2015/16
Interim Report

CHINA CULIANGWANG BEVERAGES HOLDINGS LIMITED

中國粗糧王飲品控股有限公司

(Incorporated in Bermuda with limited liability)

(Stock Code: 904)

INTERIM RESULTS

The board (the "Board") of directors (the "Director(s)") of China Culiangwang Beverages Holdings Limited (the "Company" together with its subsidiaries, the "Group") announces the unaudited condensed consolidated results of the Group for the six months ended 31 October 2015 ("1H 2015/16" or the "Review Period") with comparative figures for the corresponding period of 2014/15 ("1H 2014/15") as follows:

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the six months ended 31 October 2015

		Six months ended 31 October	
		2015	2014
		(Unaudited)	(Unaudited)
	Notes	**RMB'000**	RMB'000
			(Restated)
CONTINUING OPERATIONS			
Turnover	*3*	**164,338**	235,241
Cost of sales		**(144,714)**	(201,227)
Gross profit		**19,624**	34,014
Other revenue		**1,549**	2,368
Gain arising from changes in fair value less costs to sell of biological assets		**4,996**	7,736
Loss on changes in fair value of financial assets through profit or loss		**(6,196)**	–
Selling and distribution expenses		**(8,343)**	(15,380)
General and administrative expenses		**(70,722)**	(78,440)
Loss from operations		**(59,092)**	(49,702)
Finance costs		**(70,171)**	(65,766)
Loss before taxation	*4*	**(129,263)**	(115,468)
Income tax	*5*	**3,612**	(178)
Loss for the period from continuing operations attributable to owners of the Company		**(125,651)**	(115,646)
DISCONTINUING OPERATIONS			
Profit for the period from discontinuing operations attributable to owners of the Company	*7*	**91,696**	126,244

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

	Notes	Six months ended 31 October 2015 (Unaudited) RMB'000	2014 (Unaudited) RMB'000 (Restated)
(Loss)/profit for the period attributable to owners of the Company		**(33,955)**	10,598
Other comprehensive income for the period (after tax)			
Items that may be reclassified subsequently to profit or loss:			
Exchange differences on translating of financial statements of overseas subsidiaries		**(13,208)**	9,256
Net loss arising from change in fair value of available-for-sale financial assets		**(56,211)**	–
Total comprehensive (loss)/income for the period attributable to owners of the Company		**(103,374)**	19,854
(Loss)/earnings per share attributable to owners of the Company			
From continuing and discontinuing operations			
– Basic	*8*	**RMB(3.78) cents**	RMB4.47 cents
– Diluted		**RMB(3.78) cents**	RMB4.47 cents
From continuing operations			
– Basic	*8*	**RMB(13.98) cents**	RMB(48.75) cents
– Diluted		**RMB(13.98) cents**	RMB(48.75) cents

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

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 October 2015

	Notes	At 31 October 2015 RMB'000 (Unaudited)	At 30 April 2015 RMB'000 (Audited)
Non-current assets			
Fixed assets			
– Property, plant and equipment	*9*	**2,005,762**	2,090,063
– Interest in leasehold land held for own use under operating leases		**156,839**	156,275
Long-term prepaid rentals		**955,828**	1,007,373
Available-for-sale financial assets		**87,809**	42,818
Pledged bank deposits	*11*	**5,000**	255,879
		3,211,238	3,552,408
Current assets			
Inventories		**13,104**	2,617
Biological assets		**122,072**	21,640
Current portion of long-term prepaid rentals		**97,370**	97,370
Trade and other receivables	*10*	**39,697**	76,023
Pledged bank deposits	*11*	**250,388**	–
Cash and cash equivalents		**162,674**	141,715
		685,305	339,365
Assets classified as held for sale		**2,021,335**	1,715,954
		2,706,640	2,055,319

	Notes	At 31 October 2015 RMB'000 (Unaudited)	At 30 April 2015 RMB'000 (Audited)
Current liabilities			
Bank and other borrowings	*13*	**619,890**	544,638
Trade and other payables	*12*	**228,770**	234,219
Income tax payable		**28,277**	26,178
Other financial liabilities		**36,303**	34,693
Convertible bonds		**559,846**	665,085
		1,473,086	1,504,813
Liabilities directly associated with assets classified as held for sale		**72,846**	17,937
		1,545,932	1,522,750
Net current assets		**1,160,708**	532,569
Total assets less current liabilities		**4,371,946**	4,084,977
Non-current liabilities			
Deferred tax liabilities		**74,808**	78,420
Bank and other borrowings	*13*	**293,400**	517,166
		368,208	595,586
Net assets		**4,003,738**	3,489,391
Capital and reserves			
Share capital	*14*	**492,850**	179,575
Reserves		**3,510,888**	3,309,816
Total equity attributable to owners of the Company		**4,003,738**	3,489,391

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 2015

	Attributable to owners of the Company								
	Share capital RMB'000	Share premium RMB'000	PRC statutory reserves RMB'000	Available-for-sale financial assets reserve RMB'000	Merger reserve RMB'000	Convertible bonds reserve RMB'000	Exchange reserve RMB'000	Retained profits RMB'000	Total RMB'000
As at 1 May 2015 (audited)	179,575	875,137	249,850	(4,309)	14,694	41,868	(103,944)	2,236,520	3,489,391
Loss for the period	–	–	–	–	–	–	–	(33,955)	(33,955)
Change in fair value of available-for-sale financial assets	–	–	–	(56,211)	–	–	–	–	(56,211)
Exchange differences on translation of financial statements of overseas subsidiaries	–	–	–	–	–	–	(13,208)	–	(13,208)
Total comprehensive loss for the period	–	–	–	(56,211)	–	–	(13,208)	(33,955)	(103,374)
Issue of shares upon open offer, net of transaction cost	313,232	302,331	–	–	–	–	–	–	615,563
Conversion of convertible bonds	43	790	–	–	–	(36)	22	–	819
Mandatory redemption of convertible bonds	–	–	–	–	–	(1,753)	1,339	1,753	1,339
As at 31 October 2015 (unaudited)	**492,850**	**1,178,258**	**249,850**	**(60,520)**	**14,694**	**40,079**	**(115,791)**	**2,204,318**	**4,003,738**
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

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 2015

	Unaudited Six months ended 31 October	
	2015	2014
	RMB'000	RMB'000
Net cash generated from operating activities	**160,629**	203,039
Net cash used in investing activities	**(127,520)**	(77,387)
Net cash generated from financing activities	**293,291**	119,183
Effect of foreign exchange rate changes	**283**	2,029
Increase in cash and cash equivalents	**326,683**	246,864
Cash and cash equivalents at 1 May	**598,697**	294,842
Cash and cash equivalents at 31 October	**925,380**	541,706
Analysis of Balances of cash and cash equivalents:		
Cash and cash equivalents	**162,674**	541,706
Cash and cash equivalents included in assets classified as held for sales	**762,706**	–
Cash and cash equivalents as at 31 October	**925,380**	541,706

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

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

For the six months ended 31 October 2015

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 in Hong Kong are Clarendon House, 2 Church Street, Hamilton, HM11, Bermuda and Room 1502, 15/F., The Chinese Bank Building, 61-65 Des Voeux Road Central, Hong Kong, respectively.

The Company is an investment holding Company and the Company and its subsidiaries are principally engaged in growing, processing and sales of agricultural products, and consumer food and beverage products.

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 2015.

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 2015. 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 SEGMENT REPORTING

a) Turnover

An analysis of the Group's turnover for the six months ended 31 October 2015 and 2014 is as follows:

	Unaudited Six months ended 31 October	
	2015	2014
	RMB'000	RMB'000 (Restated)
Sales of goods		
– Sales to other customers in the PRC	**164,338**	235,241

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 resources allocation and assessment of segment performance, are as follows:

Continuing operations

	Unaudited Six months ended 31 October					
	Fresh produce and processed products		Branded food products and others		Total	
	2015	2014	**2015**	2014	**2015**	2014
	RMB'000	RMB'000 (Restated)	**RMB'000**	RMB'000 (Restated)	**RMB'000**	RMB'000 (Restated)
Revenue from external customers	**162,919**	154,979	**1,419**	80,262	**164,338**	235,241
Inter-segment revenue	**5,203**	9,830	**–**	–	**5,203**	9,830
Reportable segment revenue	**168,122**	164,809	**1,419**	80,262	**169,541**	245,071
Reportable segment (loss)/profit	**(2,499)**	(8,696)	**(5,966)**	4,381	**(8,465)**	(4,315)

	Unaudited Six months ended 31 October	
	2015	2014
	RMB'000	RMB'000 (Restated)
Revenue		
Reportable segment revenue	**169,541**	245,071
Elimination of inter-segment revenue	**(5,203)**	(9,830)
Consolidated turnover for continuing operations	**164,338**	235,241
Profit or loss		
Reportable segment loss derived from Group's external customers	**(8,465)**	(4,315)
Finance costs	**(69,495)**	(65,087)
Finance income	**23**	110
Other revenue	**1,306**	1,625
Unallocated depreciation and amortisation	**(31,107)**	(31,301)
Unallocated head office and corporate expenses	**(21,525)**	(16,500)
Consolidated loss before taxation for continuing operations	**(129,263)**	(115,468)

4. LOSS BEFORE TAXATION FROM CONTINUING OPERATIONS

Loss before taxation from continuing operations is stated after crediting and charging the followings:

	Unaudited Six months ended 31 October	
	2015	2014
	RMB'000	RMB'000 (Restated)
Crediting		
Bank interest income	**202**	500
Rental income	**486**	145
Government grant	**450**	1,016
Sundry income	**411**	707
	1,549	2,368
Charging		
Depreciation of own property, plant and equipment	**66,130**	70,894
Staff costs (including directors' emoluments)	**30,483**	40,469
Research and development expenses	**–**	26
Amortisation of long-term prepaid rentals	**50,804**	60,122
Amortisation of interests in leasehold land held for own use under operating leases	**1,660**	1,903
Net foreign exchange (gain)/loss	**(799)**	11

5. INCOME TAX (RELATING TO CONTINUING OPERATIONS)

	Unaudited Six months ended 31 October	
	2015	2014
	RMB'000	RMB'000 (Restated)
Current tax – PRC enterprise income tax		
Provision for the period	**–**	178
Deferred tax		
Origination and reversal of temporary differences	**(3,612)**	–
Total income tax (credit)/expense recognised in profit or loss	**(3,612)**	178

a) PRC enterprise income tax

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

b) Hong Kong profits tax

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

c) Other income tax

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

6. DIVIDENDS

No dividend was declared for the six months ended 31 October 2015 (six months ended 31 October 2014: Nil).

7. DISCONTINUING OPERATIONS

Profit for the period from discontinuing operations

	Unaudited Six months ended 31 October	
	2015	2014
	RMB'000	RMB'000 (Restated)
Revenue	**746,591**	825,322
Cost of sales	**(463,063)**	(506,766)
Gross profit	**283,528**	318,556
Other revenue	**1,566**	711
Selling and distribution expenses	**(117,135)**	(117,282)
General and administrative expenses	**(17,483)**	(21,411)
Profit from operations	**150,476**	180,574
Finance costs	**(7,946)**	(2,328)
Profit before taxation	**142,530**	178,246
Income tax expense	**(50,834)**	(52,002)
Profit for the period from discontinuing operations attributable to owners of the Company	**91,696**	126,244

The beverage business has been classified and accounted for as at 31 October 2015 as a disposal group held for sale.

8. (LOSS)/EARNINGS PER SHARE

From continuing and discontinuing operations

(a) Basic (loss)/earnings per share

The calculation of basic (loss)/earnings per share is based on the loss attributable to owners of the Company of approximately RMB33,955,000 for the six months ended 31 October 2015 (six months ended 31 October 2014: profit of RMB10,598,000) and the weighted average number after adjustments of partly exercise of convertible bonds in May 2015 and open offer of shares in July 2015 and the share consolidation completed on 25 November 2015 of 898,521,059 ordinary shares (six months ended 31 October 2014: 237,220,858 ordinary shares) in issue during the period.

(Loss)/profit attributable to owners of the Company

	Unaudited Six months ended 31 October	
	2015	2014
	RMB'000	RMB'000
		(Restated)
(Loss)/profit attributable to owners of the Company used to determine basic and diluted (loss)/earnings per share	**(33,955)**	10,598

	Unaudited Six months ended 31 October	
	2015	2014
		(Restated)
	Number of ordinary shares	
Weighted average number of ordinary shares for calculation of basic and diluted (loss)/earnings per share	**898,521,059**	237,220,858

The weighted average number of ordinary shares for the period ended 31 October 2015 and period ended 31 October 2014 for the purpose of basic and diluted (loss)/earnings per share has been adjusted and restated respectively resulting mainly from the share consolidation completed on 25 November 2015.

(b) Diluted (loss)/earnings per share

Diluted (loss)/earnings per share for the period ended 31 October 2014 and 2015 was the same as the basic (loss)/earnings per share. There were no outstanding share options as at 31 October 2014 and 2015.

During the period ended 31 October 2014 and 2015, the computation of diluted (loss)/earnings per share did not assume the conversion of the Company's outstanding convertible bonds since the effect of such conversion was anti-dilutive.

From continuing operations

Basic loss per share

The calculation of basic loss per share from continuing operations is based on the loss attributable to owners of the Company of approximately RMB125,651,000 (six months ended 31 October 2014: loss of approximately RMB115,646,000) and the weighted average number of 898,521,059 ordinary shares (six months ended 31 October 2014: 237,220,858 ordinary shares) in issue during the period.

Loss from continuing operations attributable to owners of the Company

	Unaudited Six months ended 31 October	
	2015	2014
	RMB'000	RMB'000 (Restated)
(Loss)/profit for the period attributable to owners of the Company	**(33,955)**	10,598
Less: profit for the period from discontinuing operations attributable to the owners of the Company	**(91,696)**	(126,244)
	(125,651)	(115,646)

The denominators detailed above are for both basic and diluted loss per share.

From discontinuing operations

Basic and diluted earnings per share from the discontinuing operations is RMB10.21 cents per share (six months ended 31 October 2014: RMB53.22 cents per share) based on the profit for the six months ended 31 October 2015 from discontinuing operations of RMB91,696,000 (six months ended 31 October 2014: RMB126,244,000) and the denominators detailed above are for both basic and diluted earnings per share.

9. PROPERTY, PLANT AND EQUIPMENT

During the period, approximately RMB9,607,000 (six months ended 31 October 2014: RMB174,362,000) was spent on acquisition of property, plant and equipment.

10. 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 2015 RMB'000 (Unaudited)	As at 30 April 2015 RMB'000 (Audited)
Within 1 month	**5,486**	3,837

11. PLEDGED BANK DEPOSITS

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

	As at 31 October 2015 RMB'000 (Unaudited)	As at 30 April 2015 RMB'000 (Audited)
Bank borrowing *(Note 13)*	**255,388**	255,879

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

12. TRADE PAYABLES

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

	As at 31 October 2015 RMB'000 (Unaudited)	As at 30 April 2015 RMB'000 (Audited)
Within 1 month	**623**	523

13. BORROWINGS

	As at 31 October 2015 RMB'000 (Unaudited)	As at 30 April 2015 RMB'000 (Audited)
Bank borrowing	**757,194**	763,462
Loan from other entities	**156,096**	298,342
	913,290	1,061,804
Secured	**507,195**	763,462
Unsecured	**406,095**	298,342
	913,290	1,061,804
Within one year	**619,890**	544,638
More than one year, but not exceeding two years	**153,400**	277,166
More than two year, but not more than five years	**140,000**	240,000
	913,290	1,061,804
Less: Amounts shown under current liabilities	**(619,890)**	(544,638)
	293,400	517,166

Note:

On 7 July 2015, the existing contractual parties to the Master Framework and Subscription Agreement entered into, inter alia, between the Company and Partner Shanghai Limited dated 4 September 2013 (as varied and amended by a novation agreement dated 20 June 2014 made by the same parties and 紫荊控股有限公司 (Tsinghua Redhud Holding Ltd.*)) (the "Master Framework and Subscription Agreement") entered into the termination agreement, pursuant to which, the parties conditionally agreed to terminate the Master Framework and Subscription Agreement. The Company agreed to pay on or before 31 July 2015 an aggregate sum of the HKD equivalent of RMB100,000,000 and all outstanding interests accrued as at the first repayment date ("First Repayment") to repay a corresponding amount of the outstanding principal of the loan (being the entrusted loan under the funding arrangements as set out in the Master Framework and Subscription Agreement); and the Company shall pay on or before the maturity date of the loan the remainder of the outstanding principal and interest under the loan (less the amount of the First Repayment). For details, please refer to the announcement of the Company dated 7 July 2015.

14. SHARE CAPITAL

	Number of Ordinary Shares of HK$0.10 each '000	Nominal value HK$'000	RMB equivalent RMB'000
Authorised:			
At 30 April 2015,	3,000,000	300,000	291,178
Increase for the period *(Note (i))*	7,000,000	700,000	551,920
At 31 October 2015	10,000,000	1,000,000	843,098
Issued and fully paid:			
At 30 April 2015	1,986,589	198,659	179,575
Issues of shares upon conversion of convertible bonds *(Note (ii))*	553	55	43
Issues of shares upon open offer *(Note (iii))*	3,974,284	397,428	313,232
At 31 October 2015	5,961,426	596,142	492,850

Notes:

(i) Increase in authorised share capital

On 17 April 2015, the Company proposed to increase the authorised share capital of the Company from HK$300,000,000 (divided into 3,000,000,000 shares of nominal value of HK$0.1 each) to HK$1,000,000,000 (divided into 10,000,000,000 shares of nominal value of HK$0.1 each) by the creation of an additional 7,000,000,000 unissued shares, which will rank pari passu with all shares. The resolution was duly passed by shareholders in the special general meeting dated 2 June 2015.

(ii) New shares issued upon conversion of convertible bonds

In May 2015, the convertible bond holders converted 7% convertible bonds at a conversion price of HK$1.01 each into 495,049 Shares and 10% convertible bonds at a conversion price of HK$8.63 each into 57,937 Shares.

(iii) New shares issued upon completion of Open Offer

On 8 July 2015, the Company completed the open offer of 3,974,283,592 Shares at the subscription price of HK$0.2 per offer share on the basis of two offer shares for every one existing share held on the record date of 12 June 2015 (the "Open Offer"). The gross proceeds of the Open Offer, before deducting the underwriting commission and other related expenses payable by the Company, were approximately HK$794.9 million. Details of the Open Offer were disclosed in the Company's prospectus dated 15 June 2015.

15. COMMITMENTS

a) Capital commitments

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

	As at 31 October 2015 RMB'000 (Unaudited)	As at 30 April 2015 RMB'000 (Audited)
Contracted but not provided for		
– Purchase of property, plant and equipment	**360,361**	319,284

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:

	As at 31 October 2015 RMB'000 (Unaudited)	As at 30 April 2015 RMB'000 (Audited)
Within one year	**–**	11,636
After one year but within five years	**6,000**	3,315
After five years	**1,655,800**	1,657,000
	1,661,800	1,671,951

16. CONTINGENT LIABILITIES

The Group did not have any significant contingent liabilities as at 31 October 2015 (30 April 2015: Nil).

17. 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	
	2015	2014
	RMB'000	RMB'000
Short-term employee benefits	**3,966**	2,141
Post-employment benefits	**29**	8
	3,995	2,149

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

b) Transaction with other related parties

The Group did not have any material related party transactions during the period.

18. EVENTS AFTER THE INTERIM PERIOD

By a special resolution passed at the special general meeting of the Company held on 24 November 2015, the Company implemented the capital reorganization which involved the share consolidation, the capital reduction and the share sub-division ("Capital Reorganization"). The share consolidation involved the consolidation of every five (5) issued and unissued shares of HK$0.10 each in the share capital of the Company into one (1) share of HK$0.50 each ("Consolidated Shares"). The capital reduction involved the reduction of the issued share capital of the Company by cancelling the capital paid-up thereon to the extent of HK$0.40 on each of the then issued Consolidated Shares, such that the par value of each issued Consolidated Share be reduced from HK$0.50 to HK$0.10. The subdivision involved the subdivision of each authorized but unissued Consolidated Share of HK$0.50 each into five (5) new shares of HK$0.10 each. The Capital Reorganization became effective on 25 November 2015 and upon which, the board lot for trading in the shares of the Company has been changed from 6,000 to 4,000.

19. APPROVAL OF INTERIM FINANCIAL STATEMENTS

The unaudited condensed consolidated interim financial statements for the six months ended 31 October 2015 were approved and authorised for issue by the Board on 18 December 2015.

INTERIM DIVIDEND

The Board has resolved not to declare an interim dividend for the six months ended 31 October 2015 (six months ended 31 October 2014: Nil).

MANAGEMENT DISCUSSION AND ANALYSIS

Results Review

For the six months ended 31 October 2015, the sales revenue of the Group from continuing operations decreased by RMB70,903,000 to approximately RMB164,338,000 (1H 2014/15: RMB235,241,000), due to the decrease in sales revenue of branded food products and others. Gross profit from continuing operations for the period decreased by RMB14,390,000 to approximately RMB19,624,000 (1H 2014/15: RMB34,014,000) and the gross profit margin has decreased slightly from 14% in 1H 2014/15 to 12% in 1H 2015/16. Overall, the Group recorded a loss attributable to owners of the Company of approximately RMB33,955,000 for the six months ended 31 October 2015, as compared with a profit attributable to owners of the Company of approximately RMB10,598,000 in the corresponding period last year.

The loss for the 1H 2015/16 was mainly attributable to the decrease in revenue of the continuing operations of the Group (being the branded food products and other business) and a decrease in the revenue and profit from the discontinuing operations of the Group (being branded beverage products business), which was due to adjustment and optimisation of the Group's existing business operations as a result of the very substantial disposal of the branded beverage products business of the Company (further particulars of which are set out in the circular of the Company dated 21 August 2015 and was approved by the shareholders of the Company at the special general meeting of the Company held on 14 September 2015). As at the date of this report, such disposal has not been completed.

Continuing operations

During the Review Period, the Group was principally engaged in two business segments, namely, (i) fresh produce and processed products and (ii) branded food products and others and the breakdown of the revenue are as follows:

Revenue By Products	For the six months ended 31 October 2015 RMB'000	2014 RMB'000 (Restated)
Fresh produce and processed products	**162,919**	154,979
Branded food products and others	**1,419**	80,262
Total	**164,338**	235,241

Fresh produce and processed products

The sales of fresh produce and processed products consisted of primarily fresh vegetables such as sweet corns, lotus roots, radish, cucumber and water melons as well as canned and frozen products. In the Review Period, revenue from this segment was RMB162,919,000. The first phrase of small scale production of 50,000 mu farmland in Baicheng City, Jilin Province has already commenced during the Review Period. Fresh produce such as rice, sweet corns and some multi-grains including green beans and red beans was produced.

Branded food products and others

The sales of branded food products and others mainly included rice and hotpot products sold under the Group's own brand. Revenue from this segment decreased from approximately RMB80,262,000 to approximately RMB1,419,000. Due to the increase in cost of hotpot products and the sluggish market, the Company decided to suspend the production line of hotpot products in the Review Period. The sales of rice products also decreased in the Review Period due to aging machineries of rice production line slowing down the efficiency of production.

Multi Grain Farmland – Baicheng City

In 2012, the Group entered into lease agreements for multi grain farmland of 200,000 mu in Baicheng City, Jilin Province, and planned for a major production base. The Group plans to make use of this production base to supply raw materials of multi grain products based on our cumulated cultivation experience and knowledge to achieve the higher degree of vertical integration. Furthermore, we will also promote the modernized and scientific mass production of multi grain products with the involvement of local expertise and farmers in Northeast China under the local climatic and ecological environment.

Starting from May 2015, the Group began to cultivate the multi grain products in the first phase of 50,000 mu farmland including rice, sweet corns and multi-grains including green beans and red beans. In the Review Period, it has already started to contribute to sales to the Company. We believe that the mass production of multi grain will be supplied gradually to the market in the near future. In addition, we further expect that output from this farmland will be supplied to the Target Company (as defined below) as per the supply agreement upon the completion of the Disposal (as defined below).

Discontinuing Operations

Branded beverage products

The Group is currently selling over 14 different types of beverage products under its own brands, most of which are multi-grain focused and are tailored for the increasing health conscious demand of the domestic market.

The Group's sales revenue of branded beverage products reported a decrease to approximately RMB746,591,000 (1H 2014/15: RMB825,322,000). Gross profit of branded beverage products for the six months ended 31 October 2015 is reported at approximately RMB283,528,000 (1H 2014/15: RMB318,556,000) and the gross profit margin decreased slightly from 39% in 1H 2014/15 to 38% in 1H 2015/16.

The five highest selling branded beverage products are as follows:

	For the six months ended 31 October	
	2015	2014
	RMB'000	RMB'000
		(Restated)
Culiangwang Green Bean Matcha	**274,978**	285,086
Culiangwang Rich Walnut	**218,482**	257,952
Culiangwang Red Bean	**144,576**	186,759
Culaingwang Peanut	**25,360**	38,430
Culiangwang Walnut Soup	**19,846**	16,474
Others	**63,349**	40,621
Total	**746,591**	825,322

The sales of branded beverage products decreased during the Review Period, mainly due to the adjustment and optimisation of product sales mix and adjustment of co-operation with OEM producers.

During the Review Period, the Group continued its great effort to maintain the distribution network in selling the branded beverage products in 27 provinces and 4 cities in China.

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

	For the six months ended 31 October	
	2015	2014
	RMB'000	RMB'000
		(Restated)
Jiangsu province	**213,788**	197,627
Anhui province	**86,936**	103,130
Sichuan province	**83,430**	87,158
Jiangxi province	**40,620**	55,722
Fujian province	**36,692**	39,887
Others	**285,125**	341,798
Total	**746,591**	825,322

The 5 highest selling branded beverage products represent approximately 92% of the total beverage sales revenue.

On the cost of sales, the packaging materials and raw materials represent 80% of the total costs. In the Review Period, the Group sourced the raw materials mostly externally and engaged various OEM producers in the market to produce the beverage products, representing approximately 54% (1H 2014/15: 63%) of the production volume of the Group.

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

	For the six months ended 31 October	
	2015	2014
	RMB'000	RMB'000
		(Restated)
Packaging materials	**158,987**	177,806
Raw materials	**212,582**	222,927
Depreciation	**28,778**	29,317
Fuel costs	**8,253**	6,331
Direct labour costs	**7,046**	7,383
Processing fees to third party OEM producers	**43,143**	59,680
Others	**4,274**	3,322
Total	**463,063**	506,766

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

Beverage Processing Capability

The Group has a fully operated processing plant in Quanzhou City of Fujian Province, with an annual capacity of approximately 135,000 tons in paper pack and 30,000 tons in metallic cans of beverage products. The Group is now undergoing the restructuring and adjustment of the plants located in Tianmen City of Hubei Province and Wanquan County of Hebei Province. By the time of the completion of such restructuring and adjustment, the annual production capacity will be greatly boosted.

Other than the Group's own processing capacity, the Group also sub-contracted 4 third party OEM manufacturers for the branded beverage production which accounted for 54% of the production volume for the six months ended 31 October 2015.

Securities Investments

During the Review Period, the Group has invested in securities of listed companies. The Group recorded a loss on changes in fair value of financial assets through profit or loss of approximately RMB6,196,000 (1H 2014/15: Nil) and net loss arising from changes in fair value of available-for-sale financial assets of approximately RMB56,211,000 in other comprehensive income for the six months ended 31 October 2015 (1H 2014/15: Nil) as a result of the recent downturn in the Hong Kong securities market.

As at 31 October 2015, the total fair value of the investment portfolio held by the Group was approximately RMB87.8 million (30 April 2015: RMB42.8 million) and such investment portfolio comprised shares listed on the Stock Exchange and classified as available-for-sale financial assets which were composed of (i) approximately 272,880,000 shares of China Mobile Games and Cultural Investment Limited ("CMGCI", stock code: 8081), (ii) 51,954,000 shares of Convoy Financial Holdings Limited ("CFH", stock code: 1019), (iii) 25,500,000 shares of Tianyun International Holdings Limited ("TIH", stock code: 6836) and (iv) 343,000,000 shares of China Demeter Investments Limited ("CDI", stock code: 8120). The shares of each of CFH and TIH were listed on the Main Board of the Stock Exchange and the shares of each of CMGCI and CDI were listed on the Growth Enterprise Market of the Stock Exchange.

Having considered the financial performance and the business developments of these companies, such acquisitions are not for the purpose of selling in the short term but for long term investments of the Group. In view of the disposal of the branded beverage business, the Group will continue to explore the investment and cooperation opportunities with all these companies.

Outlook and Prospects

Although the overall economy growth in China continues to slow down, there has been growing consumer demand for diversified multi grains with the increasing awareness of the Chinese of the importance of healthy diet. Multi grain beverages and multi grain food products are becoming increasingly popular.

The 2014 Notice on Key Work Arrangement for Food Safety issued by the State Council last year highlighted the determination of the Chinese government to oversee agricultural production, as well as the manufacture of food, packaging, containers, chemical additives, drug production and business regulation. This notice reiterated the need to resolve food safety problems to safeguard the people in China.

Food safety has always been the most important concern of the Group. We will continue to be committed to providing high quality and safe multi grain raw materials and food products by strengthening the control of the whole production process from upstream cultivation to food processing. Relying on its 17 years' practical experience of green cultivation and production, and leveraging on its rich agricultural industry exposure and brand advantages, China Culiangwang in the future will continue its multi grain focus to further grow its upstream, midstream and downstream multi grain businesses, and to expand into leisure agri-tourism and internet agriculture whilst strengthening the fresh produce, deep processing of processed products and branded business.

From production base to the end-users

On the basis of the existing operational model of "base + factories", the Group aims to develop a cultivation empire consisted of "base + factories + end-users", with focuses on market needs and technological innovation. For the 200,000 mu of leased land in Baicheng City, Jilin Province, the Group has commenced its first phase of cultivation on the 50,000 mu of farmland for various types of multi grain crops including rice, corns, green beans and red beans. In the future, the multi grains produced by the cultivation base of the Group will not only serve as raw materials, but more will be released to the market directly as branded end-products, which could take the form of individually packaged products or products in various combinations to serve different dietary needs.

Diversified new channels

As e-commerce has become the latest trend, the Group at the same time has launched its Wechat shop on Wechat, and set up stores on several major international e-commerce platforms, such as Taobao, JD.com. With the advantages of our own cultivation base and leveraging on the diversified e-commerce platforms, the Group can reduce the cost of the existing industry chain, and expand the existing sales channels to improve the image of multi grain brands as well as to narrow the gap with the consumers. At the same time, the launch of Fujian Pilot Free Trade Zone in 2015 will provide preferential policies to the development of multinational e-commerce platforms in various aspects, including taxation. The Group will also benefit from such opportunities.

Leisure agri-tourism

Recently, it has become the first holiday choice for many citizens to experience "farm to table dining, fun farming, farmland sightseeing and farm staying". Leisure agri-tourism has become an industry with great potentials. The Group plans to take advantage of the existing cultivation base to operate a leisure farm by transforming the farmland to "parks", with a view to gradually developing "agriculture" into a new trend for sightseeing, relaxing, and experiencing, and acquiring knowledge on, agriculture. The Group is planning to build its first leisure farm located in Fujian Hui'an.

A new look of established brands

The Company will retain the multi-grain food under the original brand of "China Green", including multi grain breakfast, desserts, pastries and cakes. Going forward, the Group will focus on product enhancement by developing four main categories of products, namely multi grain processed products, dietary foods, frozen fresh vegetables and frozen pastries, in order to provide food to the public in a more convenient, simpler and healthier manner.

With the emphasis on the integrated multi grain industry, the Group will continue to identify other potential business and investment opportunities to maximize synergies and create a new sales growth point for the Group, with a view to bringing better returns to the shareholders.

Proposed Change of Company Name

Pursuant to a special resolution passed by the shareholders of the Company at a special general meeting held on 14 September 2015, the English name of the Company will be changed from "China Culiangwang Beverages Holdings Limited" to "China Green (Holdings) Limited" and the secondary name in Chinese of the Company will be changed from "中國粗糧王飲品控股有限公司" to "中國綠色食品（控股）有限公司" (the "Change of Company Name").

As at the date of this report, the Change of Company Name has yet proceeded, further announcement will be made by the Company after the Change of Company Name has become effective.

Group's Liquidity, Financial Resources and Capital Structure

As at 31 October 2015, the total equity attributable to owners of the Company was approximately RMB4,003.7 million (30 April 2015: RMB3,489.4 million). The Group had current assets of RMB2,706.6 million (30 April 2015: RMB2,055.3 million) and current liabilities of RMB1,545.9 million (30 April 2015: RMB1,522.8 million). The current ratio was 1.75 times (30 April 2015: 1.35 times).

During the period under review, the Company has carried out the following events in relation to the capital structure.

Increase in Authorised Share Capital

On 2 June 2015, the Company passed an ordinary resolution to increase its authorised share capital from HK$300,000,000 divided into 3,000,000,000 shares of HK$0.10 each (the "Shares") to HK$1,000,000,000 divided into 10,000,000,000 Shares of HK$0.10 each by the creation of an additional 7,000,000,000 unissued Shares and such Shares shall rank pari passu with all existing Shares upon issue.

Open Offer at HK$0.20 per offer share on the basis of 2 offer shares for every one Share held on 12 June 2015

On 8 July 2015, the Company completed an open offer of 3,974,283,592 Shares at the subscription price of HK$0.20 per offer share on the basis of two offer shares for every one Shares held on 12 June 2015 (the "Open Offer"). The gross proceeds of the Open Offer, before deducting the underwriting commission and other related expenses payable by the Company, were approximately HK$794.9 million.

Details of the Open Offer were disclosed in the announcements of the Company dated 17 April 2015 and 7 July 2015, the circular of the Company dated 15 May 2015 and the Company's prospectus dated 15 June 2015.

Issue of Notes

On 25 March 2015, the Company as the issuer and Convoy Asset Management Limited as the placing agent ("Placing Agent"), entered into a placing agreement pursuant to which the Placing Agent agreed to act as placing agent of the Company, on a best endeavour basis, to procure independent placee(s) to subscribe for the 19.2% per annum notes ("Notes") to be issued by the Company in an aggregate principal amount of up to HK$380,000,000 maturing on the same calendar date of the 6th month after the issue date of the Notes at the placing price equal to 100% of the principal amount of the Notes. The Notes was issued on 8 April 2015 and the Company has made an early redemption of the Notes before its maturity in the principal amount of HK$380,000,000 in full together with the accrued interest on 15 July 2015.

The Group's major liabilities and outstanding debts as at 31 October 2015 were RMB1,473.1 million (30 April 2015: 1,726.9 million) which includes the convertible bonds of RMB559.8 million which will mature on 12 April 2016 (30 April 2015: RMB665.1 million) and certain borrowings from banks and other entities amounting to approximately RMB913.3 million (30 April 2015: RMB1,061.8 million). The Group's gearing ratio (total debt divided by shareholders' equity) as at 31 October 2015 was 36.8% (30 April 2015: 49.5%).

As at 31 October 2015, the Group had pledged deposits as well as cash and cash equivalents of approximately RMB418.1 million (30 April 2015: RMB397.6 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 2015, the ratio of total liabilities to total assets was 32.3% (30 April 2015: 37.8%).

Termination Agreement in relation to the Master Framework and Subscription Agreement

On 7 July 2015, the contractual parties to the master framework and subscription agreement dated 4 September 2013 made between, amongst other parties, the Company and Partner Shanghai Limited ("Partner Shanghai") in relation to, amongst other matters, the subscription of 226,553,576 Shares (as varied and amended by a novation agreement dated 20 June 2014 and made by the same parties and 紫荊控股有限公司 (Tsinghua Redbud Holding Ltd.*) (the "Master Framework and Subscription Agreement") entered into a termination agreement, pursuant to which the parties had conditionally agreed to terminate the Master Framework and Subscription Agreement.

Pursuant to the termination agreement, the Company shall pay (i) on or before 31 July 2015 an aggregate sum of the HK$ equivalent of RMB100,000,000 and all outstanding interests accrued as at the date of first repayment ("First Repayment"); and (ii) on or before the maturity date of the loan the remaining outstanding principal and interest under the loan (less the amount of the First Repayment).

Details of the termination agreement were disclosed in the announcement of the Company dated 7 July 2015.

Capital Commitments and Contingent Liabilities

The Group has approved the expansion of existing production facilities by building new production plants. As at 31 October 2015, the Group had contractual capital commitments of approximately RMB360.4 million (30 April 2015: RMB319.3 million).

As at 31 October 2015, 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 2015, 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

Disposal of Branded beverages business

On 15 April 2015, the Company, 中綠(泉州)食品開發有限公司 (Zhonglu (Quanzhou) Green Foods Developing Co., Ltd.*), 中綠之源(廈門)貿易有限公司 (China Green Resources (Xiamen) Sales Co., Ltd.*) (the "Xiamen Company"), each of which is an indirect wholly-owned subsidiary of the Company and 可口可樂飲料(上海)有限公司 (Coca-Cola Beverages (Shanghai) Company Limited*) ("CCBSL") entered into an equity transfer agreement (the "Equity Transfer Agreement"), pursuant to which CCBSL has conditionally agreed to acquire, and Xiamen Company has conditionally agreed to sell, the entire equity interest in 廈門粗糧王飲品科技有限公司 (Xiamen Culiangwang Beverage Technology Co., Ltd.*) (the "Target Company", a company incorporated in the PRC with limited liability and wholly-owned by Xiamen Company) (the "Disposal"). The consideration which is based on the agreed enterprise value of US$400.5 million (subject to adjustments), will be paid by CCBSL in cash on completion of the Disposal.

For the purposes of the Disposal, among others, the parties of the Equity Transfer Agreement, 中綠(福建)農業綜合開發有限公司 (Zhonglu (Fujian) Agriculture Comprehensive Development Company Limited*), 中綠(湖北)實業發展有限公司 (China Green Hubei Industry Co., Ltd*), each of which is an indirect wholly-owned subsidiary of the Company and the Target Company have entered into a restructuring agreement (the "Restructuring Agreement") on the same date as the Equity Transfer Agreement to carry out a series of restructuring steps intended to consolidate the manufacturing, marketing and sale of beverage products businesses (but excluding porridge or congee and beverage products in powder form) (the "Disposed Business") under the Target Company.

Pursuant to the Restructuring Agreement, upon the completion of Disposal, the Company will enter into a raw material supply agreement with the Target Company, to supply certain raw materials for a term of at least five years, subject to the purchase orders that the Target Company may issue at its own discretion.

The Equity Transfer Agreement and the transactions contemplated thereunder were approved by the shareholders of the Company at the special general meeting held on 14 September 2015. On 15 September 2015, the Group was confirmed by CCBSL that the Anti-Monopoly Bureau of, MOFCOM 商業部反壟斷局 has decided that the Disposal was not prohibited under the Anti-Monopoly Law.

The Group is of the view that the Disposal can strengthen the capital base and improve the Group's financial and cash position. The Company is committed to developing itself into a leading multi grain non-beverage consumer food and snack producer. As evidenced by the Disposal, the Company's venture into the Disposed Business has proven to be a step in the right direction. The Company will seek to continue with its momentum already gathered in its multi grain related consumer business through the above-mentioned food and snack business strategies. The Group intended to apply the proceeds of Disposal towards repayment of indebtedness, development of existing agriculture business, development of branded food business, including development of a further variety of multi-grain food and snack products, and use as general working capital. As at the date of this report, the Disposal has not yet completed. Further Details of the Disposal were disclosed in the announcements of the Company dated 17 April 2015 and 15 September 2015, and the circular of the Company dated 21 August 2015.

Save as disclosed, the Group made no other significant investments, material acquisitions or disposals during the six months ended 31 October 2015.

Pledge on Group's Assets

As at 31 October 2015, the Group's bank deposits amounting to approximately RMB255.4 million (30 April 2015: RMB255.9 million) 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 RMB435.6 million had been pledged to secure the Group's bank loans of RMB294.0 million for the purpose of working capital.

Shares of some of the subsidiaries of 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 2015, the Group had a total of approximately 2,382 employees from continuing operations, of which approximately 1,278 were workers at the Group's cultivation bases. The aggregate employee compensation and Directors' remuneration from continuing operations for the six months ended 31 October 2015 totalled approximately RMB30.5 million (1H 2014/15: RMB40.5 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 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 2015, the Group maintained sufficient funds for its capital investments and operations in the next financial year.

Subsequent Event

Capital Reorganisation and Change in Board Lot Size

On 9 October 2015, the Company announced the proposed capital reorganisation involving the share consolidation, the capital reduction and the share sub-division ("Capital Reorganisation") and the proposed change in the board lot size ("Change in Board Lot Size"). Details of the Capital Reorganisation are set out in note 18 to the condensed consolidated interim financial statements.

The Capital Reorganisation was approved by the shareholders of the Company at the special general meeting held on 24 November 2015 and became effective on 25 November 2015.

The board lot size for trading in the shares on the Stock Exchange was changed from 6,000 to 4,000 upon the Capital Reorganisation became effective.

The details of the Capital Reorganisation and Change in Board Lot Size are also set out in the announcements of the Company dated 9 October 2015, 27 October 2015 and 24 November 2015, and the circular of the Company dated 30 October 2015.

DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS IN SECURITIES

As at 31 October 2015, 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 and debentures 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	1,832,733,000 *(Note)*	30.74%

Note: These 1,832,733,000 Shares are held through Capital Mate Limited ("Capital Mate"), a company incorporated in the British Virgin Islands with limited liability and is an entity controlled by Mr. Sun Shao Feng, an executive Director, the Chairman and the Chief Executive Officer of the Company.

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.

On 14 September 2015, a resolution relating to the refreshment of the Scheme mandate limit was passed by the shareholders of the Company as an ordinary resolution of the Company, whereby the total number of the Shares that could be issued upon exercise of (i) all outstanding share options; and (ii) all share options that could be granted under the then available scheme mandate limit was 596,142,538 Shares, representing 10% of the issued share capital of the Company as at the date of passing such resolution.

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

SUBSTANTIAL SHAREHOLDERS AND OTHER PERSONS' INTERESTS IN SHARES

As at 31 October 2015, 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

Name	Capacity	Position	Number of Shares and underlying Shares held	Approximate percentage of shareholding in the Company *(Note 1)*
Capital Mate *(Note 2)*	Beneficial owner	Long position	1,832,733,000	30.74%

Notes:

1) As at 31 October 2015, the Company's issued share capital was HK$596,142,538.80 divided into 5,961,425,388 Shares.

2) Capital Mate, a company incorporated in the British Virgin Islands with limited liability, is an entity controlled by Mr. Sun Shao Feng. Hence, Mr. Sun Shao Feng is deemed to be interested in these 1,832,733,000 Shares owned by Capital Mate.

Save as disclosed above, the Directors are not aware of any other persons who have interests or short positions in the Shares or underlying Shares 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

On 12 October 2015, the Company has made a mandatory redemption of the outstanding principal amount of the US$ settled 10.00 per cent. secured convertible bonds due 2016 in the sum of RMB120,263,096. Saved as disclosed above, 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 2015.

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 and Corporate Governance Report ("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 2015, 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, 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. Before 15 June 2015, the Company did not arrange insurance cover in respect of legal action against its Directors as disclosed in the Company's annual report 2015. The Board only arranged appropriate insurance cover in respect of legal action against the Directors and senior officers with effect from 15 June 2015.

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, was not appointed for a specific term, but he is subject to retirement from office by rotation in accordance with the bye-laws of the Company.

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 provides 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 (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, did not attend the annual general meeting of the Company held on 14 September 2015 due to dealing with their our official engagement.

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 2015.

AUDIT COMMITTEE

The Company established 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 2015.

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

Hong Kong, 18 December 2015

* *For identification only*