not yet been completed. Please refer to the section headed "Group's Liquidity, Financial Resources and Capital Structure" in "Management Discussion and Analysis" on page 25 in this interim report.

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 2013.

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 ("CG Code") as set out in Appendix 14 to the Listing Rules as its own code of corporate governance.

During the six months ended 31 October 2013, 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 and has yet been able to identify a commercially reasonable insurance policy for this purpose.

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 (except Mr. Wei Xiongwen) 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. Hu Ji Rong and Mr. Zheng Baodong, independent non-executive Directors, did not attend the special general meetings of the Company held on 3 June 2013 and 18 October 2013 respectively and the 2013 AGM due to dealing with their own official engagement. In addition, Mr. Wei Xiongwen, an independent non-executive Directors, did not attend the 2013 AGM and the special general meeting of the Company held on 18 October 2013 due to dealing with his own official engagement.

Code provision E.1.2 of the CG Code requires 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 the annual general meeting. Mr. Hu Ji Rong, the chairmen of each of the audit committee, remuneration committee and corporate governance committee of the Company, and Mr. Zheng Baodong, the chairman of the nomination committee of the Company, were both absent from the 2013 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 2013.

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. Hu Ji Rong (as chairman), Mr. Zheng Baodong and Mr. Wei Xiongwen. 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 2013.

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

Hong Kong, 27 December 2013