



CHINA GREEN (HOLDINGS) LIMITED

中國綠色食品（控股）有限公司

(Incorporated in Bermuda with limited liability)

(Stock code: 904)

Interim Report 2016/17



INTERIM FINANCIAL STATEMENTS

INTERIM RESULTS

The board (the “Board”) of directors (the “Director(s)”) of China Green (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 2016 (“1H 2016/17” or the “Review Period”) with comparative figures for the corresponding period of 2015/16 (“1H 2015/16”) as follows:

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the six months ended 31 October 2016

		Six months ended 31 October	
	<i>Notes</i>	2016 RMB'000 (Unaudited)	2015 RMB'000 (Unaudited)
CONTINUING OPERATIONS			
Turnover	3	111,927	164,338
Cost of sales		(141,399)	(144,714)
Gross (loss)/profit		(29,472)	19,624
Other revenue	4	25,377	2,348
Other losses	4	(10,681)	(6,196)
(Loss)/gain arising from changes in fair value less costs to sell of biological assets		(8,539)	4,996
Selling and distribution expenses		(56,621)	(8,343)
General and administrative expenses		(127,250)	(71,521)
Loss from operations		(207,186)	(59,092)
Finance costs		(62,360)	(70,171)
Loss before taxation	5	(269,546)	(129,263)
Income tax (expense)/credit	6	–	3,612
Loss for the period from continuing operations attributable to owners of the Company		(269,546)	(125,651)
DISCONTINUED OPERATIONS			
Profit for the period from discontinued operations attributable to owners of the Company	8	–	91,696

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	<i>Notes</i>	Six months ended 31 October	
		2016 RMB'000 (Unaudited)	2015 RMB'000 (Unaudited)
Loss for the period attributable to owners of the Company		(269,546)	(33,955)
Other comprehensive loss 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		(1,012)	(13,208)
Net loss arising from change in fair value of available-for-sale financial assets		–	(56,211)
Total comprehensive loss for the period attributable to owners of the Company		(270,558)	(103,374)
Loss per share attributable to owners of the Company			
From continuing and discontinued operations			
– Basic (restated)	9	RMB7.24 cents	RMB3.25 cents
– Diluted (restated)		RMB7.24 cents	RMB3.25 cents
From continuing operations			
– Basic (restated)	9	RMB7.24 cents	RMB12.03 cents
– Diluted (restated)		RMB7.24 cents	RMB12.03 cents

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

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CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 October 2016

		At 31 October 2016 RMB'000 (Unaudited)	At 30 April 2016 RMB'000 (Audited)
	<i>Notes</i>		
Non-current assets			
Fixed assets			
– Property, plant and equipment	10	1,652,022	1,700,207
– Interest in leasehold land held for own use under operating leases		121,690	122,600
Long-term prepaid rentals		506,087	531,640
Available-for-sale financial assets		58,354	59,885
		2,338,153	2,414,332
Current assets			
Inventories		31,972	6,723
Biological assets		9,044	12,000
Current portion of long-term prepaid rentals		65,037	72,002
Trade and other receivables	11	257,865	152,673
Financial assets at fair value through profit or loss		3,416	2,879
Bank deposits with maturities over three months		651,750	–
Pledged bank deposits		–	287,231
Cash and cash equivalents		1,319,764	1,961,542
		2,338,848	2,495,050

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		At 31 October 2016 RMB'000 (Unaudited)	At 30 April 2016 RMB'000 (Audited)
	<i>Notes</i>		
Current liabilities			
Trade and other payables	12	148,166	215,872
Bank and other borrowings	13	944,300	808,202
Income tax payable		17,804	17,804
Convertible notes/bonds		110,022	568,391
		1,220,292	1,610,269
Net current assets		1,118,556	884,781
Total assets less current liabilities		3,456,709	3,299,113
Non-current liabilities			
Deferred tax liabilities		70,638	70,638
Bank and other borrowings	13	30,000	140,000
		100,638	210,638
Net assets		3,356,071	3,088,475
Capital and reserves			
Share capital	14	590,615	98,571
Reserves		2,765,456	2,989,904
Total equity attributable to owners of the Company		3,356,071	3,088,475

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

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CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 31 October 2016

	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	Contribution surplus RMB'000	Convertible bonds/notes reserve RMB'000	Exchange reserve RMB'000	Retained profits RMB'000	Total RMB'000
As at 1 May 2016 (audited)	98,571	1,172,019	249,850	-	14,694	394,281	40,071	(158,205)	1,277,194	3,088,475
Loss for the period	-	-	-	-	-	-	-	-	(269,546)	(269,546)
Exchange differences on translation of financial statements of overseas subsidiaries	-	-	-	-	-	-	-	(1,012)	-	(1,012)
Total comprehensive loss for the period	-	-	-	-	-	-	-	(1,012)	(269,546)	(270,558)
Placing of shares under specific mandate, net of transaction cost	492,044	(18,260)	-	-	-	-	-	-	-	473,784
Redemption of convertible bonds	-	-	-	-	-	-	(40,071)	-	40,071	-
Issue of convertible notes	-	-	-	-	-	-	64,370	-	-	64,370
As at 31 October 2016 (unaudited)	590,615	1,153,759	249,850	-	14,694	394,281	64,370	(159,217)	1,047,719	3,356,071
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

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CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 31 October 2016

	Six months ended 31 October	
	2016 RMB'000 (Unaudited)	2015 RMB'000 (Unaudited)
Net cash (used in)/generated from operating activities	(336,362)	160,629
Net cash used in investing activities	(352,050)	(127,520)
Net cash generated from financing activities	45,174	293,291
Effect of foreign exchange rate changes	1,460	283
(Decrease)/increase in cash and cash equivalents	(641,778)	326,683
Cash and cash equivalents at 1 May	1,961,542	598,697
Cash and cash equivalents at 31 October	1,319,764	925,380
Analysis of Balances of cash and cash equivalents:		
Cash and cash equivalents	1,319,764	162,674
Cash and cash equivalents included in assets classified as held for sales	–	762,706
Cash and cash equivalents as at 31 October	1,319,764	925,380

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NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 31 October 2016

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, HM 11, Bermuda and Room 1502, 15/E., 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 production and sales of consumer food 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 2016.

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.

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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 2016. 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 2016 and 2015 is as follows:

	Unaudited Six months ended 31 October	
	2016	2015
	RMB'000	RMB'000
Sales of goods		
– Sales to other customers in the People's Republic of China ("PRC")	111,927	164,338

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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	
	2016 RMB'000	2015 RMB'000	2016 RMB'000	2015 RMB'000	2016 RMB'000	2015 RMB'000
Revenue from external customers	106,413	162,919	5,514	1,419	111,927	164,338
Inter-segment revenue	492	5,203	72	–	564	5,203
Reportable segment revenue	106,905	168,122	5,586	1,419	112,491	169,541
Reportable segment loss	(89,636)	(27,499)	(5,655)	(5,966)	(95,291)	(33,465)

	Unaudited Six months ended 31 October	
	2016 RMB'000	2015 RMB'000
Revenue		
Reportable segment revenue	112,491	169,541
Elimination of inter-segment revenue	(564)	(5,203)
Consolidated turnover for continuing operations	111,927	164,338
Profit or loss		
Reportable segment loss derived from Group's external customers	(95,291)	(33,465)
Finance costs	(62,360)	(69,495)
Finance income	22,156	23
Other revenue	3,221	1,306
Unallocated depreciation and amortisation	(11,033)	(6,107)
Unallocated head office and corporate expenses	(126,239)	(21,525)
Consolidated loss before taxation for continuing operations	(269,546)	(129,263)

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4. OTHER REVENUE AND OTHER LOSSES

	Unaudited Six months ended 31 October 2016 RMB'000	2015 RMB'000
Other revenue		
Bank interest income	22,156	202
Dividend income	1,004	–
Rental income	–	486
Government grant	–	450
Sundry income	1,162	411
Net foreign exchange gain	1,055	799
	25,377	2,348
Other losses		
Impairment loss recognised on available-for-sales financial assets	11,097	–
Net (gain)/loss on financial assets at fair value through profit or loss	(416)	6,196
	10,681	6,196

5. LOSS BEFORE TAXATION FROM CONTINUING OPERATIONS

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

	Unaudited Six months ended 31 October 2016 RMB'000	2015 RMB'000
Depreciation of own property, plant and equipment	47,750	66,130
Staff costs (including directors' emoluments)	66,634	30,483
Amortisation of long-term prepaid rentals	32,545	50,804
Amortisation of interests in leasehold land held for own use under operating leases	1,516	1,660

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6. INCOME TAX (RELATING TO CONTINUING OPERATIONS)

	Unaudited Six months ended 31 October	
	2016 RMB'000	2015 RMB'000
Current tax – PRC enterprise income tax		
Provision for the period	–	–
Deferred tax		
Origination and reversal of temporary differences	–	(3,612)
Total income tax expense/(credit) recognised in profit or loss	–	(3,612)

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.

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 dividend was declared for the six months ended 31 October 2016 (six months ended 31 October 2015: Nil).

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8. DISCONTINUED OPERATIONS

Profit for the period ended 31 October 2015 from discontinued operations was shown as follows:

	Unaudited Six months ended 31 October 2015 RMB'000
Revenue	746,591
Cost of sales	(463,063)
Gross profit	283,528
Other revenue	1,566
Selling and distribution expenses	(117,135)
General and administrative expenses	(17,483)
Profit from operations	150,476
Finance costs	(7,946)
Profit before taxation	142,530
Income tax expense	(50,834)
Profit for the period from discontinued operations attributable to owners of the Company	91,696

The beverage business was classified and accounted for as at 31 October 2015 as a disposal group held for sale. The disposal of the beverage business was completed on 23 March 2016.

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9. LOSS PER SHARE

From continuing and discontinued operations

a) *Basic loss per share*

The calculation of basic loss per share is based on the loss attributable to owners of the Company of approximately RMB269,546,000 for the six months ended 31 October 2016 (six months ended 31 October 2015: loss of RMB33,955,000) and the weighted average number of 3,723,535,077 ordinary shares (six months ended 31 October 2015: 1,044,457,000 ordinary shares (restated)) in issue during the period as adjusted for the placing of new shares under specific mandate completed in August 2016.

Loss attributable to owners of the Company

	Unaudited Six months ended 31 October	
	2016	2015
	RMB'000	RMB'000
Loss attributable to owners of the Company for calculation of basic loss per share	(269,546)	(33,955)

	Unaudited Six months ended 31 October	
	2016	2015 (Restated)
	Number of ordinary shares	
Weighted average number of ordinary shares for calculation of basic loss per share	3,723,535,077	1,044,457,000

The weighted average number of ordinary shares for the period ended 31 October 2015 for the purpose of basic and diluted loss per share has been adjusted and restated to reflect the open offer and share consolidation completed during the year ended 30 April 2016.

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b) *Diluted loss per share*

Diluted loss per share for the period ended 31 October 2015 and 2016 was the same as the basic loss per share. There were no outstanding share options as at 31 October 2015 and 2016.

During the period ended 31 October 2015 and 2016, the computation of diluted loss per share did not assume the conversion of the Company's outstanding convertible bonds and convertible notes since the effects of such conversions were anti-dilutive.

From continuing operations

Basic loss per share

The calculation of the basic loss per share from continuing operations is based on the loss attributable to owners of the Company of approximately RMB269,546,000 (six months ended 31 October 2015: loss of approximately RMB125,651,000) and the weighted average number of 3,723,535,077 ordinary shares (six months ended 31 October 2015: 1,044,457,000 ordinary shares (restated)) in issue during the period as adjusted for the placing of new shares under specific mandate completed in August 2016.

Loss from continuing operations attributable to owners of the Company

	Unaudited Six months ended 31 October	
	2016	2015
	RMB'000	RMB'000
Loss for the period attributable to owners of the Company for calculation of basic loss per share	(269,546)	(33,955)
Less: profit for the period from discontinued operations attributable to the owners of the Company	–	(91,696)
	(269,546)	(125,651)

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

From discontinued operations

Basic and diluted earnings per share from the discontinued operations for the six months ended 31 October 2015 is RMB8.78 cents per share (restated) and is based on the profit for the six months ended 31 October 2015 from discontinued operations of RMB91,696,000. The denominators detailed above are for both basic and diluted earnings per share.

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10. PROPERTY, PLANT AND EQUIPMENT

During the period ended 31 October 2016, there was no addition of property, plant and equipment (six months ended 31 October 2015: RMB9,607,000).

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 2016 RMB'000 (Unaudited)	As at 30 April 2016 RMB'000 (Audited)
Within 1 month	27,733	2,014
Over 1 month but within 3 months	2,694	–
	30,427	2,014

12. TRADE PAYABLES

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

	As at 31 October 2016 RMB'000 (Unaudited)	As at 30 April 2016 RMB'000 (Audited)
Within 1 month	2,864	429
Over 1 month but within 3 months	652	–
	3,516	429

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13. BORROWINGS

	As at 31 October 2016 RMB'000 (Unaudited)	As at 30 April 2016 RMB'000 (Audited)
Bank borrowing	974,300	789,630
Loan from other entities	–	158,572
	974,300	948,202
Secured	364,000	689,625
Unsecured	610,300	258,577
	974,300	948,202
Within one year	944,300	808,202
More than one year, but not exceeding two years	30,000	–
More than two year, but not more than five years	–	140,000
	974,300	948,202
Less: Amounts shown under current liabilities	(944,300)	(808,202)
	30,000	140,000

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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 2016, 1 May 2016 and 31 October 2016 (unaudited)	10,000,000	1,000,000	843,098
Issued and fully paid:			
At 30 April 2016 (audited) and 1 May 2016	1,192,286	119,228	98,571
Placing of new shares under specific mandate (unaudited) (<i>Note (i)</i>)	5,750,000	575,000	492,044
At 31 October 2016 (unaudited)	6,942,286	694,228	590,615

Note:

- (i) On 20 May 2016, the Company entered into the placing agreement with the placing agents, pursuant to which the Company appointed the placing agents as its agents to severally procure (not on a joint and several basis) not less than six placees who and whose ultimate beneficial owners are independent third parties, to subscribe for, failing which, each placing agent itself will subscribe for its placing commitment, 5,750,000,000 new shares of the Company ("Placing Shares") at a price of HK\$0.10 per Placing Share on a fully underwritten basis on the terms and subject to the conditions of the placing agreement ("Placing"). The Placing was completed on 12 August 2016 and an aggregate of 5,750,000,000 Placing Shares have been issued and allotted to the placees under specific mandate granted to the Directors by the shareholders of the Company at the special general meeting held on 25 July 2016.

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15. COMMITMENTS

a) Capital commitments

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

	As at 31 October 2016 RMB'000 (Unaudited)	As at 30 April 2016 RMB'000 (Audited)
Contracted but not provided for		
– Purchase of property, plant and equipment	–	2,782

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 2016 RMB'000 (Unaudited)	As at 30 April 2016 RMB'000 (Audited)
Within one year	757	903
After one year but within five years	3,826	4,423
After five years	1,585,000	1,585,000
	1,589,583	1,590,326

16. CONTINGENT LIABILITIES

The Group did not have any significant contingent liabilities as at 31 October 2016 (30 April 2016: Nil).

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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	
	2016	2015
	RMB'000	RMB'000
Short-term employee benefits	5,037	3,966
Post-employment benefits	26	29
	5,063	3,995

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

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

On 15 December 2016, the Company and the holder ("Noteholder") of the 12% convertible notes due 2017 in the principal amount of HK\$190,000,000 ("Convertible Notes due 2017") entered into the modification deed ("Modification Deed"), pursuant to which the Company and the Noteholder agreed to amend certain terms and conditions of the Convertible Notes due 2017, subject to, among others, the approval of the shareholders of the Company at the special general meeting. Pursuant to the Modification Deed, (i) the maturity date of the Convertible Notes due 2017 will be changed from the date falling on the first anniversary of the date of its issue to the date falling on the third anniversary of its date of issue; (ii) the conversion price of the Convertible Notes due 2017 will be changed from HK\$0.15 per conversion share to HK\$0.10 per conversion share; and (iii) the Convertible Notes due 2017 will be changed from bearing interest at a rate of 12% per annum to non-interest bearing ("Proposed Amendments"). For details, please refer to the announcement of the Company dated 15 December 2016. As at the date of approval of the unaudited interim financial statements for the six months ended 31 October 2016, the Proposed Amendments have not yet been completed.

19. APPROVAL OF INTERIM FINANCIAL STATEMENTS

The unaudited condensed consolidated interim financial statements for the six months ended 31 October 2016 were approved and authorised for issue by the Board on 29 December 2016.

REPORT OF THE BOARD

INTERIM DIVIDEND

The Board has resolved not to declare any interim dividend for the six months ended 31 October 2016 (six months ended 31 October 2015: Nil).

MANAGEMENT DISCUSSION AND ANALYSIS

Results Review

After undergoing a relatively large business reorganisation in the last financial year, the Group in general has been in the consolidation mode for the past six months. The Group has been focusing on ensuring a smooth transition for the disposed beverage business, and improving the financial position through redemption of Convertible Bonds due 2016 (as defined below). At the same time, the Group worked hard to explore ways to strengthen its business performance. On top of expanding the existing cultivation area in the existing cultivation bases, various new products are being actively developed and gradually launched into the market.

For the six months ended 31 October 2016, the sales revenue of the Group from continuing operations decreased by RMB52,411,000 to approximately RMB111,927,000 (1H 2015/16: RMB164,338,000). The decrease in sales was mainly due to the decrease in production arising from the early termination of certain land leases in the last financial year, which offset the increase in production arising from the expansion of cultivation areas in Baicheng City.

During the period under review, the Company recorded the gross loss of approximately RMB29,472,000 (1H 2015/16: gross profit of RMB19,624,000). Since the Company began the first phase of 50,000 mu farmland production in the last financial year and the second phase production with 60,000 mu farmland in the current financial period, these farmlands were still in the early development stages, which required quite a lot of inputs (such as wages and salaries and other farming-related expenses) for the early development. Along with other fixed costs such as depreciation and amortization, these costs drove up the cost of production.

REPORT OF THE BOARD

Other revenue increased by RMB23,029,000 to approximately RMB25,377,000 (1H 2015/16: RMB2,348,000), mainly attributable to the increase in bank interest income amounting to RMB22,156,000 (1H 2015/16: RMB202,000). Selling and distribution expenses increased to approximately RMB56,621,000 (1H 2015/16: RMB8,343,000) and general and administrative expenses increased to approximately RMB127,250,000 (1H 2015/16: RMB71,521,000), mainly due to the expansion of business operations. Finance costs decreased by RMB7,811,000 from approximately RMB70,171,000 in 1H 2015/16 to approximately RMB62,360,000 in 1H 2016/17 due to the reduction in debts. Also, during the period under review, the Company did not record the profits from the Group's discontinued operations attributable to owners of the Company (1H 2015/16: RMB91,696,000) after the completion of the disposal of the branded beverage business in March 2016. Overall, the Group recorded loss attributable to owners of the Company of approximately RMB269,546,000 for the six months ended 31 October 2016, as compared with loss attributable to owners of the Company of approximately RMB33,955,000 in the corresponding period last year.

Continuing Operations

During the six months ended 31 October 2016, the Group was principally engaged in two business segments for continuing operations, namely (i) fresh produce and processed products and (ii) branded food products and others. The breakdown of their revenue was as follows:

Revenue by products	Unaudited Six months ended 31 October	
	2016 RMB'000	2015 RMB'000
Fresh produce and processed products	106,413	162,919
Branded food products and others	5,514	1,419
Total	111,927	164,338

REPORT OF THE BOARD

Fresh produce and processed products

The sales of fresh produce and processed products primarily consisted of fresh vegetables such as sweet corns, rice, lotus roots, radish, cucumbers and water melons as well as multi-grains such as red beans and green beans. During the period under review, revenue from this segment amounted to approximately RMB106,413,000 (1H 2015/16: 162,919,000). The decrease in sales was mainly due to the Group's withdrawal of certain farmlands earlier, which resulted in decreases in both production and supply of fresh produce.

Multi Grain Farmland – Baicheng City

In 2012, the Group entered into lease agreements for 200,000 mu of multi grain farmland in Baicheng City, Jilin Province, which was planned as a major production base. Starting from May 2015, the Group has begun the first phase cultivation in 50,000 mu of farmland for various multi grain products including rice, sweet corns, green beans and red beans.

On the completion date of the Group's disposal of beverage business to 可口可樂飲料（上海）有限公司 (Coca-Cola Beverages (Shanghai) Company Limited*) ("CCBSL"), the Company and the Target Company (as defined below) entered into a supply agreement for a term of five years, pursuant to which the Group agreed to supply certain raw materials to the Target Company for the manufacturing of beverages or beverage components. The supply volume of raw materials depends on the purchase orders placed by the Target Company.

As the demand for multi-grains cultivated by the Group increases following the entering into of the above agreement, and in view of the fact that farmland operation in Baicheng City is becoming more mature, the Group has expanded the cultivation area of the farmland from 50,000 mu to 110,000 mu in the current period.

The Group expects to commence cultivation of the remaining 90,000 mu of farmland in the coming few years, as such, comprehensive and large scale commercial production will be achieved, which would strengthen our raw material supply business. Meanwhile, the Group shall make adjustments in response to yearly changes in yields and products, and enhance the flexible use of land through various business cooperation models.

REPORT OF THE BOARD

Branded food products and others

Branded food products and others that are sold by the Group mainly include rice sold under the Group's own brand, as well as the Group's "Garden Life" (田園生活) brand and "China Green Imperial Delicacy" (中綠御膳良品) brand, both of which were specifically created in 2016.

During the period under review, the Group upgraded and integrated the green ingredients supply chain, and created the "Garden Life" brand. In addition to supplying to large food and beverage processing plants as raw ingredients for production use, the fruit and vegetables and grain products under the brand are currently available for, or are being gradually launched in more than 600 key account hypermarkets across the country, including Vanguard, RT-Mart, Wal-Marts, METRO, Yonghui and New Huadu, with other products being actively promoted by the Group to various supermarkets and retail stores.

The high-end five grains product series features the concept of "organic green" and is also in development stage. It includes the organic millet rice combination, organic five grains congee combination, organic rice and peanut milk combination products, as well as the organic wheat germ products for specific consumer groups such as pregnant women, children and middle to old-aged adults, all of which are gradually put on shelves recently for sale mainly through e-shops, group buying and high-end boutique supermarkets.

REPORT OF THE BOARD

On the other hand, the Group has also launched the “China Green Imperial Delicacy” brand, a prepared frozen fresh food brand that encompasses the elements of green, tastiness and nutrition. The brand mainly consists of six series, which are staple food, concocted food, soup, authentic delicacies, starters and dessert, bringing a healthy, quick and delicious diet to families with busy daily schedules. In particular, embracing the concept of “health and multi-grain”, the “Multi-grain for Health” series of pastry products, which is developed specifically for supermarkets in shopping malls, has been launched and will be rolled out shortly in stages with products including the Chinese steamed flavour-filled bun, okra bread, purple yam bread, walnut bread, etc., and, through in-store negotiations, has been recognised by systems of several large supermarkets and hypermarkets such as Wal-Marts, Sam’s Club, METRO and Yonghui, allowing it to be put on shelves shortly as expected. Snack food delicacies product series, which is developed specifically for restaurants, was also launched at the same period with products including white fish steak, battered crispy fish steak, crispy prawn roll, Buddha’s green tea cake, etc., and is currently sold in the market.

Moreover, the Group is currently developing the “Chinese local delicacies” series which includes products such as pan-fried dumpling, scallion pancake, xiaolongbao (Chinese soup dumpling) and shaomai (Chinese steamed pork dumpling), with the aim to integrate traditional local delicacies into food product series and sell it across the country. This series of products will also be launched for sale soon.

During the period under review, revenue from this segment was approximately RMB5,514,000, representing an increase of approximately RMB4,095,000 as compared to approximately RMB1,419,000 for the corresponding period in 2015, which is due to the Group spending majority of its time on the development of its food brands “Garden Life” and “China Green Imperial Delicacy”, and since the two brands have just been on the markets for a short time, their revenue contributions to this segment were not fully reflected in the current period.

REPORT OF THE BOARD

Follow-on Events after the Disposal

The equity transfer agreement dated 15 April 2015 entered into by the Company, 中綠(泉州)食品開發有限公司 (Zhonglu (Quanzhou) Green Foods Developing Co., Ltd.*) (“Quanzhou Company”), 中綠之源(廈門)貿易有限公司 (China Green Resources (Xiamen) Sales Co., Ltd.*) (“Xiamen Company”) and CCBSL regarding the disposal of 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”) to CCBSL (the “Disposal”), as amended and restated by the amended and restated equity transfer agreement entered into between the parties on 28 February 2016, was completed on 23 March 2016.

On the completion date of the Disposal, the Company, Quanzhou Company, Xiamen Company and the Target Company entered into a transitional services agreement for a term of nine months, pursuant to which the parties agreed to render, or cause their affiliates to render, certain transitional services for the purpose of ensuring a smooth transition and effective operation of the Target Company. During the period under review, the parties has conclusively carried out the agreement to smoothly complete the transition and at the same time, provided necessary advice and assistance to the Target Company.

Redemption of two tranches of Convertible Bonds due 2016 in full

Regarding the two tranches of the US\$ settled 7.00% secured convertible bonds due 2016 (“7.00 per cent. Bonds”) and the US\$ settled 10.00% secured convertible bonds due 2016 (“10.00 per cent. Bonds”, collectively, “Convertible Bonds due 2016”) issued by the Company which were matured on 12 April 2016 (“Maturity Date”), since the Group did not have sufficient cash offshore for the repayment of such bonds as a result of PRC foreign exchange remittance restrictions, the Group sought agreement from holders (“Bondholders”) of the Convertible Bonds due 2016 to extend the repayment timeframe and conditionally signed a standstill agreement on 10 June 2016 with the Bondholders holding not less than 75% of the outstanding principal amount of the 7.00 per cent. Bonds and the 10.00 per cent. Bonds respectively.

On 18 August 2016, the Group has redeemed the Convertible Bonds due 2016 in full at their outstanding principal amount plus accrued and default interest payable and accrued to the redemption date of 18 August 2016 (“Redemption Date”).

REPORT OF THE BOARD

Repayment of Loan through the issuance of Convertible Notes due 2017

On 20 May 2016, the Company entered into a deed (“Supplemental Deed”) with a lender regarding a loan in the principal amount of HK\$190 million (the “Loan”), which was made on 18 November 2015 and maturity date of which had been extended to 31 August 2016. Pursuant to the Supplemental Deed, both parties agreed that the principal amount of the Loan shall be repaid by way of creating and issuing the Convertible Notes due 2017, thereby enabling such lender to convert the principal amount of the Loan and the interest accrued thereon into shares of the Company at the conversion price of HK\$0.15 per share (subject to adjustments).

The issue of Convertible Notes due 2017 was completed on 22 August 2016.

Given that the Convertible Notes due 2017 were issued to repay the Loan in full, no cash proceeds will be received by the Company in connection with such issue. The issue of the Convertible Notes due 2017 could slow down the pace of cash outflow of the Company to repay the Loan. In addition, the issue of the Convertible Notes due 2017 will broaden the capital base of the Company upon exercise of the conversion rights attaching to the Convertible Notes due 2017, if any.

On 15 December 2016, the Company and the Noteholder entered into the Modification Deed, pursuant to which the Company and the Noteholder agreed to amend certain terms and conditions of the Convertible Notes due 2017. Pursuant to the Modification Deed, (i) the maturity date of the Convertible Notes due 2017 will be changed from the date falling on the first anniversary of the date of its issue to the date falling on the third anniversary of the date of its issue; (ii) the conversion price of the Convertible Notes due 2017 will be changed from HK\$0.15 per conversion share to HK\$0.10 per conversion share; and (iii) the Convertible Notes due 2017 will be changed from bearing interest at a rate of 12% per annum to non-interest bearing. For details, please refer to the announcement the Company dated 15 December 2016. As at the date of approval of the unaudited interim financial statements for the six months ended 31 October 2016, the Proposed Amendments have not yet been completed.

REPORT OF THE BOARD

Securities Investments

During the Review Period, the Group has invested in securities of listed companies. The Group recorded a net gain on financial assets at fair value through profit or loss of approximately RMB416,000 (1H 2015/16: net loss on financial assets at fair value through profit or loss of RMB6,196,000) and impairment loss recognised on available-for-sales financial assets of approximately RMB11,097,000 for the six months ended 31 October 2016 (1H 2015/16: net loss arising from changes in fair value of available-for-sale financial assets of approximately RMB56,211,000 in other comprehensive loss).

As at 31 October 2016, the total fair value of the investment portfolio held by the Group was approximately RMB61,770,000 (30 April 2016: RMB62,764,000) and the investment portfolio consisted of financial assets at fair value through profit or loss of RMB3,416,000 (30 April 2016: RMB2,879,000) and available-for-sales financial assets of RMB58,354,000 (30 April 2016: RMB59,885,000). Available-for-sales financial assets were mainly composed of shares listed on the Stock Exchange and they included (i) 40,424,400 shares of Interactive Entertainment China Cultural Technology Investments Limited (“IECCTI”, stock code: 8081), (ii) 51,954,000 shares of Convoy Global Holdings Limited (formerly known as Convoy Financial Holdings Limited) (“CGH”, stock code: 1019), (iii) 25,500,000 shares of Tianyun International Holdings Limited (“TIH”, stock code: 6836), (iv) 147,900,000 shares of China Demeter Investments Limited (“CDI”, stock code: 8120) and (v) 113,300,000 shares of IR Resources Limited (“IRR”, stock code: 8186). The shares of each of CGH and TIH are listed on the Main Board of the Stock Exchange and the shares of each of IECCTI, CDI and IRR are 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, the Group will continue to explore investment and cooperation opportunities with all these companies.

REPORT OF THE BOARD

Outlook and Prospects

As the PRC economy develops steadily and the living standard improves, there is growing awareness on healthy diet, which resulted in an upward surge in demands for natural and nutritious multi-grain and related products in recent years, bringing great opportunities to the multi-grain market.

Meanwhile, economic development has also made Chinese lives at a faster pace, thereby increasing the demand for quick-frozen food which is both convenient and fast to cook, which resulted in a rapid development in the quick-frozen food industry.

The Group has been striving to create a comprehensive green ingredient supply chain over the years, and has leased 200,000 mu of farmland in Baicheng City, Jilin Province, as production base, in which 110,000 mu of farmland had begun cultivation of various multi grain products including green beans, red beans and sweet corns. It is expected that the whole farmland can commence full operation in the coming few years, achieve mass production to meet market demands for multi-grain supply, and at the same time hopeful to become a raw ingredient supplier for more international corporations such as CCBSL.

Moreover, the Group has developed and launched the frozen food brand “China Green Imperial Delicacy”, to bring a green, mouth-watering, nutritious and convenient dining experience to busy urbanites. Besides supplying to large supermarkets, the Group plans to promote the brand in agricultural trade market and canteens, offer made-to-order services based on consumers’ taste and needs, and even operate chain restaurants that serve snack food delicacies in transport hubs such as airports and highway rest stops, tourist attractions and shopping streets. The Group will also continue to develop different recipes to broaden the brand’s product range, and provide consumers with more frozen healthy food options.

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In terms of sales channel, the Group has expanded from counters in supermarkets to more channels, such as restaurants, group buying enterprises, wedding banquets in hotels, custom made for country kitchens, etc., to expand its sales coverage and get closer to consumers. Its sales channel has also extended from offline sales to online sales which includes the flagship store at Tmall, the China Green WeChat store and the Jingdong Mall, and together with its self-developed green, safe, intelligent and professional online interactive platform – “Kitchen Online”, the Group strives to provide kitchen related unique products and services to consumers.

Besides focusing on expanding its existing businesses, the Group will also leverage on its almost 20 years of vast experience in the adoption of an entirely green practice in cultivation and production and explore related potential projects, in order to grasp the business opportunities arising from agriculture and multi-grain industries and create long-term values.

Group's Liquidity, Financial Resources and Capital Structure

As at 31 October 2016, the total equity attributable to owners of the Company was approximately RMB3,356.1 million (30 April 2016: RMB3,088.5 million). The Group had current assets of RMB2,338.8 million (30 April 2016: RMB2,495.1 million) and current liabilities of RMB1,220.3 million (30 April 2016: RMB1,610.3 million). The current ratio was 1.92 times (30 April 2016: 1.55 times).

The Group's outstanding debts as at 31 October 2016 were approximately RMB1,084.3 million (30 April 2016: RMB1,516.6 million), including the convertible notes of RMB110.0 million (30 April 2016: convertible bonds of RMB568.4 million) and certain bank and other borrowings amounting to approximately RMB974.3 million (30 April 2016: RMB948.2 million). The Group's gearing ratio (as defined by total debts divided by shareholders' equity) as at 31 October 2016 was 32.3% (30 April 2016: 49.1%).

As at 31 October 2016, the Group had bank deposits with maturities over three months of approximately RMB651.8 million (30 April 2016: Nil) as well as cash and cash equivalents of approximately RMB1,319.8 million (30 April 2016: RMB1,961.5 million). As at 31 October 2016, the Group did not have any pledged bank deposits (30 April 2016: RMB287.2 million). The majority of the Group's funds has been deposited in banks in the PRC and Hong Kong.

REPORT OF THE BOARD

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

Placing of new shares under specific mandate

On 20 May 2016, the Company entered into the placing agreement with the placing agents, pursuant to which the Company appointed the placing agents as its agents to severally procure (not on a joint and several basis) not less than six placees who and whose ultimate beneficial owners are independent third parties, to subscribe for, failing which, each placing agent itself will subscribe for its placing commitment, 5,750,000,000 Placing Shares at a price of HK\$0.10 per Placing Share on a fully underwritten basis on the terms and subject to the conditions of the placing agreement. The Placing was completed on 12 August 2016 and an aggregate of 5,750,000,000 Placing Shares have been issued and allotted to the placees under specific mandate granted to the Directors by the shareholders of the Company at the special general meeting held on 25 July 2016.

The gross proceeds from the Placing, before deducting the commission and other expenses, amounted to HK\$575 million.

For details, please refer to the announcements of the Company dated 20 May 2016, 25 July 2016 and 12 August 2016, and the circular of the Company dated 8 July 2016.

Issue of Convertible Notes due 2017 under specific mandate for loan restructuring

As disclosed in the section headed “Repayment of Loan through the issuance of Convertible Notes due 2017” above, assuming the conversion rights attaching to the Convertible Notes due 2017 are exercised in full at the conversion price of HK\$0.15 per conversion share, a maximum of 1,418,666,666 conversion shares will fall to be issued to the Noteholder. For details, please refer to the announcements of the Company dated 20 May 2016, 25 July 2016 and 22 August 2016, and the circular of the Company dated 8 July 2016.

REPORT OF THE BOARD

Redemption of Convertible Bonds due 2016

As disclosed in the section headed “Redemption of two tranches of Convertible Bonds due 2016 in full” above, the Company finally redeemed the Convertible Bonds due 2016 in full on the Redemption Date at their outstanding principal amount plus accrued and default interest accrued to the Redemption Date (“Redemption of Convertible Bonds due 2016”). The Convertible Bonds due 2016 therefore were cancelled and delisted from the official list of the Singapore Exchange Securities Trading Limited. For details, please refer to the announcement of the Company dated 4 April 2016, 12 April 2016, 17 June 2016 and 18 August 2016, and the overseas regulatory announcement of the Company dated 15 August 2016.

Capital Commitments and Contingent Liabilities

As at 31 October 2016, the Group did not have any significant contractual capital commitments (30 April 2016: RMB2.8 million).

As at 31 October 2016, the Group had not provided any form of guarantee for any companies outside the Group and had not been 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 2016, 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.

REPORT OF THE BOARD

Significant Investments Held and Material Acquisitions and Disposals

During the six months ended 31 October 2016, the Group did not make any significant investments, material acquisitions or disposals.

Pledge on Group's Assets

As at 31 October 2016, certain property, plant and equipment and interests in leasehold land held for own use under operating leases with book value amounting to approximately RMB185.4 million (30 April 2016: RMB212.9 million) had been pledged to secure the Group's bank loans for the purpose of working capital. Also, as at 31 October 2016, the Group did not have any bank deposits pledged to secure the Group's bank loans and banking facilities (30 April 2016: RMB287.2 million).

Following the Redemption of Convertible Bonds due 2016, the Company has instructed the trustee to proceed with the relevant procedures for the release of the related shares charge, which have not yet been completed as at 31 October 2016 and as at the date of approval of the unaudited financial statements for the six months ended 31 October 2016.

Staff and Remuneration Policies

As at 31 October 2016, the Group had a total of approximately 602 employees, of which approximately 348 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 2016 totalled approximately RMB66.6 million (1H 2015/16: RMB30.5 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.

REPORT OF THE BOARD

Subsequent Event

As disclosed in the section headed “Repayment of Loan through the issuance of Convertible Notes due 2017” above, the Company and the Noteholder entered into the Modification Deed on 15 December 2016, pursuant to which the Company and the Noteholder agreed to amend certain terms and conditions of the Convertible Notes due 2017. As at the date of approval of the unaudited interim financial statements for the six months ended 31 October 2016, the Proposed Amendments have not yet been completed.

DISCLOSURE PURSUANT TO RULES 13.51B(1) OF THE LISTING RULES

Changes in Directors’ information since the date of the annual report 2016 of the Company are set out below:

- Ms. Yu Xiao Min, an independent non-executive Director, resigned as the chairperson of the board of directors and executive director of IR Resources Limited, a company whose shares are listed on the Growth Enterprise Market of the Stock Exchange since December 2016.

Save as disclosed above, as at the date of this report, there were no substantial changes to the Directors’ information required to be disclosed pursuant to Rule 13.51B(1) of the Listing Rules.

DIRECTORS’ AND CHIEF EXECUTIVES’ INTERESTS IN SHARES OF THE COMPANY

As at 31 October 2016, the interests or short positions of the Directors and chief executives of the Company in the shares, underlying shares and debentures of the Company or any associated corporation (within the meaning of Part XV of the Securities and Futures Ordinance (“SFO”)) which were notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they are taken or deemed to have under such provisions of the SFO), or which were required, pursuant to section 352 of the SFO, to be entered in the register referred to therein, or which were required, pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (“Model Code”) as set out in Appendix 10 to the Listing Rules, are set out below:

REPORT OF THE BOARD

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

Name of Director	Capacity	Position	Number of ordinary shares held	Approximate percentage of shareholding in the Company
Mr. Sun Shao Feng	Interest of controlled corporation	Long position	366,546,600 (Note)	5.28%

Note: These 366,546,600 shares of the Company 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.

SHARE OPTION SCHEME

On 18 October 2013, the Company adopted a new share option scheme (the “Scheme”). The purpose of the Scheme is to enable the Board to grant options to eligible participants including Director, employee or any participants who has contributed or may contribute to the development and growth of the Group or any entity in which the Group holds any equity interest as incentives or rewards for their contributions to the Group.

At the annual general meeting of the Company held on 30 September 2016 (the “2016 AGM”), a resolution relating to the refreshment of the Scheme mandate limit under the Scheme 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 all share options that could be granted under the Scheme mandate limit was 694,228,507 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.

REPORT OF THE BOARD

SUBSTANTIAL SHAREHOLDERS AND OTHER PERSONS' INTERESTS IN SHARES OF THE COMPANY

As at 31 October 2016, so far as is known to the Directors, the following persons (other than the Directors and chief executives of the Company) had interests or short positions in the shares and underlying shares of the Company as recorded in the register required to be kept under section 336 of the SFO:

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

Name	Capacity	Position	Number of ordinary shares held	Number of underlying shares held (Note 5)	Approximate percentage of the Company's issued share capital (Note 1)
Capital Mate (Note 2)	Beneficial Owner	Long position	366,546,600	–	5.28%
Convoy Collateral Limited (Note 3)	Beneficial Owner	Long position	–	1,418,666,666	20.44%
Convoy Global Holdings Limited (Note 3)	Interest of controlled corporation	Long position	–	1,418,666,666	20.44%
Jun Yang Financial Holdings Limited (Note 4)	Interest of controlled corporation	Long position	444,168,000	–	6.40%

REPORT OF THE BOARD

Notes:

- (1) The percentage represents the number of shares/underlying shares over the total issued shares of the Company of 6,942,285,077 shares as at 31 October 2016.
- (2) Capital Mate is an entity controlled by Mr. Sun Shao Feng. Hence, Mr. Sun Shao Feng is deemed to be interested in these 366,546,600 shares of the Company owned by Capital Mate.
- (3) Based on the notices of disclosure of interests of Convoy Global Holdings Limited and Convoy Collateral Limited filed with the Stock Exchange on 17 August 2016 and 24 August 2016 respectively, these interests are held by Convoy Collateral Limited, which is wholly-owned by Convoy (BVI) Limited, which is in turn wholly-owned by Convoy Global Holdings Limited.
- (4) Based on the notice of disclosure of interests of Jun Yang Financial Holdings Limited filed with the Stock Exchange on 22 September 2016, these interests are held by Classictime Investments Limited, which is a wholly-owned subsidiary of Jun Yang Financial Holdings Limited.
- (5) The number of underlying shares held includes the maximum number of conversion shares to be issued upon full exercise of the conversion rights attaching to the Convertible Notes due 2017.

Save as disclosed above, no other parties were recorded in the register of the Company required to be kept under section 336 of the SFO as having interests or short positions in the share or underlying shares of the Company as at 31 October 2016.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

Save as the Redemption of Convertible Bonds due 2016 as described 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 2016.

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 to all Directors, the Company confirmed that all Directors have complied with the required standard as set out in the Model Code throughout the period under review.

REPORT OF THE BOARD

CORPORATE GOVERNANCE PRACTICES

The Company has adopted the code provisions as set out in the Corporate Governance Code and Corporate Governance Report (“CG Code”) contained in Appendix 14 to the Listing Rules as its own code of corporate governance.

During the six months ended 31 October 2016, the Company was in compliance with all code provisions set out in the CG Code except for the deviations from code provisions A.2.1, A.4.1, C.1.2 and E.1.2 which are explained below.

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 (“Chairman”), 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 (“Mr. Hu”), an independent non-executive Director is not appointed for a specific term, but is subject to retirement from office by rotation in accordance with the by-laws of the Company. On 26 July 2016, the Company has entered into a letter of appointment with Mr. Hu for a fixed term of two years commencing on 26 July 2016, which is automatically renewable for successive term of two years upon the expiry of the said term, unless terminated by not less than one month’s notice in writing served by either party on the other.

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.

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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. Sun Shao Feng, the Chairman, did not attend the annual general meeting of the Company held on 30 September 2016 due to dealing with his 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 during the six months ended 31 October 2016.

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 principal duties of the Audit Committee include the review of the Company’s financial reporting system, risk management and internal control systems and financial information of the Group. The Audit Committee has reviewed the unaudited interim financial statements of the Group for the six months ended 31 October 2016.

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

Hong Kong, 29 December 2016

As at the date of this report, the Board comprises two executive Directors, namely Mr. Sun Shao Feng (Chairman and CEO) and Mr. Chen Changgai; and four independent non-executive Directors, namely Mr. Wei Xiongwen, Mr. Hu Ji Rong, Mr. Zeng Shaoxiao and Ms. Yu Xiao Min.

** For identification purpose only*