



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
2017/18



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 2017 (“1H 2017/18” or the “Review Period”) with comparative figures for the corresponding period of 2016/17 (“1H 2016/17”) as follows:

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the six months ended 31 October 2017

		Six months ended 31 October	
	Notes	2017 RMB'000 (Unaudited)	2016 RMB'000 (Unaudited)
Turnover	3	307,252	111,927
Cost of sales		(252,275)	(141,399)
Gross profit (loss)		54,977	(29,472)
Other revenue	4	2,276	25,377
Other gains and losses	4	72,247	(10,681)
Gain (loss) arising from changes in fair value less costs to sell of biological assets		7,342	(8,539)
Selling and distribution expenses		(21,123)	(56,621)
General and administrative expenses		(86,230)	(127,250)
Share of loss of an associate		(1,094)	—
Profit (loss) from operations		28,395	(207,186)
Finance costs		(24,446)	(62,360)
Profit (loss) before taxation	5	3,949	(269,546)
Income tax expense	6	(15,444)	—
Loss for the period attributable to owners of the Company		(11,495)	(269,546)

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CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME (CONT'D)

For the six months ended 31 October 2017

		Six months ended 31 October	
	Note	2017 RMB'000 (Unaudited)	2016 RMB'000 (Unaudited)
Other comprehensive loss for the period (after tax)			
Items that may be reclassified subsequently to profit or loss:			
Exchange differences on translation of financial statements of overseas subsidiaries		(10,036)	(1,012)
Revaluation increase on available-for-sale financial assets		1,916	–
Reclassification to profit or loss on disposal of available-for-sale financial assets		(1,916)	–
Other comprehensive loss for the period		(10,036)	(1,012)
Total comprehensive loss for the period attributable to owners of the Company		(21,531)	(270,558)
Loss per share attributable to owners of the Company			
– Basic	8	RMB0.17 cents	RMB7.24 cents
– Diluted		RMB0.17 cents	RMB7.24 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 2017

		At 31 October 2017 RMB'000 (Unaudited)	At 30 April 2017 RMB'000 (Audited)
	Notes		
Non-current assets			
Fixed assets			
– Property, plant and equipment	9	1,368,512	1,137,541
– Interest in leasehold land held for own use under operating leases		118,653	120,171
Investment in an associate	10	29,530	–
Long-term prepaid rentals		277,024	296,497
Deposit paid for property, plant and equipment		14,240	90,079
Available-for-sale financial assets		11,577	33,748
		1,819,536	1,678,036
Current assets			
Inventories		25,544	911
Biological assets		30,530	16,444
Current portion of long-term prepaid rentals		38,946	38,946
Trade and other receivables	11	113,252	142,901
Financial assets at fair value through profit or loss		–	5,475
Pledged bank deposits		–	130,000
Cash and cash equivalents		1,140,202	1,357,295
		1,348,474	1,691,972
Assets classified as held for sale	12	–	49,760
		1,348,474	1,741,732

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CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION (CONT'D)

As at 31 October 2017

	Notes	At 31 October 2017 RMB'000 (Unaudited)	At 30 April 2017 RMB'000 (Audited)
Current liabilities			
Trade and other payables	13	173,734	154,949
Bank borrowings	14	410,000	631,300
Income tax payable		17,804	17,804
Derivative financial liability		3,557	5,575
		605,095	809,628
Net current assets		743,379	932,104
Total assets less current liabilities		2,562,915	2,610,140
Non-current liabilities			
Deferred tax liabilities		69,581	69,581
Convertible notes		120,839	116,227
Bank borrowings	14	–	30,000
		190,420	215,808
Net assets		2,372,495	2,394,332
Capital and reserves			
Share capital	15	59,062	590,615
Reserves		2,313,433	1,803,717
Total equity attributable to owners of the Company		2,372,495	2,394,332

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 2017

	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 2017 (audited)	590,615	1,153,757	249,850	-	14,694	394,281	-	(179,314)	170,449	2,394,332
Loss for the period	-	-	-	-	-	-	-	-	(11,495)	(11,495)
Exchange differences on translation of financial statements of overseas subsidiaries	-	-	-	-	-	-	-	(10,036)	-	(10,036)
Revaluation increase on available-for-sale financial assets	-	-	-	1,916	-	-	-	-	-	1,916
Reclassification to profit or loss on disposal of available-for-sale financial assets	-	-	-	(1,916)	-	-	-	-	-	(1,916)
Total comprehensive loss for the period	-	-	-	-	-	-	-	(10,036)	(11,495)	(21,531)
Capital reorganisation (note 15(ii))	(531,553)	-	-	-	-	531,553	-	-	-	-
Transaction cost related to capital reorganisation	-	(306)	-	-	-	-	-	-	-	(306)
As at 31 October 2017 (unaudited)	59,062	1,153,451	249,850	-	14,694	925,834	-	(189,350)	158,954	2,372,495
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 (note 15(ii))	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

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CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 31 October 2017

	Six months ended 31 October	
	2017 RMB'000 (Unaudited)	2016 RMB'000 (Unaudited)
Net cash used in operating activities	(30,449)	(336,362)
Net cash generated from (used in) investing activities	95,074	(352,050)
Net cash (used in) generated from financing activities	(266,561)	45,174
Decrease in cash and cash equivalents	(201,936)	(643,238)
Effect of foreign exchange rate changes	(15,157)	1,460
Cash and cash equivalents at 1 May	1,357,295	1,961,542
Cash and cash equivalents at 31 October	1,140,202	1,319,764
Analysis of balances of cash and cash equivalents:		
Cash and cash equivalents	1,140,202	1,319,764

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NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 31 October 2017

1. CORPORATE INFORMATION

The Company was incorporated in Bermuda under the Companies Act 1981 of Bermuda as an exempted company with limited liability and its shares are listed on the Main Board of The Stock Exchange of Hong Kong Limited (the “Stock Exchange”). The addresses of its registered office and principal place of business are Clarendon House, 2 Church Street, Hamilton, HM 11, Bermuda and Suites 1106–08, 11th Floor, The Chinese Bank Building, 61–65 Des Voeux Road Central, Hong Kong, respectively.

The Group is 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 accounting policies and basis of presentation used in the preparation of these condensed consolidated interim financial statements are consistent with those adopted in the preparation of the Group’s audited consolidated financial statements for the year ended 30 April 2017, except for the application of the following new and revised HKFRSs, HKASs and amendments (hereinafter collectively referred to as the “new and revised HKFRSs”) effective from 1 January 2017:

HKFRSs (Amendments)	Annual Improvements to HKFRSs 2014–2016 Cycle
HKAS 7 (Amendments)	Disclosure Initiative
HKAS 12 (Amendments)	Recognition of Deferred Tax Assets for Unrealised Losses

The application of the above amendments to HKFRSs has had no material impact on the Group’s financial performance and positions for the current and prior periods and/or on the disclosures set out in these condensed consolidated interim financial statements.

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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NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONT'D)

For the six months ended 31 October 2017

2. BASIS OF PREPARATION (continued)

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 2017. 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 2017 and 2016 is as follows:

	Unaudited Six months ended 31 October	
	2017	2016
	RMB'000	RMB'000
Fresh produce and processed products	296,771	106,413
Branded food products and others	10,481	5,514
	307,252	111,927

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NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONT'D)

For the six months ended 31 October 2017

3. TURNOVER AND SEGMENT REPORTING (continued)

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:

	Unaudited Six months ended 31 October					
	Fresh produce and processed products		Branded food products and others		Total	
	2017	2016	2017	2016	2017	2016
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Revenue from external customers	296,771	106,413	10,481	5,514	307,252	111,927
Inter-segment revenue	5,215	492	1,060	72	6,275	564
Reportable segment revenue	301,986	106,905	11,541	5,586	313,527	112,491
Reportable segment profit (loss)	37,969	(89,636)	(4,056)	(5,655)	33,913	(95,291)

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NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONT'D)

For the six months ended 31 October 2017

3. TURNOVER AND SEGMENT REPORTING (continued)

b) Segment reporting (continued)

Reconciliation of reportable segment revenue and profit or loss:

	Unaudited Six months ended 31 October	
	2017	2016
	RMB'000	RMB'000
Revenue		
Reportable segment revenue	313,527	112,491
Elimination of inter-segment revenue	(6,275)	(564)
Consolidated revenue	307,252	111,927
Profit or loss		
Reportable segment profit (loss)	33,913	(95,291)
Finance costs	(23,944)	(62,360)
Finance income	1,086	22,156
Other revenue	398	3,221
Gain on final settlement on disposal of a subsidiary related to beverage business operations	72,058	—
Impairment loss recognised on available-for-sale financial assets	(2,930)	(11,097)
Net (loss) gain on financial assets at fair value through profit or loss	(611)	416
Gain on disposal of a subsidiary	2	—
Gain on disposal of available-for-sale financial assets	1,916	—
Fair value change in derivative financial liability	1,812	—
Share of loss of an associate	(1,094)	—
Unallocated depreciation and amortisation	(7,332)	(11,033)
Unallocated head office and corporate expenses	(71,325)	(115,558)
Consolidated profit (loss) before taxation	3,949	(269,546)

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NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONT'D)

For the six months ended 31 October 2017

4. OTHER REVENUE AND OTHER GAINS AND LOSSES

	Unaudited Six months ended 31 October	
	2017 RMB'000	2016 RMB'000
Other revenue		
Bank interest income	1,878	22,156
Dividend income	252	1,004
Sundry income	100	1,162
Net foreign exchange gain	46	1,055
	2,276	25,377
Other gains and losses		
Gain on final settlement on disposal of a subsidiary related to beverage business operations (note)	72,058	–
Gain on disposal of available-for-sale financial assets	1,916	–
Impairment loss recognised on available-for-sales financial assets	(2,930)	(11,097)
Net (loss) gain on financial assets at fair value through profit or loss	(611)	416
Fair value change in derivative financial liability	1,812	–
Gain on disposal of a subsidiary	2	–
	72,247	(10,681)

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NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONT'D)

For the six months ended 31 October 2017

4. OTHER REVENUE AND OTHER GAINS AND LOSSES (continued)

Note:

Pursuant to the Amended and Restated Equity Transfer Agreement ("Amended and Restated Equity Transfer Agreement") dated 28 February 2016 entered into between, among others, the Company, 中綠之源(廈門)貿易有限公司 (China Green Resources (Xiamen) Sales Co., Ltd.*) (the "Seller") and 可口可樂飲料(上海)有限公司 (Coca-Cola Beverages (Shanghai) Company Limited*) (the "Purchaser") relating to the disposal of 廈門粗糧王飲品科技有限公司 (Xiamen Culiangwang Beverage Technology Co., Ltd.*) ("Xiamen Culiangwang") ("Disposal"), US\$150 million was held in escrow on the date of completion of the Disposal (i.e. 23 March 2016) until the satisfaction of certain conditions stipulated in the Amended and Restated Equity Transfer Agreement. On 9 August 2017, the Company entered into, among others, a settlement agreement with the Purchaser (the "Settlement Agreement") for the full and final settlement of outstanding payment amount due from each party under the Disposal, including the release the US\$150 million held in escrow account. Under the terms of the Settlement Agreement, the Group is entitled to receive US\$10,000,000 with all accrued interest (equivalent to approximately RMB65,341,000) from the escrow account and the sum of RMB63,933,926 representing net amount of VAT input credit reimbursed by the Purchaser less amount payable by the Seller to the Purchaser according to the Amended and Restated Equity Transfer Agreement. For details of the Amended and Restated Equity Transfer Agreement and the Settlement Agreement, please refer to the Company's announcements dated 29 February 2016, 23 March 2016, 26 March 2017 and 9 August 2017.

As a result, the Group recognized gain amounting to approximately RMB72,058,000, which represented the difference between the total proceeds from the Settlement Agreement of approximately RMB129,275,000 and the other receivables amounting to approximately RMB112,911,000 netting-off the other payables amounting to approximately RMB55,694,000 related to the Disposal recognized as at 30 April 2016.

5. PROFIT (LOSS) BEFORE TAXATION

Profit (loss) before taxation is stated after charging the followings:

	Unaudited Six months ended 31 October	
	2017	2016
	RMB'000	RMB'000
Depreciation of property, plant and equipment	51,483	47,750
Staff costs (including directors' emoluments)	92,141	66,634
Amortisation of long-term prepaid rentals	19,473	32,545
Amortisation of interests in leasehold land held for own use under operating leases	1,516	1,516

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NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONT'D)

For the six months ended 31 October 2017

6. INCOME TAX EXPENSE

	Unaudited Six months ended 31 October	
	2017 RMB'000	2016 RMB'000
Current tax – PRC Enterprise Income Tax		
Provision for the period	15,444	–
Deferred tax		
Origination and reversal of temporary differences	–	–
Total income tax expense recognised in profit or loss	15,444	–

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.

According to the PRC tax law and its interpretation rules, enterprises that engage in qualifying agricultural business are eligible for certain tax benefits, including full PRC Enterprise Income Tax exemption derived from such business. The Group's principal subsidiaries which are engaged in qualifying agricultural business are entitled to exemption of PRC Enterprise Income Tax.

b) **Hong Kong profits tax**

No provision for Hong Kong Profits Tax for the periods ended 31 October 2017 and 2016 has been made as the Group has no estimated assessable profits arising in Hong Kong for both periods.

c) **Other income tax**

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

7. DIVIDENDS

No dividend was declared for the six months ended 31 October 2017 (six months ended 31 October 2016: Nil).

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NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONT'D)

For the six months ended 31 October 2017

8. LOSS PER SHARE

a) Basic loss per share

The calculation of basic loss per share is based on the following data:

Loss attributable to owners of the Company

	Unaudited Six months ended 31 October 2017 RMB'000	2016 RMB'000
Loss attributable to owners of the Company for calculation of basic and diluted loss per share	(11,495)	(269,546)

	Unaudited Six months ended 31 October 2017	2016 Number of ordinary shares
Weighted average number of ordinary shares for calculation of basic and diluted loss per share	6,942,285,077	3,723,535,077

The weighted average number of ordinary shares were the same as those for both basic and diluted loss per share.

b) Diluted loss per share

Diluted loss per share for the periods ended 31 October 2017 and 2016 was the same as the basic loss per share. There was no outstanding share options as at 31 October 2017 and 2016. During the periods ended 31 October 2017 and 2016, the computation of diluted loss per share did not assume the conversion of the Company's outstanding convertible notes/bonds since the effect of such conversion was anti-dilutive.

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NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONT'D)

For the six months ended 31 October 2017

9. MOVEMENTS IN PROPERTY, PLANT AND EQUIPMENT

During the period ended 31 October 2017, the Group acquired certain property, plant and equipment amounting to approximately RMB282,478,000 (six months ended 31 October 2016: Nil) in which the Group incurred development expenditure on development of infrastructure on certain cultivation base amounting to approximately RMB278,321,000 (six months ended 31 October 2016: Nil).

10. INVESTMENT IN AN ASSOCIATE

Details of the Group's investment in an associate are as follows:

	As at 31 October 2017 RMB'000 (Unaudited)	As at 30 April 2017 RMB'000 (Audited)
Cost of investment in an associate	30,611	—
Share of post-acquisition loss	(1,094)	—
Share of other comprehensive income of an associate	13	—
	29,530	—

Details of the Group's associate at the end of the reporting period are as follows:

Name of entity	Country of incorporation/ registration	Principal place of business	Proportions of ownership interest held by the Group		Principal activities of the entity and its subsidiaries
			As at 31 October 2017	As at 30 April 2017	
GFC Holdings Limited	Cayman Islands	Hong Kong	Approximately 36%	—	Provision of food catering services and operating restaurants, cafes and take-away outlets in Hong Kong

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NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONT'D)

For the six months ended 31 October 2017

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 2017 RMB'000 (Unaudited)	As at 30 April 2017 RMB'000 (Audited)
Within 1 month	88,670	9,582
Over 1 month but within 3 months	—	4,137
Over 3 months but within 6 months	—	47
	88,670	13,766

12. ASSETS CLASSIFIED AS HELD FOR SALE

On 14 April 2017, two indirect wholly-owned subsidiaries of the Company entered into an equity transfer agreement (further amended and supplemented by a supplemental agreement dated 14 April 2017) in relation to the disposal of 100% of the equity interest of 中綠(阜陽)飲品科技開發有限公司 (China Green (Fuyang) Beverages Science and Technology Development Limited*) ("Fuyang Company") to an independent third party.

As at 30 April 2017, certain conditions precedent of the aforesaid equity transfer agreement have not yet been fulfilled and the transaction has not yet been completed. As at 30 April 2017, the carrying amount of Fuyang Company was higher than the fair value less cost to sell of business. In accordance with HKFRSs, the assets classified as held for sale were written down to the fair value less cost to sell of approximately RMB49,760,000. Therefore, impairment loss on property, plant and equipment of approximately RMB4,925,000 was recognised for the year ended 30 April 2017.

The major class of assets of Fuyang Company is as below:

	As at 31 October 2017 RMB'000 (Unaudited)	As at 30 April 2017 RMB'000 (Audited)
Property, plant and equipment	—	54,685
Less: Impairment loss on property, plant and equipment	—	(4,925)
Net assets classified as held for sale	—	49,760

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NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONT'D)

For the six months ended 31 October 2017

12. ASSETS CLASSIFIED AS HELD FOR SALE (continued)

During the six months ended 31 October 2017, all conditions precedent had been fulfilled and the disposal was completed.

The net assets disposed of were as follows:

	RMB'000
Assets classified as held for sale	49,760
Net assets disposed of	49,760
Gain on disposal:	
Consideration received	49,762
Net assets disposed of	(49,760)
Gain on disposal	2
Net cash inflow arising from disposal of a subsidiary	
Consideration received, net of transaction cost	49,762

13. TRADE PAYABLES

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

	As at 31 October 2017 RMB'000 (Unaudited)	As at 30 April 2017 RMB'000 (Audited)
Within 1 month	11,407	1,457
Within 1 month to 3 months	—	805
Within 3 months to 6 months	—	156
Within 6 months to 1 year	—	354
	11,407	2,772

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NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONT'D)

For the six months ended 31 October 2017

14. BANK BORROWINGS

	As at 31 October 2017 RMB'000 (Unaudited)	As at 30 April 2017 RMB'000 (Audited)
Bank borrowings	410,000	661,300
Secured	330,000	541,300
Unsecured	80,000	120,000
	410,000	661,300
Within one year	410,000	631,300
More than one year, but not exceeding two years	–	30,000
	410,000	661,300
Less: Amounts shown under current liabilities	410,000	631,300
Amounts shown under non-current liabilities	–	30,000

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NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONT'D)

For the six months ended 31 October 2017

15. SHARE CAPITAL

	Number of shares '000	Nominal value HK\$'000	RMB equivalent RMB'000
Authorised:			
At 30 April 2016, 31 October 2016 and 30 April 2017, ordinary shares of HK\$0.1 each	10,000,000	1,000,000	843,098
Share subdivision (<i>Note (i)</i>)	90,000,000	—	—
At 31 October 2017, ordinary shares of HK\$0.01 each	100,000,000	1,000,000	843,098
Issued and fully paid:			
At 30 April 2016, ordinary shares of HK\$0.1 each	1,192,286	119,228	98,571
Issue of shares upon placing (<i>Note (ii)</i>)	5,750,000	575,000	492,044
At 31 October 2016 and 30 April 2017, ordinary shares of HK\$0.1 each	6,942,286	694,228	590,615
Capital reduction (<i>Note (i)</i>)	—	(624,805)	(531,553)
At 31 October 2017, ordinary shares of HK\$0.01 each	6,942,286	69,423	59,062

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NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONT'D)

For the six months ended 31 October 2017

15. SHARE CAPITAL (continued)

Notes:

- (i) A special resolution in relation to capital reorganisation comprising the capital reduction and the share subdivision was duly passed by way of poll at the special general meeting of the Company held on 29 June 2017. The capital reorganisation became effective on 30 June 2017.

After the capital reorganisation,

- (1) the par value of each of the then issued shares of the Company was reduced from HK\$0.10 each by cancelling the paid-up capital of the Company to the extent of HK\$0.09 on each of the then issued shares of the Company by way of a reduction of capital, so as to form issued new shares with par value of HK\$0.01 each. The credits arising from such reduction of the paid-up capital had been credited to the contribution surplus account of the Company within the meaning of the Companies Act 1981 of Bermuda.
 - (2) immediately following the abovementioned capital reduction, each of the then authorised but unissued shares of the Company of par value of HK\$0.10 each was sub-divided into 10 new shares of the Company of par value of HK\$0.01 each.
- (ii) On 12 August 2016, an aggregate of 5,750,000,000 shares were issued by way of placing at a price of HK\$0.1 per share for net proceeds of approximately RMB473,784,000 for the purpose of redemption of the convertible bonds and payment of the interest accrued and for general working capital.

INTERIM FINANCIAL STATEMENTS

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONT'D)

For the six months ended 31 October 2017

16. COMMITMENTS

a) Capital commitments

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

	As at 31 October 2017 RMB'000 (Unaudited)	As at 30 April 2017 RMB'000 (Audited)
Contracted but not provided for		
– Purchase of property, plant and equipment	15,696	215,578

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 2017 RMB'000 (Unaudited)	As at 30 April 2017 RMB'000 (Audited)
Within one year	184	768
After one year but within five years	250,000	250,000
After five years	1,267,500	1,267,500
	1,517,684	1,518,268

17. CONTINGENT LIABILITIES

The Group did not have any significant contingent liabilities as at 31 October 2017 (30 April 2017: Nil).

INTERIM FINANCIAL STATEMENTS

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONT'D)

For the six months ended 31 October 2017

18. 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	
	2017 RMB'000	2016 RMB'000
Short-term employee benefits	4,831	5,037
Post-employment benefits	30	26
	4,861	5,063

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.

19. EVENT AFTER THE INTERIM PERIOD

On 19 December 2017, the Company received a writ of summons with a statement of claim ("Writ") issued in the Court of First Instance of the High Court of Hong Kong by Convoy Global Holdings Limited ("First Plaintiff"), Convoy Collateral Limited ("Second Plaintiff") and CSL Securities Limited ("Third Plaintiff", together with the First Plaintiff and the Second Plaintiff, collectively as the "Plaintiffs") against, among other defendants, the Company.

The Plaintiffs alleged that the Company was among a number of placees (the "Placees") who were allotted shares in the First Plaintiff in a placement arranged by the First Plaintiff on 29 October 2015 ("Share Placement"), and that the Placees were associated with Mr. Cho Kwai Chee Roy ("Mr. Cho"), who was allegedly a shadow director of the First Plaintiff according to the Writ. It was further alleged in the Writ that the Share Placement was not made for proper purposes, as there were related financing arrangements made between the Second Plaintiff and the Third Plaintiff on one hand, and the Placees on the other (the "Financing Arrangement"), whereby the Placees received loans that were granted by the Second Plaintiff and the Third Plaintiff under suspicious circumstances, in close proximity to the time of the Share Placement and were on non-commercial terms.

INTERIM FINANCIAL STATEMENTS

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONT'D)

For the six months ended 31 October 2017

19. EVENT AFTER THE INTERIM PERIOD (continued)

It is further stated in the Writ that the Placees, among others, have caused the Plaintiffs an unspecified amount of substantial loss and damage, and that the Financing Arrangement was in substance an unlawful distribution of capital of the First Plaintiff to the Placees, and was ultra vires and null and void. Further, the Plaintiffs claim that the Placees who received the proceeds of the Financing Arrangement allegedly with knowledge of the circumstances should be liable to account for such sums.

The Placees, among others, were also alleged to have dishonestly assisted in the breach of fiduciary duty imposed on Mr. Cho and his associates, thereby causing the Plaintiffs an unspecified amount of substantial loss and damage. There were further allegations against, among others, the Placees of conspiracy through unlawful means in carrying out the Financing Arrangement.

According to the Writ, the orders sought by the Plaintiffs against the Company are (i) the First Plaintiff sought an order as against, among others, the Company, that the allotment of the shares in the First Plaintiff by the First Plaintiff to, among others, the Company on 29 October 2015, be set aside; (ii) the Second Plaintiff and the Third Plaintiff sought an order that the financing facilities granted by them in favour of the Placees be rescinded; and (iii) the Plaintiffs sought as against, among others, the Company for (a) general or special damages; (b) interests; (c) costs; and (d) further and/or other reliefs.

In respect of the above mentioned litigation, the Company is currently seeking legal advice for further legal procedures. The Company can confirm that it was not a Placee for the Share Placement. It is currently the Company's plan to file an Acknowledgement of Service indicating that it will contest the proceedings on or before 2 January 2018 and will file a Defence to defend the claims. The management will continue to monitor the event and will make further announcement at due time to provide latest updates on the litigation to investors of the Group.

For the details of the legal proceeding, please refer to the Company's announcements dated 19 December 2017 and 20 December 2017.

20. APPROVAL OF INTERIM FINANCIAL STATEMENTS

The unaudited condensed consolidated interim financial statements for the six months ended 31 October 2017 were approved and authorised for issue by the Board on 21 December 2017.

REPORT OF THE BOARD

MANAGEMENT DISCUSSION AND ANALYSIS

Financial highlights and review of operations

During the six months ended 31 October 2017 and 2016, the Group was principally engaged in two business segments, namely (i) fresh produce and processed products and (ii) branded food products and others. The breakdown of their revenue was as follows:

	Unaudited Six months ended 31 October	
	2017	2016
	RMB'000	RMB'000
Revenue by products		
Fresh produce and processed products	296,771	106,413
Branded food products and others	10,481	5,514
Total	307,252	111,927

Fresh produce and processed products

Fresh produce and processed products primarily consisted of fresh vegetables such as sweet corns, lotus roots, radish, cucumbers and water melons as well as multi-grains such as red beans, green beans and peanut. During the Review Period, revenue from this segment amounted to approximately RMB296,771,000 (1H 2016/17: approximately RMB106,413,000). During the Review Period, both production and supply of fresh produce increased due to the expansion of cultivation area of existing farmland in Baicheng City from 110,000 mu as at 31 October 2016 to 164,000 mu as at 31 October 2017. In addition to the supply agreement entered into between the Group and Xiamen Culiangwang dated 23 March 2016 for a term of five years, during the Review Period, the Group also entered into supply contracts and agreements with certain famous domestic food manufacturers for the provision of raw materials of multi-grain products in order to diversify the customers base and stabilize the demand of fresh produce and processed products.

REPORT OF THE BOARD

Multi-Grain Farmland – Baicheng City

As a major production base of the Group, the cultivation area of farmland in Baicheng City increased from 120,000 mu as at 30 April 2017 to 164,000 mu as at 31 October 2017. Depending on the market condition and the productivity of the farmland, the Group plans to gradually commence cultivation of the remaining 36,000 mu of farmland in the coming few years. Meanwhile, the Group will continue to deploy resources to improve efficiency of the farmland and farmland infrastructure in order to achieve comprehensive and large scale commercial production.

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 Review Period, revenue from this segment was approximately RMB10,481,000 (1H 2016/17: approximately RMB5,514,000). This segment recorded steady month-on-month sales growth during the Review Period attributable to increasing sales channels and the Group's branded food products getting more recognition in the market.

"Garden Life" creates a whole-process green ingredient supply chain that embraces research and development, cultivation, production, processing and sales of agricultural products for the Group. "Garden Life" comprises six business collections, including fruits and vegetables, dried food, dried fruits, meat products and imports collections, which provide diverse and quality agricultural products to domestic supermarkets, hotels, catering enterprises and food processing enterprises. Besides existing partners such as Xiamen Air Group, Dali Foods Group Company, Yinlu Group (銀鷺集團), Zaolong Food (早龍食品), Sihai Hefeng (四海禾豐) and Xiamen Culiangwang, the Group is actively expanding sales channel, striving to build "Garden Life" brand to a leading green ingredient supply chain brand in the People's Republic of China ("PRC").

REPORT OF THE BOARD

“China Green Imperial Delicacy” brand is a prepared frozen 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 desserts, and introduces a healthy, quick and delicious diet to customers. During the Review Period, products under “China Green Imperial Delicacy” brand were sold at large supermarkets in Central China and Southeast regions, such as Wal-Marts, METRO, Vanguard and Yonghui. The Group also closely monitors the market trend and to develop new customized products in order to compete in the prepared frozen food market. For example, the Group had launched prepared frozen crayfish into online sales channels such as T-mall flagship store, WeChat mall of China Green and JD.com. In order to better control the selling and distribution expenses, the Group will monitor the market demand in the online sales channels before carrying out large promotion activity in retail shops. Meanwhile, the Group will also regularly adjust its product mix to cater for the market needs.

Gross profit (loss) and gross profit (loss) margin

During the Review Period, the Group recorded a gross profit and gross profit margin of approximately RMB54,977,000 and 17.9% respectively (1H 2016/17: gross loss and gross loss margin of approximately RMB29,472,000 and 26.3% respectively). The turnaround from gross loss to gross profit was mainly attributable to increase in turnover during the Review Period and economies of scale resulting from the expansion of cultivation areas in the existing farmland in Baicheng City.

Other gains and losses

During the Review Period, the Group recorded net gains on other gains and losses of approximately RMB72,247,000 (1H 2016/17: net losses of approximately RMB10,681,000). The net gains were mainly due to gain on final settlement on disposal of the entire equity interest in Xiamen Culiangwang, details of which were disclosed in the Company’s announcements dated 29 February 2016, 23 March 2016, 26 March 2017 and 9 August 2017.

Gain (loss) arising from changes in fair value less costs to sell of biological assets

There was a gain from changes in fair value less costs to sell of biological assets of approximately RMB7,342,000 (1H 2016/17: loss of approximately RMB8,539,000). Such gain was mainly due to the increase in biological assets planted by the Group during the Review Period.

REPORT OF THE BOARD

Operating Expenses

Total operating expenses decreased to approximately RMB107,353,000 (1H 2016/17: approximately RMB183,871,000). Selling and distribution expenses were approximately RMB21,123,000 (1H 2016/17: approximately RMB56,621,000), representing a decrease of 62.7%. As the “Garden Life” brand and the “China Green Imperial Delicacy” brand were firstly created in 2016, more selling and distribution expenses were incurred in the past in order to bring these new brands to the market. During the Review Period, since these two brands get more recognition in the market, lower selling and distribution expenses was incurred. General and administrative expenses were approximately RMB86,230,000 (1H 2016/17: approximately RMB127,250,000), representing a decrease of 32.2%. This is because more administrative expenses such as wages and salaries and other farming related expenses were required in 1H 2016/17 which is the initial stage of the development of the farmland in Baicheng City to deploy the resources. The Group expected such initial cost to gradually decrease in the future along with the development of cultivation area in Baicheng City. In addition, as more farmland in Baicheng City had been put into cultivation, more cost will be allocated from general and administrative expenses to cost of sales.

Loss for the period attributable to owners of the Company

Loss attributable to owners of the Company was approximately RMB11,495,000 in 1H 2017/18 (1H 2016/17: approximately RMB269,546,000). The decrease of loss attributable to owners of the Company was mainly due to (i) the increase in turnover, gross profit and gross profit margin; (ii) gain on final settlement on disposal of the entire equity interest in a subsidiary related to beverage business operations; and (iii) decrease in selling and distribution expenses, and general and administrative expenses as mentioned above.

Catering Business Operations

To diversify its business, the Group also subscribed for approximately 36.00% of the enlarged issued capital of GFC Holdings Limited (“GFC”) at the consideration of HK\$36,000,000 (equivalent to approximately RMB30,600,000) during the Review Period. GFC has become an associate of the Group upon completion of such subscription in July 2017. With about eight years of experience in its operations, GFC and its subsidiaries are principally engaged in the provision of food catering services, and operates restaurants, cafes and take-away outlets in Hong Kong, covering Hong Kong Island, Kowloon and the New Territories.

REPORT OF THE BOARD

As stated in the statistics in relation to the restaurant receipts released by the Census and Statistics Department of Hong Kong, the restaurant receipts of non-Chinese restaurants increased continuously from approximately HK\$24.2 billion in 2011 to approximately HK\$30.9 billion in 2016, representing a growth of approximately 27.7% for the five year period, reflecting the huge potential in non-Chinese restaurants in Hong Kong. As a considerably renowned brand in Hong Kong, GFC has a mature clientele coupled with a wide geographical coverage, and it is expected that the Group can materialize its investment return in the near future. During the period under review, the loss of an associate attributable to the Group amounted to approximately RMB1,094,000 (1H 2016/17: Nil).

Securities Investments

During the Review Period, the Group has invested in securities of listed companies. The Group recorded a net loss on financial assets at fair value through profit or loss of approximately RMB611,000 (1H 2016/17: net gain on financial assets at fair value through profit or loss of approximately RMB416,000), impairment loss recognised on available-for-sales financial assets of approximately RMB2,930,000 for the six months ended 31 October 2017 (1H 2016/17: approximately RMB11,097,000) and net gain on disposal of available-for-sale financial assets of approximately RMB1,916,000 (1H 2016/17: Nil).

As at 31 October 2017, the total fair value of the investment portfolio held by the Group was approximately RMB8,802,000 (30 April 2017: approximately RMB36,329,000) and the investment portfolio consisted of no financial assets at fair value through profit or loss (30 April 2017: approximately RMB5,475,000) and available-for-sale financial assets of approximately RMB8,802,000 (30 April 2017: approximately RMB30,854,000). The available-for-sale financial assets represented 147,880,000 shares of China Demeter Financial Investments Limited (stock code: 8120), which shares were listed on the Growth Enterprise Market of the Stock Exchange.

The Group will continue to explore the investment and cooperation opportunities and review its investment strategy from time to time to take appropriate actions whenever necessary in response to changes in the market situation.

REPORT OF THE BOARD

Outlook and Prospects

As living standard improves, people have higher awareness of and expectations on a healthy lifestyle and food safety, and the demand for green and nutritious multi-grain products rises. As a result, prepared frozen food, which is convenient and fast to cook, becomes the priority of the urbanites.

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 plantation bases, of which 164,000 mu had already been used for cultivation of various multi-grain products. Depending on the product demand in the coming years, the Group will continue to develop the remaining 36,000 mu of the plantation bases in Baicheng City, Jilin Province, to achieve economies of scale in cultivation with an aim to lower cultivation costs.

In addition, the Group will commit itself to building a whole-process green ingredient supply chain with “Garden Life” brand and “China Green Imperial Delicacy” brand as the core. To achieve a seamless integration of the whole industry chain “from the field to the table” and to promote overall industry upgrade, the Group will continue to further the development of a green agricultural industry chain through technological research, development and innovation, focusing on providing customers and related upstream and downstream enterprises with premium raw ingredients, promoting the diversified development of the multi-grain industry, and addressing issues such as household dietary safety, premium products supply in agricultural markets, and safe preparation of ingredients for restaurants. The Group will also adjust and update the production process and equipment of its processing plants to tie in with the development of the “Garden Life” brand and the “China Green Imperial Delicacy” brand.

REPORT OF THE BOARD

In terms of sales channel, with the advent of the “New Retail” concept, the Group has also strived to tap into online sales platforms in addition to the continued expansion of offline sales channels. Currently the Group’s products are available through e-commerce operators including T-mall flagship store, WeChat mall of China Green (中綠微商城) and JD.com. On another front, to complement the development of the “Garden Life” brand and “China Green Imperial Delicacy” brands, the Group plans to develop “Kitchen Online” (廚房在線), an online kitchen interactive platform with green, safe, smart and professional features, following the full-fledged development of the “Garden Life” and “China Green Imperial Delicacy” brands, so as to provide customers with special products and services related to the kitchen system, and broaden the customer base and boost the visibility of the products of the Group in full swing.

Besides focusing on expanding its existing businesses, the Group will also leverage its almost 20 years of vast experience in the adoption of entirely green practice in cultivation and production to explore related potential projects, in order to grasp the business opportunities arising from agriculture and multi-grain industries, and to create long-term values with a view to becoming an “entirely green food expert” with a leading position in domestic and overseas markets.

In terms of catering business in Hong Kong, GFC has also adopted a series of measures, including shutting down poorly-run restaurants and developing standard recipes and management structures, with a view to leveraging economies of scale and lowering operating costs. In addition, with the introduction of some new specialty restaurants, such as Japanese izakaya and Japanese-style hotpot restaurants, it is expected that the operating capability and business performance of this aspect will witness a full uplift.

Litigation

On 19 December 2017, the Company received the Writ issued in the Court of First Instance of the High Court of Hong Kong by the Plaintiffs against, among other defendants, the Company.

REPORT OF THE BOARD

The Plaintiffs alleged that the Company was among a number of Placees who were allotted shares in the First Plaintiff in the Share Placement arranged by the First Plaintiff on 29 October 2015, and that the Placees were associated with Mr. Cho, who was allegedly a shadow director of the First Plaintiff according to the Writ. It was further alleged in the Writ that the Share Placement was not made for proper purposes, as there was Financing Arrangement made between the Second Plaintiff and the Third Plaintiff on one hand, and the Placees on the other, whereby the Placees received loans that were granted by the Second Plaintiff and the Third Plaintiff under suspicious circumstances, in close proximity to the time of the Share Placement and were on non-commercial terms.

It is further stated in the Writ that the Placees, among others, have caused the Plaintiffs an unspecified amount of substantial loss and damage, and that the Financing Arrangement was in substance an unlawful distribution of capital of the First Plaintiff to the Placees, and was ultra vires and null and void. Further, the Plaintiffs claim that the Placees who received the proceeds of the Financing Arrangement allegedly with knowledge of the circumstances should be liable to account for such sums.

The Placees, among others, were also alleged to have dishonestly assisted in the breach of fiduciary duty imposed on Mr. Cho and his associates, thereby causing the Plaintiffs an unspecified amount of substantial loss and damage. There were further allegations against, among others, the Placees of conspiracy through unlawful means in carrying out the Financing Arrangement.

According to the Writ, the orders sought by the Plaintiffs against the Company are (i) the First Plaintiff sought an order as against, among others, the Company, that the allotment of the shares in the First Plaintiff by the First Plaintiff to, among others, the Company on 29 October 2015, be set aside; (ii) the Second Plaintiff and the Third Plaintiff sought an order that the financing facilities granted by them in favour of the Placees be rescinded; and (iii) the Plaintiffs sought as against, among others, the Company for (a) general or special damages; (b) interests; (c) costs; and (d) further and/or other reliefs.

REPORT OF THE BOARD

In respect of the above mentioned litigation, the Company is currently seeking legal advice for further legal procedures. The Company can confirm that it was not a Placee for the Share Placement. It is currently the Company's plan to file an Acknowledgement of Service indicating that it will contest the proceedings on or before 2 January 2018 and will file a Defence to defend the claims. The management will continue to monitor the event and will make further announcement at due time to provide latest updates on the litigation to investors of the Group.

For the details of the legal proceeding, please refer to the Company's announcements dated 19 December 2017 and 20 December 2017.

Group's Liquidity and Financial Resources

As at 31 October 2017, the Group's total cash and cash equivalents amounted to approximately RMB1,140,202,000 (30 April 2017: approximately RMB1,357,295,000) whilst the total assets and net assets were approximately RMB3,168,010,000 (30 April 2017: approximately RMB3,419,768,000) and RMB2,372,495,000 (30 April 2017: approximately RMB2,394,332,000) respectively. The Group had current assets of approximately RMB1,348,474,000 (30 April 2017: approximately RMB1,741,732,000) and current liabilities of approximately RMB605,095,000 (30 April 2017: approximately RMB809,628,000). The current ratio was 2.23 times (30 April 2017: 2.15 times). The Group's bank borrowings amounted to approximately RMB410,000,000 (30 April 2017: approximately RMB661,300,000), of which secured bank borrowings were approximately RMB330,000,000 (30 April 2017: approximately RMB541,300,000) and unsecured bank borrowings were approximately RMB80,000,000 (30 April 2017: approximately RMB120,000,000). The Company's convertible notes amounted to HK\$190,000,000 (equivalent to approximately RMB120,839,000) (30 April 2017: approximately RMB116,227,000). The gearing ratio of the Group, defined as the total borrowings and convertible notes to the shareholders' equity, amounted to 22.4% as at 31 October 2017 as compared with 32.5% as at 30 April 2017.

REPORT OF THE BOARD

Capital Structure and Fund Raising Activities

As at 31 October 2017, the authorised share capital of the Company was HK\$1,000,000,000 divided into 100,000,000,000 shares of the Company with par value of HK\$0.01 each (the “Shares”) and the issued share capital was HK\$69,422,850.77 divided into 6,942,285,077 Shares.

During the six months ended 31 October 2017, the Company has carried out the following events in relation to the capital structure:

Capital Reorganisation

At the special general meeting held on 29 June 2017, the special resolution in relation to the capital reorganisation (the “Capital Reorganisation”) comprising the capital reduction (“Capital Reduction”) and the share subdivision (“Share Subdivision”) was duly passed by way of poll and the Capital Reorganisation took effect on 30 June 2017. Details of the Capital Reorganisation are as follows:

(1) Capital Reduction:

The par value of each of the then issued shares of the Company was reduced from HK\$0.10 each by cancelling the paid-up capital of the Company to the extent of HK\$0.09 on each of the then issued shares of the Company by way of a reduction of capital, so as to form issued new shares with par value of HK\$0.01 each. The credits arising from such reduction of the paid-up capital had been credited to the contribution surplus account of the Company within the meaning of the Companies Act 1981 of Bermuda.

(2) Share Subdivision:

Immediately following the Capital Reduction, each of the then authorised but unissued shares of the Company of par value of HK\$0.10 each was subdivided into 10 new shares of the Company of par value of HK\$0.01 each.

REPORT OF THE BOARD

Placing of Notes

On 8 May 2017, the Company entered into a placing agreement (the “Placing Agreement”) with a placing agent, pursuant to which the placing agent agreed to act as placing agent of the Company, on a best endeavour basis, to procure the placee(s) to subscribe for the 7.00% per annum coupon notes (“Notes”) to be issued by the Company in an aggregate principal amount of up to HK\$150 million maturing on the date falling on the first anniversary of the issue date of the Notes at the placing price equal to 100% of the principal amount of the Notes (“Placing of Notes”), subject to the terms and conditions of the Placing Agreement.

The placing period was expired on 8 November 2017 and no Notes had been successfully placed. For the details of the Placing of Notes, please refer to the announcements of the Company dated 8 May 2017 and 8 November 2017.

Capital Commitments and Contingent Liabilities

As at 31 October 2017, the Group has contractual capital commitments of approximately RMB15.7 million (30 April 2017: approximately RMB215.6 million).

As at 31 October 2017, 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.

Financial Risk Management

The Group did not have any outstanding foreign exchange contracts, interest or currency swaps or other financial derivatives as at 31 October 2017. The revenue, operating costs and bank deposits of the Group are mainly denominated in RMB and HK\$. As such, the Group is not exposed to any material foreign currency exchange risk.

RMB is not freely convertible into foreign currencies. All foreign exchange transactions involving RMB must take place through the PRC or other financial institutions authorized to buy and sell foreign currencies.

In respect of pledged bank deposits, cash and cash equivalents, trade and other receivables, trade and other payables and bank borrowings held in a currency other than the functional currency of the operations to which they relate, the Group ensures that the net exposure is kept to an acceptable level, by buying or selling foreign currencies at spot rates where necessary to address short-term imbalances.

REPORT OF THE BOARD

Significant Investments Held and Material Acquisitions and Disposals

Disposal of the entire equity interest in 中綠(阜陽)飲品科技開發有限公司 (China Green (Fuyang) Beverages Science and Technology Development Limited*)

On 14 April 2017, the vendors, namely 中綠之源(廈門)貿易有限公司 (China Green Resources (Xiamen) Sales Co., Ltd.*) (“Xiamen Company”) and 中綠(泉州)食品開發有限公司 (Zhonglu (Quanzhou) Green Foods Developing Co., Ltd.*) (“Quanzhou Company”, together with Xiamen Company, the “Vendors”), both are indirect wholly-owned subsidiaries of the Company, 廈門高泉投資有限公司 (Xiamen Gaoquan Investment Co., Ltd.*) (“Xiamen Gaoquan”), an independent third party, as purchaser and Fuyang Company entered into an equity transfer agreement, which was further amended and supplemented by a supplemental agreement dated 14 April 2017 entered into by the same parties, pursuant to which Xiamen Gaoquan agreed to acquire, and the Vendors agreed to sell, the entire equity interest of Fuyang Company which is owned as to 1% by Xiamen Company and 99% by Quanzhou Company, representing 100% of the equity interest in Fuyang Company, at cash consideration of approximately RMB49.8 million and a debt in the amount of approximately RMB45.2 million due and owing by Quanzhou Company to Fuyang Company will be waived (the “Disposal of Fuyang Company”). The Disposal of Fuyang Company was completed on 7 August 2017 and the Group ceased to have any interests in Fuyang Company. For the details of the Disposal of Fuyang Company, please refer to the announcement of the Company dated 17 April 2017.

Acquisition of Equity Interest in GFC Holdings Limited

On 17 July 2017, Easy Run Global Limited, a wholly-owned subsidiary of the Company, and GFC entered into a subscription agreement, pursuant to which Easy Run Global Limited has conditionally agreed to subscribe for, and GFC has conditionally agreed to allot and issue, 94,603 new ordinary shares of GFC (the “Subscription Shares”), which shall represent approximately 36.00% of the enlarged issued share capital of GFC upon completion (as enlarged by the allotment and issue of the Subscription Shares) at the consideration of HK\$36 million (the “Subscription”). GFC is an investment holding company and its subsidiaries are engaged in the provision of food catering services and operating restaurants, cafes and take-away outlets in Hong Kong.

Upon completion of the Subscription in July 2017, GFC has become an associate of the Company. For the details of the Subscription, please refer to the announcements of the Company dated 17 July 2017 and 4 August 2017.

REPORT OF THE BOARD

Update on the Disposal of Branded Beverage Businesses

Pursuant to the Amended and Restated Equity Transfer Agreement dated 28 February 2016 entered into between, among others, the Company, the Seller and the Purchaser relating to the Disposal, US\$150 million was held in escrow on the date of completion of the Disposal (i.e. 23 March 2016) until the satisfaction of certain conditions stipulated in the Amended and Restated Transfer Agreement.

On 9 August 2017, the Company entered into, among others, the Settlement Agreement with the Purchaser for the full and final settlement of outstanding payment amount due from each party under the Disposal, including the release the US\$150 million held in escrow account. Under the terms of the Settlement Agreement, the Group is entitled to receive US\$10,000,000 with all accrued interest (equivalent to RMB65,341,000 approximately) from the escrow account and the sum of RMB63,933,926 representing net amount of VAT input credit reimbursed by the Purchaser less amount payable by the Seller to the Purchaser according to the Amended and Restated Equity Transfer Agreement.

Relevant disclosure was made in the Company's announcements dated 29 February 2016, 23 March 2016, 26 March 2017 and 9 August 2017 and the Company's circular dated 7 March 2016.

Disposal of Shares in Tianyun International Holdings Limited

During the period from 3 March 2017 to 5 September 2017 (both dates inclusive), China Green Beverages (HK) Limited ("China Green Beverages HK"), an indirect wholly-owned subsidiary of the Company, has disposed a total of 15,082,000 shares of Tianyun International Holdings Limited (Stock Code: 6836) ("TIHL"), whose shares are listed on the main board of the Stock Exchange, at the price between HK\$0.64 and HK\$1.10 per share of TIHL on the open market for an aggregate cash consideration of approximately HK\$10.8 million (the "Disposal of Shares in TIHL"). The aforesaid sale shares amounted to approximately 1.54% of the then issued share capital of TIHL.

For the details of the Disposal of Shares in TIHL, please refer to the announcement of the Company dated 5 September 2017.

REPORT OF THE BOARD

Disposal of Shares in Convoy Global Holdings Limited

During the period from 10 August 2017 to 21 September 2017 (both dates inclusive), China Green Beverages HK, has disposed a total of 51,954,000 shares of Convoy Global Holdings Limited (Stock Code: 1019) (“CGHL”), whose shares are listed on the main board of the Stock Exchange, at the price between HK\$0.19 and HK\$0.22 per share of CGHL on the open market for an aggregate cash consideration of approximately HK\$10.9 million (the “Disposal of Shares in CGHL”). The aforesaid sale shares amounted to approximately 0.35% of the then issued share capital of CGHL.

For the details of the Disposal of Shares in CGHL, please refer to the announcement of the Company dated 21 September 2017.

Pledge on Group’s Assets

As at 31 October 2017, certain property, plant and equipment and interests in leasehold land held for own use under operating leases with book value amounting to approximately RMB125.4 million (30 April 2017: approximately RMB128.2 million) had been pledged to secure the Group’s bank loans for the purpose of working capital, and no bank deposits (30 April 2017: approximately RMB130.0 million) had been pledged to secure the Group’s bank loans and bank facilities.

Following the redemption of the United States dollars (“US\$”) settled 7.00% secured convertible bonds due 2016 and the US\$ settled 10.00% secured convertible bonds due 2016 in full at their outstanding principal amount plus accrued and default interest payable and accrued to the redemption date on 18 August 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 2017 and as at the date of approval of the unaudited consolidated financial statements for the six months ended 31 October 2017.

REPORT OF THE BOARD

Staff and Remuneration Policies

As at 31 October 2017, the Group had a total of 421 employees, of which 232 were workers at the Group's cultivation bases. The aggregate employee compensation and Directors' remuneration for the six months ended 31 October 2017 was approximately RMB92.1 million (for the six months ended 31 October 2016: approximately RMB66.6 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.

INTERIM DIVIDEND

The Board has resolved not to declare any interim dividend for the six months ended 31 October 2017 (six months ended 31 October 2016: Nil).

DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS IN SHARES

As at 31 October 2017, 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, notified to the Company and the Stock Exchange 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	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	366,546,600 (Note)	5.28%

Note: These 366,546,600 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, the chairman, an executive Director 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.

On 30 September 2016, 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 AND UNDERLYING SHARES OF THE COMPANY

As at 31 October 2017, 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 Shares held	Number of underlying shares held (Note 5)	Approximate percentage of the shareholding in the Company (Note 1)
Capital Mate (Note 2)	Beneficial owner	Long position	366,546,600	–	5.28%
Convoy Collateral Limited (Note 3)	Beneficial owner	Long position	–	1,900,000,000	27.37%
Convoy Global Holdings Limited (Note 3)	Interest of controlled corporation	Long position	–	1,900,000,000	27.37%
Jun Yang Financial Holdings Limited (Note 4)	Interest of controlled corporation	Long position	444,168,000	–	6.40%

Notes:

1. The percentage represents the number of Shares/underlying shares of the Company over the total number of issued Shares as at 31 October 2017 (i.e. 6,942,285,077 Shares).
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 owned by Capital Mate.
3. Based on the notice of disclosure of interests of Convoy Global Holdings Limited and Convoy Collateral Limited filed with the Stock Exchange on 21 February 2017 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.

REPORT OF THE BOARD

5. The number of underlying shares of the Company held includes the maximum number of conversion shares to be issued upon full exercise of the conversion rights attaching to the amended and restated HK\$190,000,000 zero coupon convertible notes due 2019 issued by the Company on 17 February 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 2017.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

Neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities during the six months ended 31 October 2017.

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 Directors confirmed that they have complied with the required standard as set out in the Model Code during the six months ended 31 October 2017.

CORPORATE GOVERNANCE PRACTICES

The Company has adopted the code provisions set out in the Corporate Governance Code (the "CG Code") contained in Appendix 14 to the Listing Rules as its own code of corporate governance. During the six months ended 31 October 2017, the Company was in compliance with all code provisions set out in the CG Code except for the deviations as explained below.

Code provision A.2.1 of the CG Code provides that the responsibilities between the chairman and chief executive officer should be divided. Mr. Sun Shao Feng, the chairman of the Company (the "Chairman"), currently performs the chief executive officer (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 caliber individuals with sufficient number thereof being independent non-executive Directors.

REPORT OF THE BOARD

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 details 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.

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 committee chairman), Mr. Wei Xiongwen and Ms. Yu Xiao Min. 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 2017.

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

Hong Kong, 21 December 2017

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

* *For identification purpose only*