



CHINA CULIANGWANG BEVERAGES HOLDINGS LIMITED

中國粗糧王飲品控股有限公司

(formerly known as China Green (Holdings) Limited and 中國綠色食品(控股)有限公司*)

(Incorporated in Bermuda with limited liability)

(Stock Code: 904)



2014/15

Interim Report



* For identification only

INTERIM RESULTS

The board (the “Board”) of directors (the “Director(s)”) of China Culiangwang Beverages Holdings Limited (the “Company”) is pleased to announce the unaudited interim results of the Company and its subsidiaries (together the “Group”) for the six months ended 31 October 2014 with comparative figures for the corresponding period of 2013/14 as follows:

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the six months ended 31 October 2014

		Six months ended 31 October	
		2014	2013
		(Unaudited)	(Unaudited)
	<i>Notes</i>	RMB'000	RMB'000
Turnover	3	1,060,564	1,096,094
Cost of sales		(664,271)	(737,050)
Gross profit		396,293	359,044
Other losses	4	–	(46,150)
Other revenue		3,079	4,570
Gain arising from changes in fair value			
less costs to sell of biological assets		7,736	21,850
Selling and distribution expenses		(176,384)	(184,734)
General and administrative expenses		(99,851)	(96,946)
Profit from operations	5	130,873	57,634
Finance costs		(68,096)	(74,293)
Profit/(loss) before taxation		62,777	(16,659)
Taxation	6	(52,179)	(46,668)
Profit/(loss) for the period attributable to owners of the Company		10,598	(63,327)
Earnings/(loss) per share	8		
– Basic		RMB0.9 cent	RMB(7.2) cents
– Diluted		RMB0.9 cent	RMB(7.2) cents

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

	Six months ended 31 October	
	2014	2013
	(Unaudited)	(Unaudited)
	RMB'000	RMB'000
Profit/(loss) for the period	10,598	(63,327)
Other comprehensive income/(expense) for the period (after tax)		
Item that may be reclassified subsequently to profit or loss:		
Exchange differences on translating of financial statements of overseas subsidiaries	9,256	31,926
Total comprehensive income/(expense) for the period attributable to owners of the Company	19,854	(31,401)

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



CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION*As at 31 October 2014*

		At 31 October 2014 RMB'000 (Unaudited)	At 30 April 2014 RMB'000 (Audited)
	<i>Notes</i>		
Non-current assets			
Fixed assets			
– Property, plant and equipment	9	2,829,985	2,751,032
– Interest in leasehold land held for own use under operating leases		211,811	213,783
Long-term prepaid rentals		1,160,619	1,217,283
Pledged bank deposits		274,750	274,750
Deposits paid for acquisition of fixed assets	10	327,863	317,292
		4,805,028	4,774,141
Current assets			
Inventories		89,528	51,907
Biological assets		77,161	13,267
Current portion of long-term prepaid rentals		119,193	120,377
Trade and other receivables	11	120,451	176,947
Pledged bank deposits	12	6,500	114,046
Cash and cash equivalents		541,706	294,842
		954,539	771,386

		At 31 October 2014 RMB'000 (Unaudited)	At 30 April 2014 RMB'000 (Audited)
	Notes		
Current liabilities			
Amount due to a director	13	7,958	7,995
Amount due to a shareholder		2,801	2,815
Borrowings	15	280,793	246,571
Trade and other payables	14	199,651	191,640
Income tax payable		28,980	25,507
Other financial liabilities		21,801	21,902
Convertible bonds		177,871	178,701
		719,855	675,131
Net current assets		234,684	96,255
Total assets less current liabilities		5,039,712	4,870,396
Non-current liabilities			
Deferred tax liabilities		86,117	86,189
Borrowings	15	500,677	532,738
Convertible bonds		670,539	669,628
		1,257,333	1,288,555
Net assets		3,782,379	3,581,841
Capital and reserves			
Share capital		179,590	106,277
Reserves		3,602,789	3,475,564
Total equity attributable to owners of the Company		3,782,379	3,581,841

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 2014

	Attributable to owners of the Company								
	Share capital RMB'000 (Note 16)	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 reserve RMB'000	Retained profit RMB'000	Total RMB'000
As at 1 May 2014 (audited)	106,277	768,899	242,642	14,694	-	45,164	(105,827)	2,509,992	3,581,841
Profit for the period	-	-	-	-	-	-	-	10,598	10,598
Exchange differences on translation of financial statements of overseas subsidiaries	-	-	-	-	-	-	9,256	-	9,256
Total comprehensive income for the period	-	-	-	-	-	-	9,256	10,598	19,854
Open offer and share placement, net of transaction cost	73,313	107,371	-	-	-	-	-	-	180,684
As at 31 October 2014 (unaudited)	179,590	876,270	242,642	14,694	-	45,164	(96,571)	2,520,590	3,782,379
As 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 differences on translation of financial statements of overseas subsidiaries	-	-	-	-	-	-	31,926	-	31,926
Total comprehensive income/(loss) for the period	-	-	-	-	-	-	31,926	(63,327)	(31,401)
Profits 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

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

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS*For the six months ended 31 October 2014*

	Unaudited	
	Six months ended	
	31 October	
	2014	2013
	RMB'000	RMB'000
Net cash generated from operating activities	203,039	128,763
Net cash used in investing activities	(77,387)	(130,574)
Net cash generated from financing activities	119,183	162,877
Effect of foreign exchange rate changes	2,029	31,797
Increase in cash and cash equivalents	246,864	192,863
Cash and cash equivalents at 1 May	294,842	422,632
Cash and cash equivalents at 31 October	541,706	615,495

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



NOTES TO THE CONDENSED CONSOLIDATION INTERIM FINANCIAL STATEMENTS

For the six months ended 31 October 2014

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 head office and principal place of business in Hong Kong are Clarendon House, 2 Church Street, Hamilton, HM 11, Bermuda and 19/F, China Hong Kong Tower, 8 Hennessy Road, Wan Chai, 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 statements is presented in Renminbi (“RMB”), unless otherwise stated.

2. BASIS OF PREPARATION

The condensed consolidated interim financial statements 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 2014.

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 interpretations on its results of operations and financial position.

The preparation of an interim 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 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 2014. The condensed consolidated interim financial statements does not include all of the information required for full set of financial statements prepared in accordance with HKFRSs, which term collectively includes HKAs and Interpretations.

3. TURNOVER AND SEGMENT 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 2014 and 2013 is as follows:

	Unaudited Six months ended 31 October	
	2014	2013
	RMB'000	RMB'000
Sales of goods		
– Sales to import/export companies in the PRC	–	14,583
– Sales to other customers in the PRC	1,060,564	1,081,511
	1,060,564	1,096,094

b) Segment reporting

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

	Unaudited Six months ended 31 October							
	Fresh produce and processed products		Branded beverage products		Branded food products and others		Total	
	2014	2013	2014	2013	2014	2013	2014	2013
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Revenue from external customers	144,031	173,791	836,271	848,017	80,262	74,286	1,060,564	1,096,094
Inter-segment revenue	9,830	22,559	–	–	–	–	9,830	22,559
Reportable segment revenue	153,861	196,350	836,271	848,017	80,262	74,286	1,070,394	1,118,653
Reportable segment (loss)/profit	(367)	(336)	168,653	159,797	3,978	1,084	172,264	160,545

	Unaudited Six months ended 31 October	
	2014	2013
	RMB'000	RMB'000
Revenue		
Reportable segment revenue	1,070,394	1,118,653
Elimination of inter-segment revenue	(9,830)	(22,559)
Consolidated turnover	1,060,564	1,096,094
Profit or loss		
Reportable segment profit derived from Group's external customers	172,264	160,545
Finance costs	(68,096)	(74,293)
Finance income	813	25
Other revenue	2,266	635
Unallocated depreciation and amortisation	(31,378)	(34,120)
Unallocated head office and corporate expenses	(13,092)	(23,301)
Impairment loss recognized on property, plant and equipment	–	(46,150)
Consolidated profit/(loss) before taxation	62,777	(16,659)

4. OTHER LOSSES

	Unaudited Six months ended 31 October	
	2014	2013
	RMB'000	RMB'000
Impairment loss recognised on property, plant and equipment		
– At cost	–	29,821
– Interest expenses capitalized into construction-in-progress in prior years	–	16,329
	–	46,150

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5. PROFIT FROM OPERATIONS

Operating profit is stated after crediting and charging the followings:

	Unaudited Six months ended 31 October	
	2014	2013
	RMB'000	RMB'000
Crediting		
Interest income on financial assets not at fair value through profit or loss		
– Interest income	813	701
Other trading income	146	–
Rental income	1,361	819
Government grant	746	3,000
Sundry income	13	50
	3,078	4,570
Charging		
Depreciation of own property, plant and equipment	95,747	95,594
Staff costs (including directors' emoluments)	64,955	76,376
Research and development expenses	10,633	10,763
Amortisation of long-term prepaid rentals	60,122	59,053
Amortisation of interests in leasehold land held for own use under operating leases	2,881	3,349
Net foreign exchange loss	11	51

6. TAXATION

	Unaudited Six months ended 31 October	
	2014	2013
	RMB'000	RMB'000
Current tax – PRC enterprise income tax provision for the period	52,179	46,668

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. DIVIDENDS

No dividends were declared for the six months ended 31 October 2014 (six months ended 31 October 2013: Nil).

8. EARNINGS/(LOSS) PER SHARE**a) Basic earnings/(loss) 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 RMB10,598,000 (loss for six months ended 31 October 2013: RMB63,327,000) and on the weighted average of 1,186,104,290 ordinary shares (six months ended 31 October 2013: 884,035,540 ordinary shares).

b) Diluted earnings/(loss) 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 RMB10,598,000 (loss for six months ended 31 October 2013: RMB63,327,000) and the weighted average number of 1,186,104,290 ordinary shares (six months ended 31 October 2013: 884,035,540 ordinary shares). The convertible bonds with conversion rights attached have an anti-dilutive effect and are ignored in the calculation of diluted earnings/(loss) per share.

	Unaudited	
	Six months ended	
	31 October	
	2014	2013
Weighted average number of ordinary shares during the period	1,186,104,290	884,035,540

9. PROPERTY, PLANT AND EQUIPMENT

During the period, approximately RMB174,362,000 (six months ended 31 October 2013: RMB172,558,000) was spent on acquisition of property, plant and equipment.

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10. DEPOSITS PAID FOR ACQUISITION OF FIXED ASSETS

	As at 31 October 2014 RMB'000 (Unaudited)	As at 30 April 2014 RMB'000 (Audited)
Deposits paid for acquisition of property, plant and equipment	327,863	317,292

11. TRADE RECEIVABLES

Credit terms granted by the Group to customers are generally less than one month. The aging analysis is as follows:

	As at 31 October 2014 RMB'000 (Unaudited)	As at 30 April 2014 RMB'000 (Audited)
Within 1 month	38,882	33,054
Over 1 month but within 3 months	1,110	13,976
	39,992	47,030

12. PLEDGED BANK DEPOSIT

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

	As at 31 October 2014 RMB'000 (Unaudited)	As at 30 April 2014 RMB'000 (Audited)
Bank borrowing (Note 15)	281,250	388,796

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

13. 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.



14. TRADE PAYABLES

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

	As at 31 October 2014 RMB'000 (Unaudited)	As at 30 April 2014 RMB'000 (Audited)
Within 1 month	29,156	41,150

15. BORROWINGS

	As at 31 October 2014 RMB'000 (Unaudited)	As at 30 April 2014 RMB'000 (Audited)
Bank borrowing	757,749	711,786
Loan from other entities	23,721	67,523
	781,470	779,309
Secured	757,749	711,786
Unsecured	23,721	67,523
	781,470	779,309
Within one year	280,793	246,571
More than one year, but not more than five years	500,677	532,738
	781,470	779,309

16. SHARE CAPITAL

	Number of Ordinary Shares of HK\$0.10 each	Nominal value HK\$'000	RMB equivalent RMB'000
Authorised:			
At 30 April 2014 (audited)	2,000,000,000	200,000	212,000
Increase in authorised share capital (Note (a))	1,000,000,000	100,000	79,070
At 31 October 2014 (unaudited)	3,000,000,000	300,000	291,070
Issued and fully paid:			
At 30 April 2014 (audited)	1,060,840,540	106,084	106,277
Issue of shares upon open offer (Note (b)(i))	530,420,270	53,042	42,054
Issue of shares upon subscription (Note (b)(ii))	395,328,000	39,533	31,259
At 31 October 2014 (unaudited)	1,986,588,810	198,659	179,590

Notes:

(a) Increase in authorised share capital

On 30 June 2014, the authorised share capital of the Company has increased from HK\$200,000,000 divided into 2,000,000,000 ordinary shares of HK\$0.1 each (the "Shares") to HK\$300,000,000 divided into 3,000,000,000 Shares by the creation of an additional 1,000,000,000 new Shares.

(b) New Shares issued

(i) On 22 September 2014, the Company completed an open offer of 530,420,270 offer shares at a subscription price of HK\$0.25 each on the basis of one offer share for every two existing Shares held on 27 August 2014. Total net proceeds of approximately RMB102,607,000 had been received from the open offer, of which approximately RMB42,054,000 was credited to the share capital and the balance of approximately RMB60,553,000 was credited to the share premium account. Details of the open offer were disclosed in the Company's prospectus dated 28 August 2014.

(ii) On 24 October 2014, the Company issued and allotted 395,328,000 Shares at a consideration of approximately HK\$98,800,000 to the subscriber under the subscription agreement dated 13 August 2014. Total net proceeds of approximately RMB78,077,000 had been received from the subscription, of which approximately RMB31,259,000 was credited to share capital and the balance of approximately RMB46,818,000 was credited to the share premium account. Details of the subscription were disclosed in the Company's circular dated 30 September 2014.

17. COMMITMENTS**a) Capital commitments**

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

	At 31 October 2014 RMB'000 (Unaudited)	At 30 April 2014 RMB'000 (Audited)
Contracted but not provided for		
– Purchase of property, plant and equipment	360,714	354,526

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 2014 RMB'000 (Unaudited)	At 30 April 2014 RMB'000 (Audited)
Within one year	31,886	79,096
After one year but within five years	148,500	107,500
After five years	1,672,000	1,672,000
	1,852,386	1,858,596

18. CONTINGENT LIABILITIES

The Group did not have any significant contingent liabilities as at 31 October 2014 (30 April 2014: Nil).

19. 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	
	2014	2013
	RMB'000	RMB'000
Short-term employee benefits	2,141	2,072
Post-employment benefits	8	16
	2,149	2,088

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

b) Transaction with other related party

Except for an amount due to a director as disclosed in Note 13, the Group did not have any material related party transactions during the period.

20. EVENT AFTER THE INTERIM PERIOD

On 28 October 2014, the Company entered into two subscription agreements with Oriental Unicorn Agricultural Group Limited (the "OUA"), a company incorporated in the Cayman Islands and continued in Bermuda with limited liability, the issued shares of which are listed on the Growth Enterprise Market (the "GEM") of the Stock Exchange (Stock Code: 8120). Pursuant to the subscription agreements, the Company has conditionally agreed to subscribe for 260,000,000 new ordinary shares of HK\$0.01 each in the share capital of OUA (the "OUA Shares") (the "First Tranche OUA Subscription") and 83,000,000 new OUA Shares (the "Second Tranche OUA Subscription") at the subscription price of HK\$0.175 per OUA Share. The First Tranche OUA Subscription was completed on 10 November 2014. The Second Tranche OUA Subscription was not yet completed as of the date of this report. For the details, please refer to the Company's announcement dated 28 October 2014.

21. APPROVAL OF INTERIM FINANCIAL STATEMENTS

The unaudited condensed consolidated interim financial statements for the six months ended 31 October 2014 was approved and authorised for issue by the Board on 29 December 2014.

INTERIM DIVIDEND

The Board has resolved not to declare an interim dividend for the six months ended 31 October 2014 (six months ended 31 October 2013: Nil).

MANAGEMENT DISCUSSION AND ANALYSIS

Change of Company Name

Pursuant to a special resolution passed by the shareholders of the Company at a special general meeting held on 30 June 2014 and approved by the Registrar of Companies in Bermuda on 4 July 2014, the name of the Company has been changed from “China Green (Holdings) Limited” to “China Culiangwang Beverages Holdings Limited” and the adoption of the Chinese name “中國粗糧王飲品控股有限公司” as the secondary name of the Company in replacement of the former Chinese name “中國綠色食品(控股)有限公司”, which was adopted for identification purpose only, have become effective from 1 July 2014. The Certificate of Registration of Alteration of Name of Registered Non-Hong Kong Company confirming the registration of the Company’s new English and Chinese names of “China Culiangwang Beverages Holdings Limited” and “中國粗糧王飲品控股有限公司” respectively in Hong Kong under Part 16 of the Companies Ordinance (Chapter 622 of the Laws of Hong Kong) was issued by the Registrar of Companies in Hong Kong on 6 August 2014. The stock short names for trading in the Shares on the Stock Exchange has been changed to “C CULIANGWANG” in English and “中國粗糧王飲品” in Chinese with effect from 9:00 a.m. on 15 August 2014. The stock code of the Company on the Stock Exchange remains as “904”.

Results Review

The Group recorded a slight decline in revenue for the first half of 2014/15. Total revenue of the Group was RMB1,060.6 million for the period, representing a drop rate of 3.2% as compared with RMB1,096.1 million in the first half of 2013/14.

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

	Six months ended 31 October 2014 RMB'000	Six months ended 31 October 2013 RMB'000
Branded beverage products	836,271	848,017
Fresh produce and processed products	144,031	173,791
Branded food products and others	80,262	74,286
	1,060,564	1,096,094

The decline in the Group's revenue is mainly due to the decline in the revenue from the Group's fresh produce and processed products as there was no export of fresh produce and processed products from the Group during the six months ended 31 October 2014. The sales to export/import companies in the PRC was approximately RMB14.6 million for the six months ended 31 October 2013.

Our branded beverage products business continues to be the major contributor of revenue during the period, representing approximately 78.9% of the total Group revenue for the first half of 2014/15 (first half of 2013/14: 77.4%). Fresh produce and processed products contributed 13.6% (first half of 2013/14: 15.9%), while the remaining 7.5% was contributed by branded food products and others (first half of 2013/14: 6.7%).



Gross profit of the Group increased by 10.4% to RMB396.3 million, with gross profit margin being 37.4%, as compared with 32.8% in the first half of 2013/14. The increase in gross profit and gross profit margin is mainly due to the fact that there was better gross margin of the branded beverage products and slight recovery of the gross profit margin of the fresh produce and processed products segment due to better cost control implemented during the period under review. Although the revenue from the fresh produce and processed products segment continued to drop during the period under review as a result of the deterioration of the Group's export business, the achievement of higher gross profit margin of the fresh produce and processed products enabled the Group's gross profit from the fresh produce and processed products to increase from approximately RMB12.0 million in the first half of 2013/14 to approximately RMB28.6 million this term.

Regarding the Group's branded beverage products segment, due to more efficient cost control, the gross profit margin during the period under review increased from approximately 41.3% in the first half of 2013/14 to approximately 42.4% this term.

In view of the above factors, there was improvement in the Group's operating performance. The operating profit of the Group increased from approximately RMB57.6 million in the first half of 2013/14 to approximately RMB130.9 million this term.

The finance costs for the six months ended 31 October 2014 was approximately RMB68.1 million, compared to approximately RMB74.3 million in the first half of 2013/14. The decrease in finance costs was mainly due to lower finance costs following the successful restructuring of the Company's convertible bonds in November 2013. As a result, the profit attributable to owners of the Company for the period was approximately RMB10.6 million, as compared with a loss attributable to owners of the Company of approximately RMB63.3 million in the first half of 2013/14.

Business Review

The overall operating environment during the period continued to be difficult for the Group as the growth of Chinese economy was slower than expected, resulting certain decrease in the consumption power of the population.

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 2014/2015, the total revenue from the fresh produce and processed products business dropped from RMB173.8 million to RMB144.0 million which is mainly due to the fact that there was no export from the Group during the period.

As the business environment for the said segment continues to be difficult, the Board is monitoring the situation and development of the industry and formulating the suitable strategy tailored for the said segment, such as to identify new demand from domestic customers and to assess the feasibility of disposal of certain under-performing assets of this segment.

Branded food products and others products

The Group's branded food products and other products include primarily rice and hotpot products sold under the Group's own brand. Revenue from the branded food products and other products increased from approximately RMB74.3 million in the first half of 2013/14 to approximately RMB80.3 million in this term. The Board considers that the contribution from this segment is not yet material to the Group's operations but the management is monitoring the development of this segment to assess the potential of this segment and formulate suitable strategy for this segment.

Branded beverage products

Amid continuing slowdown in economic growth of China resulting in lower than expected consumption power during the period under review, coupled with the effects of rainy days in the third quarter of 2014, the beverage market was in a slow and sluggish trend in general. Revenue from branded beverage products dropped slightly from approximately RMB848.0 million for the six months ended 31 October 2013 to approximately RMB836.3 million for the six months ended 31 October 2014.

During the period under review, the Group was continuing its efforts in expanding its distribution of the branded beverage products in the domestic market. As at 31 October 2014, the branded beverage products were being sold in 27 provinces and 4 cities in China.

The Group mainly sells its branded beverage products through four different channels, namely the traditional channel, the modern channel, the special channel and the catering channel. The traditional channel is usually through the local supermarkets and local stores while the modern channel is usually through the grade A nationwide supermarket chains. The special channel is usually the special arrangements with certain sizeable corporates, such as airlines, convenience store chains at gas stations while the catering channel usually refers to restaurants. Most of the Group's branded beverage products are now being sold through the traditional channel. However, the Group will try to increase the sales of branded beverage products through the modern channel in the next two to three years in order to more rapidly increase the geographical coverage and penetration of the Group's branded beverage products in China.

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

	For the six months ended 31 October	
	2014 RMB'000	2013 RMB'000
Jiangsu province	197,627	163,377
Anhui province	103,130	113,523
Sichuan province	87,158	60,616
Henan province	56,224	56,594
Jiangxi province	55,722	55,047
Others	336,410	398,860
Total	836,271	848,017

Traditional healthy food and beverages are becoming increasingly popular and getting more awareness in China in recent years, the Group is currently selling 14 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, peanut and walnut. In addition to the original flavours of mixed-grain series, the Group is going to launch a new series of high fiber oat drink and high calcium walnut drink in order to meet the demand from increasing health awareness of Chinese. The Group will continue to assess the reception from the consumers of its 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:

	For the six months ended 31 October	
	2014	2013
	RMB'000	RMB'000
Culiangwang Green Bean Matcha	285,086	245,796
Culiangwang Rich Walnut	257,952	245,104
Culiangwang Red Bean	186,759	158,286
Culaingwang Peanut	38,430	24,657
Culiangwang Walnut Soup	16,474	6,485
Others	51,570	167,689
Total	836,271	848,017

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

	For the six months ended 31 October	
	2014	2013
	RMB'000	RMB'000
Packaging materials	168,545	180,702
Raw materials	217,322	212,895
Depreciation	22,970	24,526
Fuel costs	5,626	6,202
Direct labour costs	5,502	6,206
Processing fees to third party OEM producers	56,572	62,180
Others	5,147	4,701
Total	481,684	497,412

Note: Raw materials include mainly sugar and multi grains such as green bean, red bean, walnut, oat, peanut and sweet corn.

Following the business transformation since 2009, the Group has become a fast moving consumer goods company in healthy multi grain beverages with domestic market as its focus and upstream agriculture function as a support role. Within few 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 corn, sweet corn is therefore the only multi grains being sourced from our own farmlands for production of our branded beverage products for now, which accounted for approximately 1.2% of the multi grains used for the six months ended 31 October 2014. For multi grains other than sweet corn, 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 products business. The Group has entered into lease agreements for multi grains farmland of 200,000 mu in Baicheng City of Jilin Province (the “Baicheng Farm”) with a view to producing multi grains as raw materials for the branded beverage products. Although the agricultural function can exist and be operated independently, we believe that the synergy between the upstream and downstream operations will not only benefit the profitability of the Group, and 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 and creditibility of our brand. We believe that the establishment and development of the multi grains cultivation bases in Baicheng City of Jilin Province is important to the success of the sustainable and long term growth of the Group’s branded beverage products business. As at the date of this report, the Group expects that the sowing of multi grains in the Baicheng Farm will commence in the second quarter of 2015.



Currently, the Group has one plant for producing branded beverage products located in Quanzhou City of Fujian Province with an annual capacity of approximately 100,000 tons in paper packs of 250 ml specification, 36,000 tons in paper packs of 1 litre specification and 30,000 tons in metallic cans. Simultaneously, the Group is also engaging 5 third party OEM producers to produce the branded beverage products, which accounted for approximately 63.2% 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 2014, the construction of the plant in Tianmen City of Hubei Province (the “Tianmen Plant”) has been completed. Except for certain pretreatment equipment which are yet to arrive at the Tianmen Plant, all the other equipment have already been delivered to the Tianmen Plant. The installation of the production and packaging equipment will commence once the pretreatment equipment arrive at the Tianmen Plant in the second quarter in 2015. Following the installation of the production and packaging equipment, we expect the trial production to commence before end of second quarter in 2015. 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.

Apart from the Tianmen Plant, the plant in Wanquan County of Hebei Province (the “Wanquan Plant”) is completed already and it is expected that the Wanquan Plant will commence the beverages production in late 2015. Then, the next plant is to be constructed is the one located in Fuyang City of Anhui Province which is designed to meet the demand from the Group’s second largest selling province in Anhui Province. Also, in view of the rapid increase in demand of the Group’s branded beverage products from the South-Western part of China, the Group is considering to establish another beverage production facility in Pengxi County of Sichuan Province. 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.

The total marketing and promotion costs incurred during the period under review was approximately RMB82.6 million (first half of 2013/14: RMB81.3 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

During the period under review, the overall economy growth in China was slower compared with the past few years and the beverage market was in a slow and sluggish trend in general. However, as economic policy turned to ensure steady growth, more relaxing monetary policy is expected in the near future which would promote domestic consumption. Also, the continuous introduction and diversification of new products which tailored for the changing needs of the consumer will also help the Group's branded beverage products to gradually getting to a higher penetration into the Chinese population. To meet the growing demand of our branded beverage products, the Group will continue to increase its processing capability by investing in fully-automated beverage processing plants and the multi grains cultivation bases 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 able to deliver long-term profitability and sustainable growth to our stakeholders.



Group's Liquidity, Financial Resources and Capital Structure

As at 31 October 2014, the total equity attributable to owners of the Company was approximately RMB3,782.4 million (30 April 2014: RMB3,581.8 million). The Group had current assets of RMB954.5 million (30 April 2014: RMB771.4 million) and current liabilities of RMB719.9 million (30 April 2014: RMB675.1 million). The current ratio was 1.33 times (30 April 2014: 1.14 times).

During the period under review, the Company has issued (i) 530,420,270 new Shares under the Open Offer (as defined below); and (ii) 395,328,000 new Shares by way of Shares Subscription (as defined below).

On 22 September 2014, the Company completed an open offer of 530,420,270 Shares at the subscription price of HK\$0.25 per offer share on the basis of one offer share for every two existing Shares held on 27 August 2014 (the "Open Offer"). The net proceeds of the Open Offer, after deducting the underwriting commission and other related expenses payable by the Company, were approximately HK\$128.6 million, subsequently used as to approximately HK\$47 million for the payment of interests of the convertible bonds issued by the Company due in October 2014 and the remaining HK\$81.6 million used as to approximately HK\$58.6 million to reduce the debt level of the Group and as to approximately HK\$23 million as general working capital of the Group. Details of the Open Offer were disclosed in the Company's announcements dated 29 July 2014, 19 August 2014 and 19 September 2014 and the Company's prospectus dated 28 August 2014.

On 24 October 2014, the Company issued and allotted 395,328,000 new Shares to a subscriber at a subscription price of HK\$0.25 per Share under the specific mandate granted to the Directors at the special general meeting of the Company held on 17 October 2014 (the "Shares Subscription"). The net proceeds from the Shares Subscription, after deducting the expenses payable by the Company, were approximately HK\$98 million, subsequently used as to (i) approximately HK\$30 million for reduction of the Group's level of debt; (ii) approximately HK\$20 million for general working capital of the Group; and (iii) approximately HK\$48 million reserved for the Group's own development of certain new business projects in future. Details of the Shares Subscription were disclosed in the Company's announcement dated 13 August 2014 and the Company's circular dated 30 September 2014.

The Group's major liabilities and outstanding debts as at 31 October 2014 were RMB848.4 million which includes the convertible bonds issued by the Company which will mature on 12 April 2016 (30 April 2014: RMB848.3 million) and certain borrowings from banks and other entities amounting to approximately RMB781.5 million (30 April 2014: RMB779.3 million). The Group's gearing ratio (total debt divided by shareholders' equity) as at 31 October 2014 was 43.0% (30 April 2014: 43.9%).

As at 31 October 2014, the Group had pledged deposits as well as cash and cash equivalents of approximately RMB823.0 million (30 April 2014: RMB683.6 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, the Directors are satisfied, as of the date of this report, 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 2014, the ratio of total liabilities to total assets was 34.3% (30 April 2014: 35.4%).

Capital Commitments and Contingent Liabilities

The Group has approved the expansion of existing production facilities by building new production plants. As at 31 October 2014, the Group had contractual capital commitments of approximately RMB360.7 million (30 April 2014: RMB354.5 million).

As at 31 October 2014, 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 2014, the Group conducted its business transactions principally in RMB. 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

On 28 October 2014, the Company entered into two subscription agreements with OUA. Pursuant to the subscription agreements, the Company has agreed to subscribe for 260,000,000 new OUA Shares and 83,000,000 new OUA Shares at the subscription price of HK\$0.175 per OUA Share. The First Tranche OUA Subscription was completed on 10 November 2014. The Second Tranche OUA Subscription was not yet completed as of the date of this report. For the details, please refer to the Company's announcement dated 28 October 2014.

Save as disclosed, the Group made no other significant investments, material acquisitions or disposals during the six months ended 31 October 2014.

Pledge on Group's Assets

As at 31 October 2014, the Group's bank deposits amounting to approximately RMB281.3 million (30 April 2014: RMB388.8) had been pledged to secure the Group's bank loans and banking facilities in relation to letter of credit. In addition, certain property, plant and equipment with book value amounting to approximately RMB430.8 million had been pledged to secure the Group's bank loans of RMB220.0 million for the purpose of working capital.

All the shares in China Green Food Group Limited, a subsidiary of the Company incorporated in Hong Kong, and Dragon Choice Enterprises Limited, Goldprosper Enterprises Limited, Crop Harvest Enterprises Limited, China Green Harvest Enterprises Limited, Icatrad Enterprises Limited, Summit Achieve Holdings Limited and On Success Enterprises Limited, all are subsidiaries of the Company incorporated in the British Virgin Islands, held by the Company were charged in favour of the trustee for the benefit of the bondholders of the convertible bonds due 2016. For further details of the convertible bonds due 2016 and the said share charges, please refer to the overseas regulatory announcement of the Company dated 14 November 2013.

Staff and Remuneration Policies

As at 31 October 2014, the Group had a total of approximately 4,677 employees, of which approximately 1,397 were workers at the Group's cultivation bases and approximately 2,320 were workers at the Group's processing plants. The aggregate employee compensation and Directors' remuneration for the six months ended 31 October 2014 totalled approximately RMB61.9 million (six months ended 31 October 2013: RMB76.4 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 to be 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 2014, 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 2014, 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 corporations (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 and underlying shares of the Company

Name of Director	Capacity	Long position/ short position	Number of Shares held	Approximate percentage of shareholding in the Company
Mr. Sun Shao Feng	Interest of controlled corporation	Long position	610,911,000 (Note)	30.75%

Note: These 610,911,000 Shares 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 operates share option scheme for the purpose of providing incentives and rewards to eligible participants who contribute to the success of the Group's operations. At the annual general meeting of the Company held on 18 October 2013, the shareholders of the Company approved the adoption of a new share option scheme (the "Scheme") and the share option scheme adopted on 12 December 2003 was terminated on the same day.

No share options have been granted under the Scheme since its adoption.

SUBSTANTIAL SHAREHOLDERS AND OTHER PERSONS' INTERESTS IN SHARES

As at 31 October 2014, 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, underlying shares and debentures 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 Shares held	Approximate percentage of shareholding in the Company (Note 1)
Capital Mate (Note 2)	Beneficial owner	Long position	610,911,000	30.75%
Classictime Investments Limited	Beneficial owner	Long position	395,328,000	19.90%
Jun Yang Solar Power Investments Limited (Note 3)	Interest in controlled corporation	Long position	395,328,000	19.90%
Peking University V-Ming (Shanghai) Investment Holdings Co., Limited (Note 4)	Beneficial Owner	Long position	226,553,576	11.40%

Notes:

- 1) As at 31 October 2014, the Company's issued share capital was HK\$198,658,881 divided into 1,986,588,810 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 610,911,000 Shares owned by Capital Mate.
- 3) Jun Yang Solar Power Investments Limited is deemed to be interested in 395,328,000 Shares held by Classictime Investments Limited, which is wholly-owned by Jun Yang Solar Power Investments Limited.

- 4) Based on the notice of disclosure of interests of Peking University V-Ming (Shanghai) Investment Holdings Co., Limited ("PKU V-Ming Investment") dated 19 April 2013, Partner Shanghai Limited ("Partner Shanghai") is wholly-owned by Mr. Bi Hao (who acts as the bare trustee for and on behalf of PKU V-Ming Investment). Under Part XV of the SFO, PKU V-Ming Investment is interested in these 226,553,576 Shares in which Partner Shanghai is interested. As at 31 October 2014, the subscription of these 226,553,576 Shares pursuant to the master framework and subscription agreement as entered into, inter alia, between the Company and Partner Shanghai dated 4 September 2013 has not yet been completed. Please refer to the Company's circular dated 2 October 2013 for details of the subscription.

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 2014.

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.

CODE ON 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 2014, the Company was in compliance with all 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, C.1.2 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. Mr. Hu Ji Rong, the independent non-executive Director, and Mr. Zheng Baodong, the former independent non-executive Director who resigned on 18 August 2014, were 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. Wei Xiongwen and Mr. Hu Ji Rong, independent non-executive Directors, and Mr. Zheng Baodong, the former independent non-executive Director who resigned on 18 August 2014, did not attend two special general meetings of the Company both held on 30 June 2014 due to dealing with their own official engagement. In addition, Mr. Wei Xiongwen, Mr. Hu Ji Rong and Mr. Zeng Shaoxiao, the independent non-executive Directors, did not attend the annual general meeting (“2014 AGM”) and the special general meeting of the Company both held on 17 October 2014 due to dealing with their own official engagement.

Code provision C.1.2 of the CG Code provides that management should provide all members of the board with monthly updates giving a balanced and understandable assessment of the issuer's performance, position and prospects in sufficient detail to enable the board as a whole and each director to discharge their duties under Rule 3.08 and Chapter 13 of the Listing Rules. Although the management of the Company did not provide a regular monthly update to the members of the Board, the management keeps providing information and updates to the members of the Board as and when appropriate.

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 chairman of the audit, remuneration, nomination and any other committees (as appropriate) to attend the annual general meeting. Mr. Hu Ji Rong, the chairman of each of the audit committee, remuneration committee and corporate governance committee of the Company, and Mr. Zeng Shaoxiao, the chairman of the nomination committee of the Company, were both absent from the 2014 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 2014.

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. Wei Xiongwen and Mr. Zeng Shaoxiao. 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 2014.

By order of the Board
China Culiangwang Beverages Holdings Limited
Sun Shao Feng
Chairman

Hong Kong, 29 December 2014