



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

2019/20

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 2019 (“1H 2019/20” or the “Review Period”) with comparative figures for the six months ended 31 October 2018 (“1H 2018/19”) as follows:

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the six months ended 31 October 2019

		Six months ended 31 October 2019 RMB'000 (Unaudited)	2018 RMB'000 (Unaudited)
	Notes		
Turnover	5	353,776	340,377
Cost of sales		(323,474)	(324,599)
Gross profit		30,302	15,778
Other revenue	6	930	1,195
Other gains and losses	6	71	–
(Loss)/gain arising from changes in fair value less costs to sell of biological assets		(4,427)	6,366
Selling and distribution expenses		(36,203)	(2,638)
General and administrative expenses		(113,319)	(93,531)
Share of loss of an associate		–	(3,566)
Share of loss of a joint venture		(68)	–
Loss from operations		(122,714)	(76,396)
Finance costs		(42,884)	(23,078)
Loss before taxation	7	(165,598)	(99,474)
Income tax	8	–	–
Loss for the period attributable to owners of the Company		(165,598)	(99,474)

INTERIM FINANCIAL STATEMENTS

		Six months ended 31 October	
	Notes	2019 RMB'000 (Unaudited)	2018 RMB'000 (Unaudited)
Other comprehensive (loss)/income for the period (after tax)			
<i>Items that may be reclassified subsequently to profit or loss:</i>			
Exchange differences on translation of financial statements of overseas subsidiaries		(9,278)	(38,835)
Exchange differences on translation of financial statements of investment in an associate		–	240
		(9,278)	(38,595)
<i>Items that will not reclassified to profit or loss:</i>			
Change in fair value of financial assets at fair value through other comprehensive income		(141)	(4,539)
Other comprehensive loss for the period		(9,419)	(43,134)
Total comprehensive loss for the period attributable to owners of the Company		(175,017)	(142,608)
Loss per share attributable to owners of the Company (RMB cents)			
– Basic and diluted	10	45.3	28.7

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

INTERIM FINANCIAL STATEMENTS

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 October 2019

	Notes	At 31 October 2019 RMB'000 (Unaudited)	At 30 April 2019 RMB'000 (Audited)
Non-current assets			
Fixed assets			
– Property, plant and equipment	11	693,542	747,220
– Interests in leasehold land held for own use under operating leases		–	114,094
Long-term prepaid rentals		–	446,755
Right-of-use assets		1,028,266	–
Investment in an associate	12	–	–
Investment in a joint venture		618	686
Financial assets at fair value through other comprehensive income		2,984	4,449
		1,725,410	1,313,204
Current assets			
Inventories		7,197	4,299
Biological assets		16,847	13,732
Current portion of long-term prepaid rentals		–	24,777
Trade and other receivables	13	154,795	106,821
Pledged bank deposits		7,998	1,982
Cash and cash equivalents		92,316	339,022
		279,153	490,633

INTERIM FINANCIAL STATEMENTS

		At 31 October 2019 RMB'000 (Unaudited)	At 30 April 2019 RMB'000 (Audited)
	Notes		
Current liabilities			
Trade and other payables	14	95,004	68,060
Bank borrowings	15	100,000	260,000
Income tax payable		17,804	17,804
Lease liabilities		47,364	—
Amount due to a director		7,432	7,102
Amount due to a shareholder		1,406	1,343
Convertible notes		170,678	155,029
		439,688	509,338
Net current liabilities		(160,535)	(18,705)
Total assets less current liabilities		1,564,875	1,294,499
Non-current liabilities			
Deferred tax liabilities		69,581	69,581
Lease liabilities		445,393	—
		514,974	69,581
Net assets		1,049,901	1,224,918
Capital and reserves			
Share capital	16	62,247	62,247
Reserves		987,654	1,162,671
Total equity attributable to owners of the Company		1,049,901	1,224,918

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

INTERIM FINANCIAL STATEMENTS

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 31 October 2019

	Share capital RMB'000	Share premium RMB'000	PRC Statutory reserves RMB'000	Share-based payment reserve RMB'000	Merger reserve RMB'000	Contribution surplus RMB'000	Financial assets at fair value through other comprehensive income RMB'000	Exchange reserve RMB'000	Retained profits/(accumulated loss) RMB'000	Total RMB'000
As at 1 May 2019 (audited)	62,247	1,155,545	249,850	10,950	14,694	925,834	(26,703)	(172,420)	(995,079)	1,224,918
Exchange differences on translation of financial statements of overseas subsidiaries	-	-	-	-	-	-	-	(9,278)	-	(9,278)
Change in fair value of financial assets at fair value through other comprehensive income	-	-	-	-	-	-	(141)	-	-	(141)
Loss for the period	-	-	-	-	-	-	-	-	(165,598)	(165,598)
Total comprehensive loss for the period	-	-	-	-	-	-	(141)	(9,278)	(165,598)	(175,017)
As at 31 October 2019 (unaudited)	62,247	1,155,545	249,850	10,950	14,694	925,834	(26,844)	(181,698)	(1,160,677)	1,049,901
As at 1 May 2018 (audited)	59,062	1,153,451	249,850	10,950	14,694	925,834	-	(161,868)	(370,746)	1,881,227
Exchange differences on translation of financial statements of overseas subsidiaries	-	-	-	-	-	-	-	(38,835)	-	(38,835)
Exchange differences on translation of financial statements of investment in an associate	-	-	-	-	-	-	-	240	-	240
Change in fair value of financial assets at fair value through other comprehensive income	-	-	-	-	-	-	(4,539)	-	-	(4,539)
Loss for the period	-	-	-	-	-	-	-	-	(99,474)	(99,474)
Total comprehensive loss for the period	-	-	-	-	-	-	(4,539)	(38,595)	(99,474)	(142,608)
As at 31 October 2018 (unaudited)	59,062	1,153,451	249,850	10,950	14,694	925,834	(4,539)	(200,463)	(470,220)	1,738,619

INTERIM FINANCIAL STATEMENTS

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 31 October 2019

	Six months ended 31 October	
	2019	2018
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Net cash used in operating activities	(68,640)	(24,845)
Net cash (used in)/generated from investing activities	(4,199)	2,800
Net cash used in financing activities	(172,403)	(1,888)
Decrease in cash and cash equivalents	(245,242)	(23,933)
Effect of foreign exchange rate changes	(1,464)	(24,392)
Cash and cash equivalents at 1 May	339,022	475,965
Cash and cash equivalents at 31 October	92,316	427,640
Analysis of balances of cash and cash equivalents:		
Cash and cash equivalents	92,316	427,640

INTERIM FINANCIAL STATEMENTS

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 31 October 2019

1. GENERAL 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, HM11, 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 interim report contains unaudited 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 2019 annual financial statements. The unaudited condensed consolidated financial statements and notes thereon do not include all of the information required for full set of financial statements prepared in accordance with all applicable Hong Kong Financial Reporting Standards (“HKFRSs”), which is a collective term that includes all applicable individual HKFRSs, Hong Kong Accounting Standards (“HKASs”) and Interpretations (“Ints”) issued by the Hong Kong Institute of Certified Public Accountants (the “HKICPA”) and accounting principles generally accepted in Hong Kong.

The unaudited condensed consolidated financial statements have been prepared in accordance with HKAS 34 “Interim Financial Reporting” issued by the HKICPA and the applicable disclosure requirements set out in Appendix 16 to the Rules Governing the Listing of Securities (the “Listing Rules”) on the Stock Exchange and the Hong Kong Companies Ordinance.

INTERIM FINANCIAL STATEMENTS

For the six months ended 31 October 2019, the Group incurred a loss of approximately RMB165,598,000 (six months ended 31 October 2018: approximately RMB99,474,000) and a net cash outflow from operating activities of approximately RMB68,640,000 (six months ended 31 October 2018: net cash outflow from operating activities approximately RMB24,845,000). As at 31 October 2019, the Group had net current liabilities of approximately RMB160,535,000 (30 April 2019: net current liabilities of approximately RMB18,705,000). In addition, the Group's convertible notes of approximately RMB170,678,000 has been due on 22 August 2019 and constituted an event of default, the Group's bank borrowings of RMB100,000,000 as at 31 October 2019 will be due during the year ending 30 April 2020.

These conditions indicate the existence of a material uncertainty that might cast significant doubt about the Group's ability to continue as going concern and therefore the Group may be unable to realise the Group's liabilities in the normal course of business.

In view of such circumstances, the directors of the Company have given careful consideration to future liquidity and performance of the Group and its available sources of financing in assessing whether the Group will be able to repay the outstanding convertible notes and bank borrowings and be able to finance its future working capital and finance requirements. Certain measures have been and will be taken to manage its liquidity need and to improve its financial position which include, but are not limited to, the following:

1. Mr. Sun Shao Feng, the chairman, the chief executive officer and executive Director of the Company, is willing to provide financial support to the Group to enable the Group to continue as a going concern;
2. As at the date of approval of these financial statements, the Group is actively exploring, formulating and negotiating feasible debt restructuring plans with convertible note holder's representatives;
3. The Group will contact its current bank partners for bank borrowings renewal;
4. The Group will seek to obtain any possible financing; and
5. The Group will implement operation plans to control costs and generate adequate cash flows from the Group's operations.

Should the Group be unable to continue to operate as a going concern, adjustments would have to be made to write down the value of assets to their recoverable amounts, to provide for further liabilities which might arise and to reclassify non-current assets and non-current liabilities as current assets and current liabilities respectively. The effect of these adjustments has not been reflected in the condensed consolidated financial statements.

INTERIM FINANCIAL STATEMENTS

3. SIGNIFICANT ACCOUNTING POLICIES

The measurement basis used in the preparation of these unaudited condensed consolidated financial statements is historical cost except for certain financial instruments that are measured at fair value.

These unaudited condensed consolidated financial statements should be read in conjunction with the annual financial statements for the year ended 30 April 2019. The accounting policies and methods of computation used in the preparation of these unaudited condensed consolidated financial statements are consistent with those used in the annual financial statements for the year ended 30 April 2019 with addition for the following new and revised standards, amendments and interpretations ("new and revised HKFRSs") issued by the HKICPA, which have become effective.

HKFRSs (Amendments)	Annual Improvements to HKFRSs 2015-2017 Cycle
HKFRS 9 (Amendments)	Clarification to HKFRS 9 Financial Instrument
HKFRS 16	Leases
HKAS 19 (Amendments)	Plan Amendment, Curtailment or Settlement
HKAS 28 (Amendments)	Investments in associates and joint ventures
HK (IFRIC) – Int 23	Uncertainty over income tax treatments Transactions

The new and revised HKFRSs have been applied in accordance with the relevant transition provision in the respective standards and amendments which results in changes in accounting policies, amount reported and/or disclosures as described in Note 4.

The Group has not early applied the following new and revised HKFRSs that have been issued by not yet effective:

Amendments to HKFRS 3	Definition of a Business ¹
Amendments to HKAS 1 and HKAS 8	Definition of Material ¹
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an investor and its Associate or Joint Venture ³
HKFRS 17	Insurance Contracts ²

¹ Effective for annual periods beginning on or after 1 January 2020

² Effective for annual periods beginning on or after 1 January 2021

³ Effective date to be determined

The Directors do not anticipate that the application of other new and revised HKFRSs will have material impact on the financial position and financial performance of the Group.

INTERIM FINANCIAL STATEMENTS

4. CHANGE IN ACCOUNTING POLICIES

Impacts and changes in accounting policies of application on HKFRS 16 “Leases”

The Group has applied HKFRS 16 for the first time in the current interim period. HKFRS 16 superseded HKAS 17 “Leases” (“HKAS 17”), and the related interpretations.

Key changes in accounting policies resulting from application of HKFRS 16

The Group applied the following accounting policies in accordance with the transition provisions of HKFRS 16.

Definition of a lease

A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

For contracts entered into or modified on or after the date of initial application, the Group assesses whether a contract is or contains a lease based on the definition under HKFRS 16 at inception or modification date. Such contract will not be reassessed unless the terms and conditions of the contract are subsequently changed.

As a lessee***Allocation of consideration to components of a contract***

For a contract that contains a lease component and one or more additional lease or non-lease components, the Group allocates the consideration in the contract to each lease component on the basis of the relative stand-alone price of the lease component and the aggregate stand-alone price of the non-lease components.

Short-term leases

The Group applies the short-term lease recognition exemption to leases of restaurant premises that have a lease term of 12 months or less from the date of initial application of HKFRS 16. Lease payments on short-term leases are recognised as expense on a straight-line basis over the lease term.

Right-of-use assets

Except for short-term leases, the Group recognises right-of-use assets at the commencement date of the lease (i.e. the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities.

INTERIM FINANCIAL STATEMENTS

The cost of right-of-use asset includes:

- the amount of the initial measurement of the lease liability;
- any lease payments made at or before the commencement date, less any lease incentives received;
- any initial direct costs incurred by the Group; and
- an estimate of costs to be incurred by the Group in dismantling and removing the underlying assets, restoring the site on which it is located or restoring the underlying asset to the condition required by the terms and conditions of the lease.

Right-of-use assets in which the Group is reasonably certain to obtain ownership of the underlying leased assets at the end of the lease term is depreciated from commencement date to the end of the useful life. Otherwise, right-of-use assets are depreciated on a straight-line basis over the shorter of its estimated useful life and the lease term.

The Group presents right-of-use assets as a separate line item on the condensed consolidated statement of financial position.

Refundable rental deposits

Refundable rental deposits paid are accounted under HKFRS 9 “Financial Instruments” (“HKFRS 9”) and initially measured at fair value. Adjustments to fair value at initial recognition are considered as additional lease payments and included in the cost of right-of-use assets.

Lease liabilities

At the commencement date of a lease, the Group recognises and measures the lease liability at the present value of lease payments that are unpaid at that date. In calculating the present value of lease payments, the Group uses the incremental borrowing rate at the lease commencement date if the interest rate implicit in the lease is not readily determinable.

INTERIM FINANCIAL STATEMENTS

The lease payments include:

- fixed payments (including in-substance fixed payments) less any lease incentives receivable;
- variable lease payments that depend on an index or a rate;
- amounts expected to be paid under residual value guarantees;
- the exercise price of a purchase option reasonably certain to be exercised by the Group; and
- payments of penalties for terminating a lease, if the lease term reflects the Group exercising the option to terminate.

Variable lease payments that reflect changes in market rental rates are initially measured using the market rental rates as at the commencement date. Variable lease payments that do not depend on an index or a rate are not included in the measurement of lease liabilities and right-of-use assets, and are recognised as expense in the period on which the event or condition that triggers the payment occurs.

After the commencement date, lease liabilities are adjusted by interest accretion and lease payments.

The Group remeasures lease liabilities (and makes a corresponding adjustment to the related right-of-use assets) whenever:

- the lease term has changed or there is a change in the assessment of exercise of a purchase option, in which case the related lease liability is remeasured by discounting the revised lease payments using a revised discount rate at the date of reassessment.
- the lease payments change due to changes in market rental rates following a market rent review, in which cases the related lease liability is remeasured by discounting the revised lease payments using the initial discount rate.

Taxation

For the purposes of measuring deferred tax for leasing transactions in which the Group recognises the right-of-use assets and the related lease liabilities, the Group first determines whether the tax deductions are attributable to the right-of-use assets or the lease liabilities.

INTERIM FINANCIAL STATEMENTS

For leasing transactions in which the tax deductions are attributable to the lease liabilities, the Group applies HKAS 12 “Income Taxes” requirements to right-of-use assets and lease liabilities separately. Temporary differences relating to right-of-use assets and lease liabilities are not recognised at initial recognition and over the lease terms due to application of the initial recognition exemption.

Transition and summary of effects arising from initial application of HKFRS 16***Definition of a lease***

The Group has elected the practical expedient to apply HKFRS 16 to contracts that were previously identified as leases applying HKAS 17 and HK(IFRIC)-Int 4 “Determining whether an Arrangement contains a Lease” and not apply this standards to contracts that were not previously identified as containing a lease. Therefore, the Group has not reassessed contracts which already existed prior to the date of initial application.

For contracts entered into or modified on or after 1 May 2019, the Group applies the definition of a lease in accordance with the requirements set out in HKFRS 16 in assessing whether a contract contains a lease.

As a lessee

The Group has applied HKFRS 16 retrospectively with the cumulative effect recognised at the date of initial application, 1 May 2019. Any difference at the date of initial application is recognised in the opening retained profits and comparative information has not been restated.

When applying the modified retrospective approach under HKFRS 16 at transition, the Group applied the following practical expedients to leases previously classified as operating leases under HKAS 17, on lease-by-lease basis, to the extent relevant to the respective lease contracts:

- i. relied on the assessment of whether leases are onerous by applying HKAS 37 “Provisions, Contingent Liabilities and Contingent Assets” as an alternative of impairment review;
- ii. elected not to recognise right-of-use assets and lease liabilities for leases with lease term ends within 12 months of the date of initial application;
- iii. excluded initial direct costs from measuring the right-of-use assets at the date of initial application;

INTERIM FINANCIAL STATEMENTS

- iv. applied a single discount rate to a portfolio of leases with a similar remaining terms for similar class of underlying assets in similar economic environment. Specifically, discount rate for certain leases of restaurant premises in Hong Kong was determined on a portfolio basis; and
- v. used hindsight based on facts and circumstances as at date of initial application in determining the lease term for the Group's leases with extension and termination options.

On transition, the Group has made the following adjustments upon application of HKFRS 16:

The Group recognised lease liabilities of approximately RMB470,658,000 and right-of-use assets of approximately RMB470,658,000 at 1 May 2019.

When recognising the lease liabilities for leases previously classified as operating leases, the Group has applied incremental borrowing rates of the relevant group entities at the date of initial application. The weighted average lessee's incremental borrowing rate applied is 9.5%.

	As at 1 May 2019 RMB'000
Operating lease commitments disclosed as at 30 April 2019	1,105,634
Lease liabilities discounted at relevant incremental borrowing rates	471,292
Less: Recognition exemption – short-term leases	(634)
Lease liabilities as at 1 May 2019	470,658
Analysed as	
Current	45,238
Non-current	425,420
	470,658

The recognised right-of-use assets relate to the following types of assets:

	As at 31 October 2019 RMB'000	As at 1 May 2019 RMB'000
Land	459,743	470,658

INTERIM FINANCIAL STATEMENTS

The Group applies judgement to determine the lease term for lease contracts in which it is a lessee that include renewal option. The assessment of whether the Group is reasonably certain to exercise such options impacts the lease term, which significantly affects the amount of lease liabilities and right-of-use assets recognised.

The following adjustments were made to the amounts recognised in the condensed consolidated statement of financial position at 1 May 2019. Line items that were not affected by the changes have not been included.

	Carrying amounts previously reported at 30 April 2019 RMB'000 (audited)	Adjustments RMB'000	Carrying amounts under HKFRS 16 at 1 May 2019 RMB'000
Non-current Assets			
Interest in leasehold land held for own use			
under operating lease	114,094	(114,094)	–
Long-term prepaid rentals	446,755	(446,755)	–
Right-of-use assets	–	1,056,284	1,056,284
Current Assets			
Current portion of long-term prepaid rentals	24,777	(24,777)	–
Current Liabilities			
Lease liabilities	–	45,238	45,238
Non-current liabilities			
Lease liabilities	–	425,420	425,420

INTERIM FINANCIAL STATEMENTS

5. TURNOVER AND SEGMENT REPORTING

a) Turnover

An analysis of the Group's turnover for the six months ended 31 October 2019 and 2018 is as follows:

	Unaudited Six months ended 31 October	
	2019	2018
	RMB'000	RMB'000
Fresh produce and processed products	328,996	321,558
Branded food products and others	24,780	18,819
	353,776	340,377

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	
	2019	2018	2019	2018	2019	2018
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Revenue from external customers	328,996	321,558	24,780	18,819	353,776	340,377
Inter-segment revenue	7,684	2,752	–	–	7,684	2,752
Reportable segment revenue	336,680	324,310	24,780	18,819	361,460	343,129
Reportable segment loss	(40,476)	(13,697)	(11,230)	(1,679)	(51,706)	(15,376)

INTERIM FINANCIAL STATEMENTS

Reconciliation of reportable segment revenue and profit or loss:

	Unaudited Six months ended 31 October	
	2019	2018
	RMB'000	RMB'000
Revenue		
Reportable segment revenue	361,460	343,129
Elimination of inter-segment revenue	(7,684)	(2,752)
Consolidated turnover	353,776	340,377
Profit or loss		
Reportable segment loss derived from		
Group's external customers	(51,706)	(15,376)
Finance costs	(20,785)	(21,594)
Finance income	86	393
Other revenue and gain	3	–
Share of loss of an associate	–	(3,566)
Reversal of impairment of financial asset at amortised cost	13	–
Unallocated depreciation and amortisation	(6,610)	(9,315)
Unallocated head office and corporate expenses	(86,599)	(50,016)
Consolidated loss before taxation	(165,598)	(99,474)

INTERIM FINANCIAL STATEMENTS

6. OTHER REVENUE AND OTHER GAINS AND LOSSES

	Unaudited Six months ended 31 October	
	2019	2018
	RMB'000	RMB'000
Other revenue		
Bank interest income	579	1,065
Rental income	286	–
Sundry income	65	130
	930	1,195
Other gains and losses		
Loss on written-off of inventories	(10)	–
Reversal of impairment of the financial assets at amortised cost	81	–
	71	–

7. LOSS BEFORE TAXATION

Loss before taxation is stated after charging the followings:

	Unaudited Six months ended 31 October	
	2019	2018
	RMB'000	RMB'000
Depreciation of property, plant and equipment	51,340	55,367
Depreciation of right-of-use assets	30,786	–
Staff costs (including directors' emoluments)	16,086	16,028
Amortisation of long-term prepaid rentals	–	18,350
Amortisation of interests in leasehold land held for own use under operating leases	–	1,722

INTERIM FINANCIAL STATEMENTS

8. INCOME TAX

	Unaudited Six months ended 31 October	
	2019	2018
	RMB'000	RMB'000
Current tax – Enterprise income tax in the People's Republic of China ("PRC")		
Provision for the period	–	–
Deferred tax		
Origination and reversal of temporary differences	–	–
Total income tax expenses recognised in profit or loss	–	–

*Notes:***(i) 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 rates of 25% of the taxable income as determined in accordance with the relevant income tax rules and regulations of the PRC for both periods.

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.

(ii) Hong Kong Profits Tax

No provision for Hong Kong Profits Tax for the six months ended 31 October 2019 and 2018 has been made as the Group has no estimated assessable profits arising in Hong Kong for both periods.

(iii) 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.

INTERIM FINANCIAL STATEMENTS

9. DIVIDENDS

No dividend has declared for the six months ended 31 October 2019 (six months ended 31 October 2018: nil).

10. LOSS PER SHARE**(a) Basic loss per share**

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

(i) Loss attributable to owners of the Company

	Unaudited Six months ended 31 October	
	2019	2018
	RMB'000	RMB'000
Loss attributable to owners of the Company used to determine basic and diluted loss per share	(165,598)	(99,474)

(ii) Number of shares

	Unaudited Six months ended 31 October	
	2019	2018
	Number of ordinary shares	
Weighted average number of ordinary shares of calculation of basic and diluted loss per share	365,158,370	347,114,253

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 six months ended 31 October 2019 and 2018 was the same as the basic loss per share.

For the six months ended 31 October 2019 and 2018, the computation of diluted loss per share did not assume the conversion of the Company's outstanding convertible notes since the effect of such conversion was anti-dilutive.

For the six months ended 31 October 2019 and 2018, the computation of diluted loss per share did not assume the exercise of the Company's outstanding share options since the effect of such exercise was anti-dilutive.

INTERIM FINANCIAL STATEMENTS

11. MOVEMENTS IN PROPERTY, PLANT AND EQUIPMENT

During the six months ended 31 October 2019, the Group acquired certain property, plant and equipment amounting to approximately RMB234,000 (six months ended 31 October 2018: RMB369,000) in which the Group did not incur any development expenditure on development of infrastructure on cultivation base (six months ended 31 October 2018: nil).

12. INVESTMENT IN AN ASSOCIATE

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

	As at 31 October 2019 RMB'000 (Unaudited)	As at 30 April 2019 RMB'000 (Audited)
Cost of investment in an associate	30,611	30,611
Share of post-acquisition loss	(8,535)	(8,535)
Share of other comprehensive income of an associate	(251)	(251)
	21,825	21,825
Impairment loss recognised	(21,825)	(21,825)
	—	—

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 2019	As at 30 April 2019	
GFC Holdings Limited	Cayman Islands	Hong Kong	approximately 36%	approximately 36%	Provision of food catering services and operating restaurants, cafes and take-away outlets in Hong Kong

INTERIM FINANCIAL STATEMENTS

13. TRADE RECEIVABLES

Credit terms granted by the Group to customers are generally less than one month. The aging analysis is as follows (Net of excepted credit losses):

	As at 31 October 2019 RMB'000 (Unaudited)	As at 30 April 2019 RMB'000 (Audited)
Within 1 month	36,065	5,009
Over 1 month but within 3 months	96	2,358
Over 3 months but within 6 months	3	222
	36,164	7,589

14. TRADE PAYABLES

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

	As at 31 October 2019 RMB'000 (Unaudited)	As at 30 April 2019 RMB'000 (Audited)
Within 1 month	1,300	3,909
Within 1 month to 3 months	222	3,539
Within 3 months to 6 months	215	5
Within 6 months to 1 year	2,895	235
	4,632	7,688

INTERIM FINANCIAL STATEMENTS

15. BANK BORROWINGS

	As at 31 October 2019 RMB'000 (Unaudited)	As at 30 April 2019 RMB'000 (Audited)
Bank loans	100,000	260,000
Secured	100,000	260,000
Unsecured	—	—
	100,000	260,000
– Within one year	100,000	260,000
– More than one year, but not exceeding two years	—	—
	100,000	260,000
Less: Amounts shown under current liabilities	(100,000)	(260,000)
	—	—

16. SHARE CAPITAL

	As at 31 October 2019 RMB'000 (Unaudited)	As at 30 April 2019 RMB'000 (Audited)
Authorised:		
5,000,000,000 ordinary shares of HK\$0.2 each	843,098	843,098
Issued and fully paid:		
365,158,370 (30 April 2019: 365,158,370) ordinary shares of HK\$0.2 each	62,247	62,247

There was no movement in the issued share capital of the Company during the six months ended 31 October 2019.

INTERIM FINANCIAL STATEMENTS

17. CONTINGENT LIABILITIES

As at 31 October 2019, no provision for contingent liabilities (30 April 2019: Nil) had been made by the Group.

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	
	2019	2018
	RMB'000	RMB'000
Short-term employee benefits	4,668	4,256
Post-employment benefits	20	33
	4,688	4,289

Total remuneration to personnel of the Group is included in "staff costs" (see Note 7).

19. EVENTS AFTER THE REPORTING PERIOD

Memorandum of Understanding in respect of a Possible Acquisition and Issue of Shares Under General Mandate

On 17 May 2019, the Company, as purchaser, entered into a non-legally binding memorandum of understanding (the "MOU") with Mr. Chen Jun Wei (陳君偉), as vendor, in relation to the possible acquisition of certain equity interest in 安徽省福老酒業發展有限公司 (Anhui Fu Lao Wine Development Company Limited*), subject to the entering into the formal equity transfer agreement in connection therewith. As no formal equity transfer agreement was entered into between the parties to the MOU by the long stop date, the MOU has lapsed and ceased to have any effect.

Details of the MOU were set out in the announcements of the Company dated 17 May 2019, 16 August 2019 and 18 November 2019.

Disposal of the Entire Equity Interest in 奉新中綠碧雲有機大米科技有限公司 (Fengxin Zhonglu Biyun Organic Rice Science Technology Limited*)

On 22 November 2019, 中綠(江西)食品科技有限公司 (China Green (Jiangxi) Food Science Technique Limited*), an indirect wholly-owned subsidiary of the Company (the "Vendor"), as vendor, Mr. Wu Jiqiang (吳吉強) and Mr. Chen Changcai (陳昌財) (the "Purchasers"), as purchasers, and 奉新中綠碧雲有機大米科技有限公司 (Fengxin Zhonglu Biyun Organic Rice Science Technology Limited*)(the "Target Company") entered into an equity transfer agreement, pursuant to which the Vendor has agreed to sell, and the Purchasers have agreed to acquire 100% of the equity interest in the Target Company at the consideration of RMB3.8 million (equivalent to approximately HK\$4.2 million) (the "Disposal"). The Disposal has been completed on 25 November 2019.

For the details of the Disposal, please refer to the announcement of the Company dated 22 November 2019.

20. APPROVAL OF INTERIM FINANCIAL STATEMENTS

The unaudited condensed consolidated interim financial statements for the six months ended 31 October 2019 were approved and authorised for issue by the Board on 27 December 2019.

MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL HIGHLIGHTS AND REVIEW OF OPERATIONS

During 1H 2019/20 and 1H 2018/19, the breakdown of two principal business segments of the Group, namely (i) fresh produce and processed products and (ii) branded food products and others, was as follows:

	Unaudited Six months ended 31 October 2019		2018
	RMB'000		RMB'000
Revenue by products			
Fresh produce and processed products	328,996		321,558
Branded food products and others	24,780		18,819
Total	353,776		340,377

Fresh produce and processed products

During the Review Period, revenue from fresh produce and processed products amounted to approximately RMB328,996,000 (1H 2018/19: approximately RMB321,558,000), which rose by approximately 2.31% compared with that of the corresponding period last year. As at 31 October 2019, 200,000 mu farmland in Baicheng City as the major cultivation and production base of the Group had been fully utilized which slightly increased the production and supply of fresh produce. The products combination of this business segment remained the same as last year and the operation was stable.

Branded food products and others

Branded food products and others 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. During the Review Period, revenue from this segment was approximately RMB24,780,000 (1H 2018/19: approximately RMB18,819,000), which rose by approximately 31.68% compared with that of the corresponding period last year, which was attributable to the launch of a new category of rice flour product during the year ended 30 April 2019 and the Group devoted resources to the promotion and brand development to push the sales of this segment.

REPORT OF THE BOARD

Gross profit and gross profit margin

During the Review Period, the Group recorded a gross profit and gross profit margin of approximately RMB30,302,000 and 8.57% respectively (1H 2018/19: gross profit and gross profit margin of approximately RMB15,778,000 and 4.64%). The improvement was mainly attributable to the success of the new category of rice flour product bringing more sales and less depreciation and amortization related to cost of sales in fresh produce and processed products segment.

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

There was a loss from changes in fair value less costs to sell of biological assets of approximately RMB4,427,000 (1H 2018/19: gain of approximately RMB6,366,000). Such change was mainly because of the decrease of projected yields on some fresh produce such as broad beans and lotus roots, and lower market price on some vegetables such as tomatoes compared with the price of the corresponding period last year.

Operating Expenses

Total operating expenses increased to approximately RMB149,522,000 (1H 2018/19: approximately RMB96,169,000). Selling and distribution expenses were approximately RMB36,203,000 (1H 2018/19: approximately RMB2,638,000), mainly comprised of off-line exhibition and promotion expenses, as well as the on-line advertising expenses of branded food products and other businesses, including the newly launched rice flour product, for the purpose of boosting the sales in the short-run and bringing positive long-tail influence on the brand development of the Group. General and administrative expenses were approximately RMB113,319,000 (1H 2018/19: approximately RMB93,531,000), representing an increase of approximately 21.16%, which was due to more lease depreciation recorded during the Review Period because of the adjustment upon application of HKFRS 16.

Loss Attributable to Owners of the Company

Loss attributable to owners of the Company was approximately RMB165,598,000 in 1H 2019/20 (1H 2018/19: approximately RMB99,474,000), representing an increase of approximately 66.47%. It was mainly attributable to (a) the gain arising from changes in fair value less costs to sell of biological assets turned to a loss for the Review Period; (b) the increase in selling and distribution expenses; and (c) the increase in general and administrative expenses and finance costs arising from the increase in lease depreciation due to the adjustment upon application of HKFRS 16 and interest expenses.

Securities Investments

During the Review Period, the Group has invested in securities of a listed company and a non-listed company. The Group recorded net loss on financial assets at fair value through other comprehensive income of approximately RMB141,000 (1H 2018/19: approximately RMB4,539,000), mainly as a result of the recent volatility of the Hong Kong securities market.

As at 31 October 2019, the total fair value of the listed investment portfolio held by the Group which partially consisted of financial assets at fair value through other comprehensive income was approximately RMB105,000 (30 April 2019: approximately RMB1,698,000). The listed investment portfolio was 415,000 shares in China Demeter Financial Investments Limited (stock code: 8120), the shares of which were listed on GEM of The Stock Exchange of Hong Kong Limited (the "Stock Exchange").

As at 31 October 2019, the fair value of unlisted investment of the Group as part of financial assets at fair value through other comprehensive income was approximately RMB2,879,000 (30 April 2019: approximately RMB2,751,000). The unlisted investment represents 4.49% equity interest in an unlisted company located in Hong Kong.

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.

Liquidity Risk Management

As at 31 October 2019, the Group had net current liabilities of approximately RMB160,535,000 (30 April 2019: net current liabilities of approximately RMB18,705,000) and the current ratio was 0.63 times (30 April 2019: 0.96 times). The largest two components of the current liabilities are (i) the Restated Convertible Notes (as defined below) in the aggregate principal amount of HK\$190,000,000 (approximately RMB170,678,000 as at 31 October 2019) which was due on 22 August 2019 and constituted an event of default; and (ii) PRC bank loans with an aggregate amount of RMB100,000,000 which will be due within one year.

As at the date of approval of the unaudited condensed consolidated financial statements for the Review Period, the management of the Group is actively discussing the repayment terms with the representatives of the Noteholder (as defined below) and formulating a feasible debt restructuring plan. In the meantime, the Group is contacting the current bank partners for bank borrowing renewal. The management is optimistic about the debt restructuring and believes that the extension rate of PRC loans is high. In addition, Mr. Sun Shao Feng, the chairman, the chief executive officer and executive Director of the Company, is willing to provide financial support to the Group to enable the Group to continue as a going concern.

REPORT OF THE BOARD

OUTLOOK AND PROSPECTS

The Group is still facing a very challenging business environment at present. Recent political events have significantly affected Hong Kong's economy and also presented many obstacles to the Group's financing and business expansion plans. In the face of a series of risks and various uncertainties, the management of the Group will adopt prudent and balanced management strategies and approaches, and review and adjust the Group's business and financial plans on a regular basis.

In the coming year, the Group will focus on solving the Company's short-term leverage issues, actively exploring and formulating feasible debt restructuring proposals, and at the same time streamlining the Group's organizational structure and asset structure, improving efficiency, and maximizing the use of existing resources so as to generate sufficient cash flow from its operations. On the other hand, the Group will continue to actively explore suitable partners and financing opportunities without compromising the stable operation of the Group's business.

Looking forward, the management is optimistic about the core business and overall direction of the Group. As the saying goes, "food is the paramount concern of the people (民以食為天)", the huge market of healthy food, branded food, customized agricultural products and functional food will definitely bring profits and opportunities to the Group in the long term. Leveraging on its solid integrated industrial chain foundation, stable relationship with suppliers and distributors, branded product operation experience and the spirit of innovation, the Group will continue to be committed to the provision of healthy green food and the promotion of healthy living concepts to the general public, so as to maintain consumers' and investors' confidence in the Group.

LITIGATION

HCA 2922/2017

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

REPORT OF THE BOARD

On 6 March 2018, the Plaintiffs obtained leave from the Court to amend their statement of claim, which amended version was received by the Company on 31 May 2018.

In respect of the abovementioned action, the Company has been defending the claims vigorously and filed the defence on 20 December 2018.

On 12 July 2019, the Plaintiffs obtained leave from the Court to file its Re-Amended Statement of Claim. The Company's Amended Defence was filed on 30 August 2019.

For the details of the abovementioned action, please refer to the Company's announcements dated 19 December 2017 and 20 December 2017 respectively and the 2019 Annual Report.

HCMP 2773/2017

On 2 January 2018, the Company received a petition issued in the Court by Ms. Zhu Xiao Yan (the "Petitioner") against, among other respondents, the Company. This petition proceedings have been stayed pending determination of HCA 2922/2017 upon the Petitioner's undertaking to forthwith apply to withdraw the petition and will not otherwise pursue the same allegations set out in the petition if the Plaintiffs in HCA 2922/2017 were unsuccessful after trial and any appeals.

HCMP 41/2018 is an action commenced by Mr. Kwok Hiu Kwan ("Mr. Kwok") (26th Defendant and 26th Respondent in HCA 2922/2017 and HCMP 2773/2017 respectively) by way of Originating Summons against Convoy Holdings and four executive directors of Convoy Holdings presented at the extraordinary general meeting held on 29 December 2017 (the "EGM") for declarations and injunctions, in essence to restrain them from disregarding his voting rights and to rectify the results of the EGM. If Mr. Kwok is successful in HCMP 41/2018, it is expected that he will replace the board of directors of Convoy Holdings which means that HCA 2922/2017 and accordingly HCMP 2773/2017 will be brought to an end.

For the details of the abovementioned petition, please refer to the Company's announcement dated 3 January 2018 and the 2019 Annual Report.

REPORT OF THE BOARD

HCA 399/2018

On 14 February 2018, the Company received a writ of summons issued in the Court by Convoy Collateral as the sole plaintiff against, among other defendants, the Company.

In respect of the abovementioned action, the Company has been defending the claims vigorously and filed the defence on 13 September 2018. Convoy Collateral filed its reply on 7 May 2019. There has not been further significant steps taken since.

For details about the abovementioned action, please refer to the Company's announcement dated 14 February 2018 and the 2019 Annual Report.

GROUP'S LIQUIDITY AND FINANCIAL RESOURCES

As at 31 October 2019, the Group's total cash and cash equivalents amounted to approximately RMB92,316,000 (30 April 2019: approximately RMB339,022,000) whilst the total assets and net assets were approximately RMB2,004,563,000 (30 April 2019: approximately RMB1,803,837,000) and RMB1,049,901,000 (30 April 2019: approximately RMB1,224,918,000) respectively. The Group had current assets of approximately RMB279,153,000 (30 April 2019: approximately RMB490,633,000) and current liabilities of approximately RMB439,688,000 (30 April 2019: approximately RMB509,338,000). The current ratio was 0.63 times (30 April 2019: 0.96 times). The Group's bank borrowings amounted to approximately RMB100,000,000 (30 April 2019: approximately RMB260,000,000), of which secured bank borrowings were approximately RMB100,000,000 (30 April 2019: approximately RMB260,000,000). The Restated Convertible Notes amounted to HK\$190,000,000 (equivalent to approximately RMB170,678,000) (30 April 2019: approximately RMB155,029,000). The gearing ratio of the Group, defined as the total borrowings and convertible notes to the shareholders' equity, amounted to 25.8% as at 31 October 2019 as compared with 33.9% as at 30 April 2019.

CAPITAL STRUCTURE

As at 31 October 2019, the authorised share capital of the Company was HK\$1,000,000,000 divided into 5,000,000,000 shares of the Company with par value of HK\$0.20 each and the issued share capital was HK\$73,031,674 divided into 365,158,370 shares.

Convertible Notes in the aggregate principal amount of HK\$190,000,000

On 22 August 2016, the Company issued a direct, unconditional, unsubordinated and unsecured HK\$190,000,000 12% convertible notes due 2017 (the “Convertible Notes”) to Convoy Collateral Limited (the “Noteholder”), which enabling the Noteholder to convert the principal amount of the Convertible Notes and the interest accrued thereon into shares of the Company at the conversion price of HK\$0.15 per share (subject to adjustments).

On 17 February 2017, the Company issued the restated HK\$190,000,000 non-interest bearing convertible notes due 2019 (the “Restated Convertible Notes”) to the Noteholder pursuant to the modification deed in respect of deed poll constituting the Convertible Notes entered into between the Company and the Noteholder on 15 December 2016, which enabling the Noteholder to convert the principal amount of the Restated Convertible Notes into shares of the Company at the conversion price of HK\$0.10 per share (adjusted to HK\$2.00 per share for the effect of the share consolidation took effect on 30 November 2018).

Pursuant to the terms and conditions of the Restated Convertible Notes, the Restated Convertible Notes are subject to redemption by the Company on 22 August 2019, being the date falling on the third anniversary of the date of the issue of the Convertible Notes. As at the date of approval of the unaudited condensed consolidated financial statements for the Review Period, the Company is in discussion with the Noteholder through intermediaries to work out a repayment plan. As such, pursuant to the respective terms and conditions of the Restated Convertible Notes, the foregoing constitutes an event of default under the Restated Convertible Notes and default interest will accrue on the outstanding amount to the Noteholder.

For details, please refer to the Company’s announcements dated 20 May 2016, 22 August 2016, 15 December 2016, 20 January 2017, 25 January 2017, 17 February 2017 and 22 August 2019 and the Company’s circulars dated 8 July 2016 and 4 January 2017.

REPORT OF THE BOARD

CAPITAL COMMITMENTS AND CONTINGENT LIABILITIES

As at 31 October 2019, the Group did not have contractual capital commitments (30 April 2019: approximately RMB192,000).

As at 31 October 2019, the Group had not provided any form of guarantee for any companies outside the Group and no provision for contingent liabilities (30 April 2019: nil) had been made by the Group due to the involvement in litigation.

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 2019. The revenue, operating costs and bank deposits of the Group are mainly denominated in Renminbi ("RMB") and Hong Kong Dollar ("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 People's Republic of China 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.

SIGNIFICANT INVESTMENTS HELD

During the six months ended 31 October 2019, the Group did not make any significant investments.

MATERIAL ACQUISITIONS AND DISPOSALS

During the six months ended 31 October 2019, the Group did not have any material acquisitions or disposals of subsidiaries, associates and joint ventures.

PLEDGE ON GROUP'S ASSETS

As at 31 October 2019, certain property, plant and equipment and interests in leasehold land held for own use under operating leases with book value amounting to approximately RMB82,957,000 (30 April 2019: approximately RMB85,561,000) had been pledged to secure the Group's bank loans for the purpose of working capital, and bank deposits amounting to approximately RMB7,998,000 (30 April 2019: approximately RMB1,982,000) 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 2019 and as at the date of approval of the unaudited condensed consolidated financial statements for the Review Period.

STAFF, TRAINING AND REMUNERATION POLICIES

As at 31 October 2019, the Group had a total of 504 employees, of which 326 were workers at the Group's cultivation bases. The aggregate employee compensation and Directors' remuneration for the six months ended 31 October 2019 was approximately RMB16,086,000 (for the six months ended 31 October 2018: approximately RMB16,028,000). 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. In addition, the Group provides different training courses to its employees. Such trainings are either provided internally or by external parties which include personal quality and business skills training, sales training, and extra-curriculum training sessions.

REPORT OF THE BOARD

SUBSEQUENT EVENTS***Memorandum of Understanding in respect of a Possible Acquisition and Issue of Shares Under General Mandate***

On 17 May 2019, the Company, as purchaser, entered into a non-legally binding memorandum of understanding (the “MOU”) with Mr. Chen Jun Wei (陳君偉), as vendor in relation to the possible acquisition of certain equity interest in 安徽省福老酒業發展有限公司 (Anhui Fu Lao Wine Development Company Limited*), subject to the entering into the formal equity transfer agreement in connection therewith. As no formal equity transfer agreement was entered into between the parties to the MOU by the long stop date, the MOU has lapsed and ceased to have any effect.

Details of the MOU were set out in the announcements of the Company dated 17 May 2019, 16 August 2019 and 18 November 2019.

Disposal of the Entire Equity Interest in 奉新中綠碧雲有機大米科技有限公司 (Fengxin Zhonglu Biyun Organic Rice Science Technology Limited*)

On 22 November 2019, 中綠(江西)食品科技有限公司 (China Green (Jiangxi) Food Science Technique Limited*), an indirect wholly-owned subsidiary of the Company (the “Vendor”), as vendor, Mr. Wu Jiqiang (吳吉強) and Mr. Chen Changcai (陳昌財)(the “Purchasers”), as purchasers, and 奉新中綠碧雲有機大米科技有限公司 (Fengxin Zhonglu Biyun Organic Rice Science Technology Limited*)(the “Target Company”) entered into an equity transfer agreement, pursuant to which the Vendor has agreed to sell, and the Purchasers have agreed to acquire 100% of the equity interest in the Target Company at the consideration of RMB3.8 million (equivalent to approximately HK\$4.2 million)(the “Disposal”). The Disposal has been completed on 25 November 2019.

For the details of the Disposal, please refer to the announcement of the Company dated 22 November 2019.

INTERIM DIVIDEND

The Board has resolved not to declare any interim dividend for the six months ended 31 October 2019 (six months ended 31 October 2018: Nil).

OTHER INFORMATION**DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS IN SHARES**

As at 31 October 2019, 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 Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules"), are set out below:

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

(A) Long Positions in the shares of the Company of HK\$0.20 each

Name of Director	Capacity	Number of shares held	Approximate percentage of shareholding in the Company
Mr. Sun Shao Feng	Interest of controlled corporation	18,327,330 (Note)	5.02%

Note: These 18,327,330 shares are held through Capital Mate Limited ("Capital Mate"), a company incorporated in the British Virgin Islands with limited liability and is an entity controlled by Mr. Sun Shao Feng, an executive Director, the Chairman (the "Chairman") and the chief executive officer ("CEO") of the Company.

REPORT OF THE BOARD

- (B) Long Positions in the share options granted under the share option scheme of the Company adopted on 18 October 2013

Name of Director	Date of grant	Exercise price per share option (HK\$)	Exercisable period	Outstanding as at 31 October 2019
Mr. Sun Shao Feng	18 January 2018	0.64	18 January 2018 to 17 January 2028	3,400,000
Mr. Wang Jinhua	18 January 2018	0.64	18 January 2018 to 17 January 2028	3,250,000

Save as disclosed above, as at 31 October 2019, 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 share option scheme (the “Share Option Scheme”). The purpose of the Share Option Scheme is to enable the Board to grant options to eligible participants including Directors, employees or any participant 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.

REPORT OF THE BOARD

At the annual general meeting of the Company held on 12 October 2018, a resolution relating to the refreshment of the mandate limit under the Share Option Scheme (the “Scheme Mandate Limit”) was passed by the shareholders 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, which do not include share options that are outstanding, cancelled or lapsed as at the date of passing such resolution, i.e. 694,228,507 shares that may be issued under 694,228,507 outstanding share options granted.

The aforesaid 694,228,507 outstanding share options granted had been adjusted to 34,711,425 share options for the effect of the share consolidation with effect from 30 November 2018, and the Scheme Mandate Limit had been adjusted to 34,711,425 shares for the effect of the share consolidation with effect from 30 November 2018.

Details of the movement in the share options granted under the Share Option Scheme during the six months ended 31 October 2019 are as follows:

Category of participants	Date of grant of share option	Exercisable Period	Exercise price per share option (HK\$)	Outstanding as at 1 May 2019	Granted during the period	Exercised/ cancelled/ lapsed during the period	Outstanding as at 31 October 2019
Directors							
Mr. Sun Shao Feng	18 January 2018	18 January 2018 to 17 January 2028	0.64	3,400,000	–	–	3,400,000
Mr. Wang Jinhua	18 January 2018	18 January 2018 to 17 January 2028	0.64	3,250,000	–	–	3,250,000
Sub-total				6,650,000	–	–	6,650,000
Employees							
In aggregate	18 January 2018	18 January 2018 to 17 January 2028	0.64	28,061,425	–	–	28,061,425
Total				34,711,425	–	–	34,711,425

REPORT OF THE BOARD

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

As at 31 October 2019, 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	Approximate	percentage of
				Number of	the Company's
				underlying	issued share
				shares held	capital
				(Note 2)	(Note 1)
Convoy Collateral Limited (Note 3)	Beneficial owner	Long position	–	95,000,000	26.02%
Convoy Global Holdings Limited (Note 3)	Interest of controlled corporation	Long position	–	95,000,000	26.02%
Capital Mate (Note 4)	Beneficial owner	Long position	18,327,330	–	5.02%

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 2019 (i.e. 365,158,370 shares).
2. 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 Restated Convertible Notes.
3. Based on the respective notice of disclosure of interests of Convoy Global Holdings Limited and Convoy Collateral Limited filed with the Stock Exchange on 21 February 2017, 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. The number of underlying shares held by Convoy Collateral Limited, as the beneficial owner, and Convoy Global Holdings Limited, as the interest of controlled corporation, became 95,000,000 underlying shares respectively after the adjustments as a result of the share consolidation which took place on 30 November 2018.
4. Capital Mate is an entity controlled by Mr. Sun Shao Feng. Hence, Mr. Sun Shao Feng is deemed to be interested in these 18,327,330 shares owned by Capital Mate.

REPORT OF THE BOARD

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 shares or underlying shares of the Company as at 31 October 2019.

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 2019.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code 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 standards as set out in the Model Code during the six months ended 31 October 2019.

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 2019, the Company was in compliance with all code provisions set out in the CG Code except for the deviation 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, 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 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 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.

AUDIT COMMITTEE

The Company established the 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 Mr. Guo Zebin. 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 condensed consolidated results of the Company for the six months ended 31 October 2019 and is of the opinion that such results have complied with the applicable accounting standards and the requirements under the Listing Rules, and that adequate disclosures have been made.

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

Hong Kong, 27 December 2019

As at the date of this report, the Board comprises two executive Directors, namely Mr. Sun Shao Feng (Chairman and Chief Executive Officer) and Mr. Wang Jinhua; and three independent non-executive Directors, namely Mr. Hu Ji Rong, Mr. Wei Xiongwen and Mr. Guo Zebin.

** For identification purpose only*