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**CHINA GREENFRESH GROUP CO., LTD.**

**中國綠寶集團有限公司\***

*(Incorporated in the Cayman Islands with limited liability)*

**(Stock code: 6183)**

**ANNOUNCEMENT OF ANNUAL RESULTS  
FOR THE YEAR ENDED 31 DECEMBER 2017**

**FINANCIAL HIGHLIGHTS**

The Group's revenue for the Year was approximately RMB1,064.25 million, representing a decrease of approximately RMB21.96 million or 2.02% as compared to that of the corresponding period of last year.

The Group's gross profit after fair value adjustment on biological assets for the Year was approximately RMB230.15 million (before business tax, other taxes and auxiliary charges), representing a decrease of approximately RMB48.44 million or 17.39% as compared to that of the corresponding period of last year. Compared to the corresponding period of last year, the Group's gross profit margin for the Year dropped from 25.65% to 21.63%.

The Group's net profit for the Year was approximately RMB184.03 million, representing a decrease of approximately RMB37.61 million or 16.97% as compared to the corresponding period of last year.

Basic earnings per share attributable to owners of the Group for the Year was approximately RMB17.19 cents.

The Board recommended not to declare any final dividend for the year ended 31 December 2017.

The board (the “**Board**”) of directors (the “**Directors**”) of CHINA GREENFRESH GROUP CO., LTD. (the “**Company**”) is pleased to announce the audited consolidated financial results of the Company and its subsidiaries (collectively, the “**Group**” or “**We**”) for the year ended 31 December 2017 (the “**Year**”), together with the comparative figures for the corresponding period of 2016 as follows.

## CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the year ended 31 December 2017

	<i>Notes</i>	<b>2017</b> <b>RMB'000</b>	2016 <i>RMB'000</i>
<b>Revenue</b>	4	<b>1,064,254</b>	1,086,216
Changes in fair value of biological assets			
less cost to sell		<b>157,703</b>	207,419
Cost of goods sold		<b>(991,808)</b>	(1,015,050)
Business tax, other taxes and auxiliary charges		<b>(2,310)</b>	(1,867)
<b>Gross profit</b>		<b>227,839</b>	276,718
Other income		<b>12,852</b>	19,161
Selling expenses		<b>(6,148)</b>	(4,582)
Administrative expenses		<b>(46,363)</b>	(65,051)
<b>Profit from operations</b>		<b>188,180</b>	226,246
Finance costs	6	<b>(564)</b>	(808)
<b>Profit before tax</b>		<b>187,616</b>	225,438
Income tax expense	7	<b>(3,591)</b>	(3,799)
<b>Profit for the year</b>	8	<b>184,025</b>	221,639
<b>Attributable to:</b>			
Owners of the Company		<b>184,551</b>	222,092
Non-controlling interests		<b>(526)</b>	(453)
		<b>184,025</b>	221,639
			(Restated)
<b>Earnings per share</b>	9		
Basic ( <i>RMB cents per share</i> )		<b>RMB17.19 cents</b>	<b>RMB21.80 cents</b>
Diluted ( <i>RMB cents per share</i> )		<b>RMB17.09 cents</b>	<b>RMB21.71 cents</b>
<b>Dividends</b>	10	<b>–</b>	45,288

## CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2017

	2017 <i>RMB'000</i>	2016 <i>RMB'000</i>
<b>Profit for the year</b>	<b>184,025</b>	221,639
<b>Other comprehensive income for the year, net tax</b>	<u>          –</u>	<u>          –</u>
<b>Total comprehensive income for the year</b>	<b><u>184,025</u></b>	<b><u>221,639</u></b>
Attributable to:		
Owners of the Company	<b>184,551</b>	222,092
Non-controlling interests	<u>     (526)</u>	<u>     (453)</u>
	<b><u>184,025</u></b>	<b><u>221,639</u></b>

## CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2017

	<i>Notes</i>	<b>2017</b> <i>RMB'000</i>	2016 <i>RMB'000</i>
<b>ASSETS</b>			
<b>Non-current assets</b>			
Property, plant and equipment		<b>186,623</b>	180,214
Goodwill		<b>158,648</b>	–
Investment in an associate		<b>194,210</b>	–
Prepaid land lease payments		<b>32,065</b>	32,784
Other assets		<b>674</b>	690
		<hr/>	<hr/>
<b>Total non-current assets</b>		<b>572,220</b>	213,688
		<hr/>	<hr/>
<b>Current assets</b>			
Inventories		<b>17,857</b>	19,037
Biological assets	<i>11</i>	<b>13,580</b>	59,319
Trade receivables	<i>12</i>	<b>151,259</b>	196,645
Deposits, prepayments and other receivables		<b>147,472</b>	121,865
Due from a related party		–	6,800
Due from non-controlling interests		–	1,962
Bank and cash balances		<b>1,056,631</b>	1,174,002
		<hr/>	<hr/>
<b>Total current assets</b>		<b>1,386,799</b>	1,579,630
		<hr/>	<hr/>
<b>TOTAL ASSETS</b>		<b>1,959,019</b>	1,793,318
		<hr/>	<hr/>
<b>EQUITY AND LIABILITIES</b>			
Equity attributable to owners of the Company			
Share capital		<b>70,062</b>	31,919
Other reserves		<b>1,818,849</b>	1,639,434
		<hr/>	<hr/>
		<b>1,888,911</b>	1,671,353
Non-controlling interests		<b>9,854</b>	5,311
		<hr/>	<hr/>
<b>TOTAL EQUITY</b>		<b>1,898,765</b>	1,676,664
		<hr/>	<hr/>

	<i>Notes</i>	<b>2017</b> <b><i>RMB'000</i></b>	2016 <i>RMB'000</i>
<b>LIABILITIES</b>			
<b>Non-current liabilities</b>			
Operating lease rentals received in advance		<u>120</u>	<u>1,091</u>
<b>Current liabilities</b>			
Trade payables	<i>13</i>	<b>19,532</b>	79,993
Accruals and other payables		<b>22,573</b>	24,566
Bank loan		<b>10,000</b>	10,000
Current tax liabilities		<b>2,784</b>	1,004
Due to non-controlling interests		<u>5,245</u>	<u>–</u>
<b>Total current liabilities</b>		<u><b>60,134</b></u>	<u>115,563</u>
<b>TOTAL EQUITY AND LIABILITIES</b>		<u><b>1,959,019</b></u>	<u>1,793,318</u>

## NOTES

### 1. GENERAL INFORMATION

CHINA GREENFRESH GROUP CO., LTD. (the “**Company**”) was incorporated in the Cayman Islands with limited liability. The address of its registered office is Cricket Square, Hutchins Drive, P. O. Box 2681, Grand Cayman KY1-1111, Cayman Islands. The address of its principal place of business is 8th Floor, Building No. 10, Guanyinshan Business Centre, Siming District, Xiamen, People’s Republic of China (the “**PRC**”). The Company’s shares are listed on the Main Board of The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”).

The Company is an investment holding company. The principal activities of its subsidiaries are engaging in mushroom plantation, manufacturing of canned food and other processed food products and trading of foods and other products.

In the opinion of the directors of the Company, Song Rising Co., Ltd., a company incorporated in the British Virgin Islands, is the immediate parent, and Mr. Zheng Songhui who is a director of the Company, is the ultimate controlling party of the Company.

### 2. BASIS OF PREPARATION

The consolidated financial statements have been prepared in accordance with all applicable International Financial Reporting Standards (“**IFRSs**”) issued by the International Accounting Standards Board (“**IASB**”). IFRSs comprise International Financial Reporting Standards (“**IFRS**”); International Accounting Standards (“**IAS**”); and Interpretations. The consolidated financial statements also comply with the applicable disclosure provisions of the Rules Governing the Listing of Securities on the Stock Exchange (the “**Listing Rules**”) and with the disclosure requirements of the Hong Kong Companies Ordinance (Cap. 622).

IASB has issued certain new and revised IFRSs that are first effective or available for early adoption for the current accounting period of the Group. Note 3 provides information on any changes in accounting policies resulting from initial application of these developments to the extent that they are relevant to the Group for the current and prior accounting periods reflected in the consolidated financial statements.

### 3. ADOPTION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS

#### **Application of new and revised IFRSs**

IASB has issued a number of new and revised IFRSs that are first effective for annual periods beginning on or after 1 January 2017. Of these, the following new or revised IFRSs are relevant to the Group.

## **Amendments to IAS 7 Statement of Cash Flows: Disclosure Initiative**

The amendments require entities to provide disclosure of changes in their liabilities arising from financing activities, including both changes arising from cash flows and non-cash changes (such as foreign exchange gains or losses).

None of these developments have had a material effect on how the Group's results and financial position for the current or prior periods have been prepared or presented.

## **New and revised IFRSs in issue but not yet effective**

The Group has not early applied new and revised IFRSs that have been issued but are not yet effective for the financial year beginning 1 January 2017. These new and revised IFRSs include the following which may be relevant to the Group.

	<b>Effective for accounting periods beginning on or after</b>
IFRS 9 Financial Instruments	1 January 2018
IFRS 15 Revenue from Contracts with Customers	1 January 2018
IFRS 16 Leases	1 January 2019
IFRIC 23 Uncertainty over Income Tax Treatments	1 January 2019

The Group is in the process of making an assessment of what the impact of these amendments and new standards is expected to be in the period of initial application. So far the Group has identified some aspects of the new standards which may have a significant impact on the consolidated financial statements. Further details of the expected impacts are discussed below. While the assessment has been substantially completed for IFRS 9 and IFRS 15, the actual impacts upon the initial adoption of the standards may differ as the assessment completed to date is based on the information currently available to the Group, and further impacts may be identified before the standards are initially applied in the Group's interim financial report for the six months ending 30 June 2018. The Group may also change its accounting policy elections, including the transition options, until the standards are initially applied in that interim financial report.

## **IFRS 9 Financial Instruments**

IFRS 9 will replace IAS 39 Financial Instruments: Recognition and Measurement. IFRS 9 introduces new requirements for classification and measurement of financial assets, new rules for hedge accounting and a new impairment model for financial assets.

IFRS 9 is effective for annual periods beginning on or after 1 January 2018 on a retrospective basis. The Group plans to adopt the new standard on the required effective date and will not restate comparative information.

Based on an analysis of the Group's financial assets and financial liabilities as at 31 December 2017 on the basis of the facts and circumstances that exist at that date, the directors of the Company have assessed the impact of IFRS 9 to the Group's consolidated financial statements as follows:

(a) *Impairment*

IFRS 9 requires the Group to recognise and measure either a 12-month expected credit loss or lifetime expected credit loss, depending on the asset and the facts and circumstances. The Group expects that the application of the expected credit loss model will result in earlier recognition of credit losses. Based on a preliminary assessment, if the Group were to adopt the new impairment requirements at 31 December 2017, accumulated impairment loss at that date would be similar to that recognised under IAS 39.

**IFRS 15 Revenue from Contracts with Customers**

IFRS 15 establishes a comprehensive framework for recognising revenue from contracts with customers. IFRS 15 will replace the existing revenue standards, IAS 18, Revenue, which covers revenue arising from sale of goods and rendering of services, and IAS 11, Construction contracts, which specifies the accounting for revenue from construction contracts.

IFRS 15 is effective for annual periods beginning on or after 1 January 2018. The standard permits either a full retrospective or a modified retrospective approach for the adoption. The Group intends to adopt the standard using the modified retrospective approach which means that the cumulative impact of the adoption will be recognised in retained earnings as of 1 January 2018 and that comparatives will not be restated.

Based on the assessment completed to date, the Group has identified the following areas which are expected to be affected:

(a) *Timing of revenue recognition*

Currently, revenue from the sale of goods is generally recognised when the risks and rewards of ownership have passed to the customers.

Under IFRS 15, revenue is recognised when the customer obtains control of the promised good or service in the contract. IFRS 15 identifies 3 situations in which control of the promised good or service is regarded as being transferred over time:

- (a) When the customer simultaneously receives and consumes the benefits provided by the entity's performance, as the entity performs;
- (b) When the entity's performance creates or enhances an asset (for example work in progress) that the customer controls as the asset is created or enhanced; and
- (c) When the entity's performance does not create an asset with an alternative use to the entity and the entity has an enforceable right to payment for performance completed to date.

If the contract terms and the entity's activities do not fall into any of these 3 situations, then under IFRS 15 the entity recognises revenue for the sale of that good or service at a single point in time, being when control has passed. Transfer of risks and rewards of ownership is only one of the indicators that will be considered in determining when the transfer of control occurs.

For contracts with customers in which the sale of goods is generally expected to be the only performance obligation, adoption of IFRS 15 is not expected to have any impact on the Group's revenue or profit or loss. The Group expects the revenue recognition to occur at a point in time when control of the asset is transferred to the customer, generally on delivery of the goods.

### **IFRS 16 Leases**

IFRS 16 replaces IAS 17 Leases and related interpretations. The new standard introduces a single accounting model for lessees. For lessees the distinction between operating and finance leases is removed and lessees will recognise right-of-use assets and lease liabilities for all leases (with optional exemptions for short-term leases and leases of low value assets). IFRS 16 carries forward the accounting requirements for lessors in IAS 17 substantially unchanged. Lessors will therefore continue to classify leases as operating or financing leases.

IFRS 16 is effective for annual periods beginning on or after 1 January 2019. The Group intends to apply the simplified transition approach and will not restate comparative amounts for the year prior to first adoption.

Based on a preliminary assessment, the standard will affect primarily the accounting for the Group's operating leases. The Group's office property leases and production plants are currently classified as operating leases and the lease payments (net of any incentives received from the lessor) are recognised as an expense on a straight-line basis over the lease term. Under IFRS 16 the Group may need to recognise and measure a liability at the present value of the future minimum lease payments and recognise a corresponding right-of-use asset for these leases. The interest expense on the lease liability and depreciation on the right-of-use asset will be recognised in profit or loss. The Group's assets and liabilities will increase and the timing of expense recognition will also be impacted as a result.

#### 4. REVENUE

The Group's revenue which represents sales of goods to customers are as follows:

	2017 <i>RMB'000</i>	2016 <i>RMB'000</i>
King trumpet mushroom	372,734	362,106
Button mushroom, straw mushroom and shiitake mushroom	176,371	191,564
Canned food	65,448	76,146
Other processed food products	33,692	52,352
Trading through domestic network	160,812	150,964
International trading of food	255,197	253,084
	<u>1,064,254</u>	<u>1,086,216</u>

#### 5. SEGMENT INFORMATION

The Group has six reportable segments as follows:

King trumpet mushroom	–	Planting of king trumpet mushroom
Button mushroom, straw mushroom and shiitake mushroom	–	Planting of button mushroom, straw mushroom and shiitake mushroom
Canned food	–	Manufacturing and trading of canned food
Other processed food products	–	Manufacturing and trading of other processed food products such as brined mushroom, preserved vegetables and dried mushroom and etc.
Trading through domestic network	–	Trading of edible fungi, fresh fruit and vegetables in PRC
International trading of food	–	Trading of edible fungi, fresh fruit and vegetables, canned food, frozen food, edible fungi healthcare products and etc other than in PRC

The Group's reportable segments are strategic business units that offer different products and services. They are managed separately because each business requires different technologies and marketing strategies.

Segment profits or losses do not include unallocated business tax, other taxes and auxiliary charges, selling expenses, administrative expenses, other income, finance costs and income tax expense. Segment assets include trade receivables, inventories, biological assets and goodwill.

The Group accounts for intersegment sales and transfers as if the sales or transfers were to third parties, i.e. at current market prices.

**Information about reportable segment profit or loss, assets and liabilities:**

	King trumpet mushroom <i>RMB'000</i>	Button mushroom, straw mushroom and shiitake mushroom <i>RMB'000</i>	Canned food <i>RMB'000</i>	Other processed food products <i>RMB'000</i>	Trading through domestic network <i>RMB'000</i>	International trading of food <i>RMB'000</i>	Total <i>RMB'000</i>
Year ended 31 December 2017							
Revenue from external customers	372,734	176,371	65,448	33,692	160,812	255,197	1,064,254
Intersegment revenue	68	-	-	-	-	-	68
Segment profit	110,278	81,429	15,068	5,879	12,224	20,249	245,127
Other material items of income and expense:							
Income tax expense	-	56	1,975	-	7	1,553	3,591
As at 31 December 2017							
Segment assets	<u>187,552</u>	<u>4,288</u>	<u>9,486</u>	<u>4,230</u>	<u>-</u>	<u>104,854</u>	<u>310,410</u>
	King trumpet mushroom <i>RMB'000</i>	Button mushroom, straw mushroom and shiitake mushroom <i>RMB'000</i>	Canned food <i>RMB'000</i>	Other processed food products <i>RMB'000</i>	Trading through domestic network <i>RMB'000</i>	International trading of food <i>RMB'000</i>	Total <i>RMB'000</i>
Year ended 31 December 2016							
Revenue from external customers	362,106	191,564	76,146	52,352	150,964	253,084	1,086,216
Intersegment revenue	4,606	970	-	22,107	-	-	27,683
Segment profit	129,065	90,997	16,078	9,868	15,660	14,406	276,074
Other material items of income and expense:							
Income tax expense	-	56	2,362	9	30	1,342	3,799
As at 31 December 2016							
Segment assets	<u>15,421</u>	<u>48,388</u>	<u>10,926</u>	<u>61,877</u>	<u>22,943</u>	<u>70,495</u>	<u>230,050</u>

**Reconciliation of reportable segment revenue, profit or loss and assets:**

	2017 <i>RMB'000</i>	2016 <i>RMB'000</i>
<b>Revenue</b>		
Total revenue of reportable segments	1,064,322	1,113,899
Elimination of intersegment revenue	<u>(68)</u>	<u>(27,683)</u>
Consolidated revenue	<u>1,064,254</u>	<u>1,086,216</u>
<b>Profit or loss</b>		
Total profit or loss of reportable segments	245,127	276,074
Elimination of intersegment profits	14	(12,205)
Change in profit or loss from changes in fair value of biological assets	(14,978)	(15,315)
Depreciation	(12,221)	(11,053)
Amortisation of prepaid land lease payments	(719)	(761)
Unallocated amounts	<u>(33,198)</u>	<u>(15,101)</u>
Consolidated profit for the year	<u>184,025</u>	<u>221,639</u>
<b>Assets</b>		
Total assets of reportable segments		
Unallocated amounts	310,410	230,050
– Property, plant and equipment	186,623	180,214
– Prepaid land lease payments	32,065	32,784
– Bank and cash balances	1,056,631	1,174,002
– Investment in an associate	194,210	–
– Others	<u>179,080</u>	<u>176,268</u>
Consolidated total assets	<u>1,959,019</u>	<u>1,793,318</u>

	2017 <i>RMB'000</i>	2016 <i>RMB'000</i>
<b>Geographical information:</b>		
<i>Revenue</i>		
PRC		
– Eastern China	353,636	439,516
– Southern China	127,440	79,522
– Northern China	51,857	38,576
– Central China	175,577	166,069
– North Eastern China	50,682	47,054
– South Western China	21,287	29,353
– North Western China	28,578	32,774
New Zealand	4,351	21,118
Malaysia	94,117	132,435
Netherland	–	8,808
Philippines	4,633	32,949
Indonesia	1,828	2,139
Singapore	20,764	15,875
United Kingdom	8,392	5,993
Nigeria	14,896	10,045
United States of America	46,051	9,375
Others	60,165	14,615
	<u>1,064,254</u>	<u>1,086,216</u>
Consolidated total	<u>1,064,254</u>	<u>1,086,216</u>

In presenting the geographical information, revenue is prepared based on the shipment destination so that the economic environments, in which the goods are shipped, can be evaluated.

*Non-current assets*

	2017 <i>RMB'000</i>	2016 <i>RMB'000</i>
Hong Kong	785	550
PRC, except Hong Kong	571,435	213,138
	<u>572,220</u>	<u>213,688</u>
Consolidated total	<u>572,220</u>	<u>213,688</u>

During the year, there was no individual customer whose contribution of revenue accounted for 10% or more of the Group's total external revenue (2016: Nil).

## 6. FINANCE COSTS

	2017 <i>RMB'000</i>	2016 <i>RMB'000</i>
Interest on bank borrowings	542	495
Interest on other payables	22	313
	<u>564</u>	<u>808</u>

## 7. INCOME TAX EXPENSE

	2017 <i>RMB'000</i>	2016 <i>RMB'000</i>
Current tax – PRC		
Provision for the year	2,054	2,342
Under provision for prior year	–	115
Current tax – Hong Kong		
Provision for the year	2,407	1,359
Over provision for prior year	(870)	(17)
	<u>3,591</u>	<u>3,799</u>

Hong Kong Profits Tax has been provided at 16.5% based on the assessable profit for the year (2016: 16.5%).

PRC Enterprise Income Tax has been provided at a rate of 25% (2016: 25%).

Tax charge on profits assessable elsewhere have been calculated at the rates of tax prevailing in the countries in which the Group operates, based on existing legislation, interpretation and practices in respect thereof.

Under the Law of PRC on Enterprise Income Tax (the “**EIT Law**”) and Implementation Regulation of the EIT Law, the tax rate of the PRC subsidiaries is 25% from 1 January 2008 onwards except as described below.

According to the EIT Law, income derived from primary processing of agricultural produce is exempt from the PRC Enterprise Income Tax. The production and trading of mushroom of certain of the subsidiaries are recognised as primary processing of agricultural produce under the EIT Law and therefore are exempt from the PRC Enterprise Income Tax commenced from 1 January 2008. The following subsidiaries are recognised as primary processing of agricultural produce which obtained the exemption from the PRC Enterprise Income Tax:

**Year ended 31 December 2016 and 2017**

綠寶生態農業(漳州)有限公司  
(Greenfresh Ecological Agriculture (Zhangzhou) Company Limited)

漳州盛泰農業開發有限公司  
(Zhangzhou Shengtai Agricultural Development Company Limited)

漳州景翔食品有限公司  
(Zhangzhou Jingxiang Foods Company Limited)

綠寶(南昌)生物科技有限公司  
(Greenfresh (Nanchang) Biological Technology Limited)

綠寶(新疆)生物科技有限公司  
(Greenfresh (Xinjiang) Biological Technology Limited)

河北綠寶生物科技有限公司  
(Hebei Greenfresh Biological Technology Limited)

平泉縣綠河生物科技有限公司  
(Pingquan County Lvhe Biotechnology Co., Limited)

漳州市長豐食用菌有限公司  
(Zhangzhou Changfeng Edible Fungi Co., Limited)

The reconciliation between the income tax expense and the product of profit before tax multiplied by the PRC Enterprise Income Tax rate is as follows:

	<b>2017</b>	2016
	<b><i>RMB'000</i></b>	<i>RMB'000</i>
Profit before tax	<b>187,616</b>	225,438
Tax at the domestic income tax rate of 25%	<b>46,863</b>	56,136
Tax effect of income that is not taxable	<b>(4,574)</b>	(371)
Tax effect of expenses that are not deductible	<b>15,717</b>	5,347
Tax effect of tax concession	<b>(52,069)</b>	(58,371)
Tax effect of tax loss not recognised	–	315
Tax effect of tax rate in different jurisdiction	<b>(1,479)</b>	645
Tax effect of temporary differences not recognised	<b>3</b>	–
(Over)/under provision in prior year	<b>(870)</b>	98
Income tax expense	<b>3,591</b>	3,799

## 8. PROFIT FOR THE YEAR

The Group's profit for the year is stated after charging/(crediting) the following:

	<b>2017</b>	2016
	<b><i>RMB'000</i></b>	<i>RMB'000</i>
Amortisation of prepaid land lease payments	<b>719</b>	761
Acquisition related cost (included in administrative expenses)	<b>236</b>	–
Depreciation	<b>12,221</b>	11,053
Gain on disposal of property, plant and equipment and prepaid land lease payments	<b>(3)</b>	(1,399)
Operating lease charges		
– Land and buildings		
– Minimum lease payments	<b>21,156</b>	19,481
– Others		
– Minimum lease payments	<b>294</b>	374
Research and development expenditure	<b>4,062</b>	3,597
Auditor's remuneration		
– Current	<b>1,410</b>	1,320
– Under provision in prior year	–	290
Cost of inventories sold	<b>991,808</b>	1,015,050
Fair value change of biological assets		
– realised	<b>154,712</b>	190,488
– unrealised	<b>2,991</b>	16,931

## 9. EARNINGS PER SHARE

The calculation of basic earnings per share attributable to owners of the Company is based on the profit for the year attributable to owners of the Company of approximately RMB184,551,000 (2016: RMB222,092,000) for the year ended 31 December 2017 and the weighted average number of ordinary shares of 1,073,890,411 in issue during the year (2016: Restated 1,020,782,732).

The calculation of diluted earnings per share attributable to owners of the Company for the year, is based on the profit for the year attributable to owners of the Company of approximately RMB184,551,000 (2016: RMB222,092,000) and the weighted average number of ordinary shares of 1,073,890,411 (2016: Restated 1,020,782,732) in issue during the year, plus the effect of dilutive potential ordinary shares arising from share options issued by the Company during the year of 6,124,260 (2016: Restated 2,395,611) shares, arrived at the weighted average number of ordinary shares for the purpose of calculating diluted earnings per share of ordinary shares of 1,080,014,671 (2016: Restated 1,023,178,343).

## 10. DIVIDENDS

(i) Dividends payable to owners of the Company attributable to the year:

	<b>2017</b> <b>RMB'000</b>	2016 <i>RMB'000</i>
Interim dividend in respect of the financial year, approved and paid during the year, of HK Nil cent per ordinary share (equivalent to RMB Nil cent per ordinary share) (2016: HK8.00 cents per ordinary share (equivalent RMB6.88 cents per ordinary share))	–	35,774
Final dividend proposed after the end of the reporting period of HK Nil cent per ordinary share (equivalent RMB Nil cent per ordinary share) (2016: HK2.00 cents per ordinary share (equivalent RMB1.77 cents per ordinary share))	–	9,514
	<u>–</u>	<u>9,514</u>
	<u>–</u>	<u>45,288</u>

(ii) Dividends payables to owners of the Company attributable to the prior financial year, which were approved and paid during the year:

	<b>2017</b> <b>RMB'000</b>	2016 <i>RMB'000</i>
Final dividend in respect of the prior financial year, approved and paid during the year, of HK2.00 cents per ordinary share (equivalent to RMB1.74 cents per ordinary share) (2016: HK20.00 cents per ordinary share (equivalent to approximately RMB17.09 cents per ordinary share))	<u>9,333</u>	<u>86,732</u>

## 11. BIOLOGICAL ASSETS

The Group is engaged in mushroom cultivation for supply to customers.

Reconciliation of carrying amount of mushroom:

	2017 <i>RMB'000</i>	2016 <i>RMB'000</i>
At 1 January	59,319	53,102
Increases due to cultivation	151,740	178,807
Gain from changes in fair value less costs to sell	157,703	207,419
Acquisition of a subsidiary	5,734	–
Decreases due to harvest	<u>(360,916)</u>	<u>(380,009)</u>
At 31 December	<u>13,580</u>	<u>59,319</u>

Gain from changes in fair value less cost to sell included those biological assets sold during the year (realised) and those biological assets not yet sold as at the end of the reporting period (unrealised).

Biological assets were mushroom and were stated at fair value less costs to sell as at the end of the reporting period. The fair value was determined by the professional valuer, Jones Lang LaSalle Corporate Appraisal and Advisory Limited with reference to market-determined prices, cultivation areas, species, growing conditions, cost incurred and expected yield of crops.

Market and cost approaches are adopted to value the agricultural produce of mushroom as at the end of respective years. During the growing period, cost approach is adopted. The costs of direct raw material, direct labour, labour service and leasing have been considered in the calculation of the fair values for the growing period and these costs are approximate to their fair value. During the harvesting period, market approach is adopted. Therefore, the fair values of the biological assets as at the end of respective years are calculated to be the product of market price and estimated the agricultural produce mushroom after deducting the reasonable cost related to selling.

The fair value measurement of the mushroom is categorised as level 3 fair value measurement within the three-level fair value hierarchy as defined under IFRS 13, Fair Value Measurement. Significant unobservable inputs are mainly the expected future cash flow and the discount rate. The higher the future cash flows or the lower the discount rate, the higher the fair value determined. Due to the production cycle of the mushroom is relatively short, the impact on the valuation of the expected future cash flow and discount rate is immaterial.

During the year, there was no transfer occurred between each level in the hierarchy (2016: Nil).

The movement in the fair value of the assets within level 3 of the hierarchy is as follows:

	<b>King trumpet mushroom, button mushroom and shiitake mushroom</b>	
	<b>2017</b>	2016
	<b>RMB'000</b>	RMB'000
At 1 January	<b>59,319</b>	53,102
Increases due to cultivation	<b>151,740</b>	178,807
Gain from changes in fair value less costs to sell (#)	<b>157,703</b>	207,419
Acquisition of a subsidiary	<b>5,734</b>	–
Decreases due to harvest	<b>(360,916)</b>	(380,009)
At 31 December	<b><u>13,580</u></b>	<u>59,319</u>
(#) Included in gains or losses from assets held at the end of the reporting period	<b><u>2,991</u></b>	<u>16,931</u>

The following unobservable inputs were used to measure the Group's mushroom cultivation:

Description	Valuation technique	Unobservable inputs	Range		Effect on fair value as the amount of input increase 2017	Fair value as at 31 December	
			as at 31 December			2017	2016
			2017	2016		RMB'000	RMB'000
King trumpet mushroom	Cost and Market approach	King trumpet mushroom yield	<b>0.20 kg – 0.41 kg</b>	0.27 kg – 0.36 kg	Increase	<b>12,908</b>	15,266
		Price of king trumpet mushroom	<b>RMB6.99– RMB10.57 per kg</b>	RMB7.7 – RMB11.54 per kg	Increase		
Button mushroom	Cost and Market approach	Button mushroom yield	N/A	21.50 kg	Increase	–	43,963
		Price of button mushroom	N/A	RMB7.65 per kg	Increase		
Shiitake mushroom	Cost and Market approach	Shiitake mushroom yield	<b>0.70 kg</b>	0.30 kg	Increase	<b>672</b>	90
		Price of shiitake mushroom	<b>RMB8.05 per kg</b>	RMB6.20 per kg	Increase		

## 12. TRADE RECEIVABLES

The credit terms of trade receivables are in accordance with specific payment schedules agreed with various customers and generally range from 30 to 90 days. Each customer has a maximum credit limit. For new customers, payment in advance is normally required. The Group seeks to maintain strict control over its outstanding receivables. Overdue balances are reviewed regularly by the Board.

The aging analysis of the Group's trade receivables, based on the invoice date, and net of allowance, is as follows:

	<b>2017</b> <i>RMB'000</i>	2016 <i>RMB'000</i>
0 to 90 days	<b>150,405</b>	196,487
91 to 180 days	<b>854</b>	2
Over 1 year	–	156
	<b><u>151,259</u></b>	<b><u>196,645</u></b>

As at 31 December 2017, trade receivables of RMB2,719,000 (2016: RMB29,237,000) were past due but not yet impaired. These relate to a number of independent customers for whom there is no recent history of default. The aging analysis of these trade receivables is as follows:

	<b>2017</b> <i>RMB'000</i>	2016 <i>RMB'000</i>
Up to 3 months	<b>2,503</b>	29,079
3 to 6 months	<b>216</b>	2
6 months to 1 year	–	156
	<b><u>2,719</u></b>	<b><u>29,237</u></b>

## 13. TRADE PAYABLES

The aging analysis of the Group's trade payables, based on the date of receipt of goods, is as follows:

	<b>2017</b> <i>RMB'000</i>	2016 <i>RMB'000</i>
0 to 90 days	<b>17,215</b>	75,498
91 to 180 days	<b>1,094</b>	2,984
181 to 365 days	<b>433</b>	1,009
Over 1 year	<b>790</b>	502
	<b><u>19,532</u></b>	<b><u>79,993</u></b>

## MANAGEMENT'S DISCUSSION AND ANALYSIS

### Summary and Overview

The Group is a leading integrated service provider of comprehensive edible fungi industrial chain in China. On 18 June 2015, the Group was successfully listed on the Stock Exchange and became the first Chinese edible fungi enterprise listed in Hong Kong. Entering into the capital market marked a new start for the Group's realization of leapfrog in its business development. After years of development, the Group accumulated extensive experience in industrialization of edible fungi plant, primary and intensive processing of edible fungi products, domestic and overseas sales platform as well as research, development and sales of edible fungi products for general healthcare.

In 2017, the global economy experienced persistent expansion and the prosperous condition was encouraging, while China enabled full capitalization of its economic vitality, motivation and potentials, with its sustainability getting considerably stronger, and achieved steady and healthy growth. Sound overseas economic condition undoubtedly brought tremendous opportunities for industries and enterprises, and at the same time, integration of edible fungi industry continued, causing fragmented and outdated companies to be eliminated and stronger enterprises to grasp golden opportunities of merger, acquisition and expansion.

During the Year, the Group conducted persistent implementation of its planned strategies to realize its transformation and upgrade, the major results of which include:

- Continuous input of efforts to improve the quality of edible fungi products for general healthcare and extend the sales channels. The Group's edible fungi products for general healthcare achieved technological breakthrough at the research and development base in Japan, the second generation of high quality healthcare products were unveiled in Singapore and Japan with satisfactory market response. In respect of sales, in August 2017, the Group entered into a strategic cooperation agreement with Singapore Holly Biotechnology Pte. Ltd. ("**Singapore Holly**") to extend the reach of the Group's edible fungi products for general healthcare to Asia market by leveraging on the extensive sales network of Singapore Holly.

- Successful acquisitions of two peer companies. In December 2017, the Group successfully acquired two peer companies namely Mega Rainbow International Limited (“**Zhao Hong**”) and Lucky Max Developments Limited (“**Lucky Max**”) at a total consideration of approximately RMB375.4 million. Upon the completion of the acquisitions, Zhao Hong and Lucky Max became the subsidiaries of the Company. Such that, the Company indirectly holds 86% equity interests in Zhangzhou Changfeng Edible Fungi Co., Limited (“**Zhangzhou Changfeng**”), which is held by Zhao Hong and 48.7% equity interests in Guangxi Jiabao Food Group Co., Ltd. (“**Guangxi Jiabao**”), which is held by Lucky Max. For details of the acquisitions, please refer to the announcements of the Company dated 5 December 2017, 22 December 2017, 29 December 2017 and 9 January 2018. Zhangzhou Changfeng is a leading industrialized production enterprise of king trumpet mushroom in China, which possesses state-of-the-art biological technology of liquid spawn and has already possessed major market share in the Southern China market. Upon acquisition, the Group will be able to capture a larger market share through multi-brand strategies. Guangxi Jiabao is a leading enterprise of frozen food and processed canned food products in China, which has outstanding sales performance in overseas markets such as the US, Canada, Europe, etc., and possesses the advanced technology of industrialized production of a precious kinds of fungi, the black trimitomyces albuminosus. The acquisition will help the Group’s fresh edible fungi products to enter into the European and the US market and expand the Group’s portfolio of fungi and canned food products. These two acquisitions have provided the Group with stronger support to the edible fungi production technologies, accelerated the overall production capacity increase of the Group, extended the Group’s foothold to global market and, to a larger extent, enhanced the Group’s competitiveness, thereby further solidifying the Group’s leading position in the industry.
- Further expansion of sales network. Building on the sales network established in 2016, the Group continued the consolidation thereof during the Year. Currently, there are 13 operating subsidiaries in, among others, China, Japan and Singapore with over 130 customers and distributors across the nation.
- Gradual elimination of outdated capacity and focusing on industrialized production. Through long-term focus on healthy and environment-friendly products and comprehensive monitoring system covering all production procedures, the Group was able to carry out strategic elimination of outdated capacity during the Year and concentrate its resources for the optimization of the industrialized fungi cultivation so as to enhance production efficiency and quality. Such measures, as expected, had resulted in a temporary shrivel of the corresponding production capacity, however, in the long run, a steady growth of the industrialized production plant of edible fungi can be facilitated through upgraded technology and pursuit of opportunities for mergers and acquisitions. Such plan is consistent to the Group’s philosophy of “Green Production”.

## Specific Business Analysis

Analysis on each business segment of the Group are set out below.

### *Edible Fungi Products for General Healthcare*

The segment of edible fungi products for general healthcare had been one of the development directions in 2017, which represented a profound exploration of the industrial chain of edible fungi and an important milestone of the Group's transformation. During the Year, through in-depth cooperation with certain medical and scientific technology research institutions like Japan Oriental Medical Research Center (日本東洋醫學研究所) and Kumamoto University, as well as proper utilization of the advanced medical technologies overseas, the Group has developed "Kangbao" (康寶) series of edible fungi products for general healthcare, which include: (i) FUSION (福祿仙顆粒), which help strengthen the immune system of humans by the essence extracted from ganoderma amboinense, a major ingredient which can only found in Kumamoto, Japan; (ii) ECONB (康益寶膠囊), which, with major ingredients including ganoderma amboinense powders and western ginseng, have the functionality of liver protection, (iii) LACTOBACILLUS (素然片), which contain biodiasmin and fish scale collagen to improve intestinal immunity, and (iv) COLLAGEN ESSENCE (膠原精華), which uses collagen protein extracted from fishes and has an excellent effect in terms of skin care. The second generation of these four products are currently under production. With prominent effects, they are well-received by the market and the relevant products had been launched in the second half of 2017. For the year ended 31 December 2017, the business segment of general healthcare products achieved a sales revenue of approximately RMB7.64 million.

### *King Trumpet Mushrooms*

The Group had paid unremitting effort in the industrialized production of king trumpet mushrooms so as to achieve ceaseless supply to customers and guarantee the quality and safety of the finished product of king trumpet mushrooms. Sales from the cultivation of king trumpet mushrooms has always contributed the majority of the Group's revenue and also forms a basis of profitability for the Group. During 2017, sales of king trumpet mushrooms contributed revenue of approximately RMB372.73 million, representing 35.02% of the Group's annual revenue.

### *Button, Straw and Shiitake Mushrooms*

Building on the established cultivation base of button and straw mushrooms, a modern cultivation plant was set up in Pingquan County, Hebei in 2016, in which the industrialized production of shiitake mushrooms was introduced. To respond to the higher level of required standards on environmental protection announced by the state and local governments, as well as to improve the overall production technology of the Group, we had eliminated the outdated production facilities for button and straw mushrooms during the Year, which resulted in shrivel of the corresponding business. In 2017, the sales revenue of button, straw and shiitake mushrooms was approximately RMB176.37 million, representing 16.57% of the Group's annual revenue.

### *Processed Food Products*

The processed food products supplied by the Group include canned edible fungi, canned vegetables and fruits, brined mushrooms, preserved mushrooms, etc. Since the commencement of processed canned food segment in 1995, the Group has accumulated extensive experience and a long-term and stable base of domestic and international customers. In 2017, the segment contributed revenue of approximately RMB99.14 million, accounting for 9.32% of the Group's annual revenue.

### *Trading through domestic network*

We consider further extension of sales network for edible fungi is beneficial to the Group's realization of national coverage and effective increase in market share. With basic success in the set-up of national sales channels and network since 2016, the Group had further explored and developed regional sales channels with higher growth potentials in 2017 so as to achieve nation-wide sales of market-needed edible fungi and vegetables procured through its own distribution model. During the Year, the Group had achieved a better result on the segment of trading through domestic network, which contributed revenue of approximately RMB160.81 million, accounting for 15.11% of the Group's annual revenue.

### *International trading of food*

International trading of food business represents cross-border trading of edible fungi, fresh fruit and vegetables, canned food, frozen food and edible fungi healthcare products, etc. in the countries and regions such as PRC, Hong Kong, Japan and Singapore. In 2017, the international food trading segment continued its steady growth and contributed sales revenue of approximately RMB255.20 million, accounting for 23.98% of the Group's annual revenue.

## Prospect

In recent years, a year-on-year increase has been seen in the consumption proportion of edible fungi in China, which reflects a consistent link between the edible fungi industry, being a green and healthy industry, and the consumers' pursuit of scientific diet and balanced nutrition under a sonic lifestyle nowadays. In respect of industry development, while undergoing rapid growth, the edible fungi industry of China has strived to improve quality, increase efficiency and conduct gradual integration in response to the market trend. Medium-to-large enterprises possessing advanced production technologies have accelerated their progress on mergers and acquisitions, while small enterprises are eliminated gradually. The Group believes the competitive landscape of the industry will bring about golden opportunities for development to the Group.

On the other hand, along with better economic and social development, people are becoming more health-conscious, and so does the State who places high emphasis on public health. "2030 Planning Outlines for Healthy China" (《健康中國2030規劃綱要》) promulgated by the State Council of the PRC in 2016, which acts as a framework for the "Building of Healthy China" for the coming decade, pinpoints that public health is the basis of the State's sustainable development, and the raising of public health awareness and announcement of favourable government policies are the impetus to the development of general healthcare industry. The Group believes that the market of the general healthcare products embodies enormous growth potentials. In the segmental market, edible fungi healthcare products containing natural herb ingredients are gaining increasing acceptance and recognition from the public for its excellent effects and starts to stand out in the general healthcare product industry. As such, we are of great confidence to the development of the business of edible fungi general healthcare products.

In face of the rapid growth of edible fungi industry, an intense competitive landscape of survival of the fittest and the booming development of the general healthcare products, the Group needs to capture opportunities and overcome challenges. As the only Hong Kong-listed enterprise in the industry, the Group is striving to carry out cautious development layout by fully leveraging on its way to capital market through listing.

In 2018, in addition to its first priority of consolidating its leading position as the top manufacturer of king trumpet mushrooms in China by fully capitalizing its own edge, the Group will also actively seek for new kind of fungi which is suitable for industrialized production so as to expand product portfolio. The successfully acquisitions of Zhangzhou Changfeng and Guangxi Jiabao by the end of 2017 enables further improvement in production technologies, replenishment of production capacity and expansion of market penetration in the future. Looking forward, the Group will continue to seek for opportunities for strategic merger and acquisition of peer companies and regional sales channels in order to realize operation scale expansion.

Besides, the edible fungi products for general healthcare with high added value will be a key focus of the Group. Currently, the four healthcare products jointly researched and developed, produced and sold with the scientific institutions from Japan and Singapore have gained high recognition from the market and started to contribute sales revenue to the Group. The good response of the market affirms the Group's determination to commence vertical development of edible fungi products for general healthcare. Currently, the Company has already tried further endeavor to the research and development of edible fungi products for general health and had unveiled "520 International" (520國際) series of product. It plans to commence penetration into the retail market in Hong Kong and Macau. Further endeavor will be devoted to the research and development of intensive processing of edible fungi so as to launch new products to satisfy market demand. It will also actively explore the application of extracted essence from edible fungi on, for example, high-end skin care and cosmetic products. Being a unique technology among its domestic peers and an important future development approach of the Group, the intensive processing of edible fungi will definitely be a source of considerable profits before long.

With the level of industrialization lifting, the production volume of edible fungi has been significantly increased. As high efficient transportation of, and distribution to customer of fresh edible fungi products is becoming more important, the Group will strengthen its domestic sales network and rationalize the sales of radius of edible fungi through self-established sales channels and networks. Moreover, with the further optimization of its domestic sales channels, such business will contribute more revenue to the Group.

Looking forward, the Group will uphold its usual, active approach on the way to the cultivation, research and development, production and sales of edible fungi, dedicating itself to the intensive exploration of comprehensive industrial chain of edible fungi. Adhering to its mission and vision of being a top-notch enterprise in the edible fungi industry, the Group will try its best endeavor to generate maximum value to shareholders of the Company (the "**Shareholder(s)**") and investors.

## Use of Proceeds from the Initial Public Offering

The shares of the Company were listed on the Main Board of the Stock Exchange on 18 June 2015, and the net proceeds from the global offering were approximately RMB444.99 million (net of underwriting commission and relevant expenses). The net proceeds are used as follow:

	<b>Percentage</b>	<b>Proceeds</b>	<b>Amounts utilised as of 31 December 2017</b>
	<i>(%)</i>	<i>(RMB million)</i>	<i>(RMB million)</i>
Developing the Guangxi Biological Technology Food Industry Park	31.1	138.39	–
Developing the Zhangzhou Biological Technology Food Industry Park	37.7	167.76	–
Acquiring two king trumpet mushroom cultivation facilities in China	25.7	114.36	114.36
Acquiring laboratory and testing equipment	1.1	4.90	–
Construction of mushroom garden	1.1	4.90	–
Working capital and other general corporate purpose	3.3	14.68	–
	<u>100</u>	<u>444.99</u>	<u>114.36</u>

## FINANCIAL REVIEW

### Revenue and gross profit

The Group recorded revenue of approximately RMB1,064.25 million during the Year (2016: RMB1,086.22 million), representing a decrease of approximately 2.02%. In which, sales of (I) king trumpet mushroom; (II) button mushroom, straw mushroom and shiitake mushroom; (III) canned food; (IV) other processed food; (V) trading through domestic network; (VI) international trading of food were approximately RMB372.73 million, RMB176.37 million, RMB65.45 million, RMB33.69 million, RMB160.81 million and RMB255.20 million, respectively (2016: RMB362.11 million, RMB191.57 million, RMB76.15 million, RMB52.35 million, RMB150.96 million and RMB253.08 million), representing approximately 35.02%, 16.57%, 6.15%, 3.17%, 15.11% and 23.98% of the turnover of the Group, respectively (2016: 33.34%, 17.64%, 7.00%, 4.82%, 13.90% and 23.30%).

The decrease in revenue during the Year was mainly because (1) sales of canned food were affected by the international market, which led to the decrease in sales revenue of the Group; (2) sales of other processed food products diminished, which led to the decrease in sales revenue of the Group; (3) there was a shrink in the cultivation areas for button mushroom and straw mushroom due to the phase out of mushroom houses with obsolete production facilities during the Year, causing a substantial decline in revenue.

The following table sets forth the Group's revenue and the percentage of revenue by product categories:

<b>Product categories</b>	<b>For the year ended 31 December 2017</b>		<b>For the year ended 31 December 2016</b>	
	<b>Revenue RMB'000</b>	<b>Percentage of sales revenue (%)</b>	<b>Revenue RMB'000</b>	<b>Percentage of sales revenue (%)</b>
King trumpet mushroom	<b>372,734</b>	<b>35.02</b>	362,106	33.34
Button mushroom, straw mushroom and shiitake mushroom	<b>176,371</b>	<b>16.57</b>	191,564	17.64
Canned food	<b>65,448</b>	<b>6.15</b>	76,146	7.00
Other processed food products	<b>33,692</b>	<b>3.17</b>	52,352	4.82
Trading through domestic network	<b>160,812</b>	<b>15.11</b>	150,964	13.90
International trading of food	<b>255,197</b>	<b>23.98</b>	253,084	23.30
<b>Total</b>	<b><u>1,064,254</u></b>		<b><u>1,086,216</u></b>	

The following table sets forth the Group's gross profit (before business tax, other taxes and auxiliary charges) and gross profit margin by product categories before and after fair value adjustment on biological assets:

Product categories	For the year ended 31 December 2017				For the year ended 31 December 2016			
	After fair value adjustment		Before fair value adjustment		After fair value adjustment		Before fair value adjustment	
	Gross profit	Gross Profit margin	Gross profit	Gross Profit margin	Gross profit	Gross Profit margin	Gross profit	Gross Profit margin
	RMB'000	(%)	RMB'000	(%)	RMB'000	(%)	RMB'000	(%)
King trumpet mushroom	106,869	28.67	110,278	29.59	126,297	34.88	129,065	35.64
Button mushroom, straw mushroom and shiitake mushroom	69,860	39.61	81,429	46.17	96,276	50.26	90,997	47.50
Canned food	15,068	23.02	15,068	23.02	16,078	21.11	16,078	21.11
Other processed food products	5,879	17.45	5,879	17.45	9,868	18.85	9,868	18.85
Trading through domestic network	12,224	7.60	12,224	7.60	15,660	10.37	15,660	10.37
International trading of food	20,249	7.93	20,249	7.93	14,406	5.69	14,406	5.69
<b>Total</b>	<b>230,149</b>	<b>21.63</b>	<b>245,127</b>	<b>23.03</b>	<b>278,585</b>	<b>25.65</b>	<b>276,074</b>	<b>25.42</b>

The following table sets forth the Group's sales volume and average selling price by product categories:

	For the year ended 31 December 2017		For the year ended 31 December 2016	
	Sales volume (kilogram)	Average selling price (RMB)	Sales volume (kilogram)	Average selling price (RMB)
<b>Fresh edible fungi</b>				
King trumpet mushroom	52,555,898	7.09	46,478,441	7.79
Button mushroom, straw mushroom and shiitake mushroom	19,233,453	8.61	22,881,915	8.25
<b>Processed food</b>				
Canned food	8,041,918	8.14	10,951,171	6.95
Other processed food products	2,016,549	16.71	5,050,057	10.37
<b>Trading of food</b>				
Trading through domestic network	15,098,544	10.65	17,897,572	8.43
International trading of food	23,202,917	11.00	14,604,930	17.33

## **Analysis of the changes in revenue**

The revenue of the Group decreased by approximately RMB21.96 million or 2.02% from approximately RMB1,086.22 million for the year ended 31 December 2016 to approximately RMB1,064.25 million for the Year, primarily due to: (I) the drop of sales revenue from button mushroom, straw mushroom and shiitake mushroom of approximately RMB15.19 million or 7.93%; (II) the decline in sales of other mushrooms and brined mushroom of approximately RMB18.66 million or 35.64%; (III) sales of canned food decreased by approximately RMB10.70 million or 14.05%; (IV) the increase in revenue from international trading of food of approximately RMB2.11 million or 0.83%; (V) the increase in revenue from trading through domestic network of approximately RMB9.85 million or 6.52%; and (VI) the rise in revenue from the sales of king trumpet mushroom of approximately RMB10.63 million or 2.93%.

The Group's king trumpet mushroom segment consists of two business models, namely self-owned cultivation and contract farming. The self-owned cultivation represents the production and sales model of cultivating king trumpet mushroom with the self-built factories and employees of the Group, whereas the contract farming represents the agricultural production and sales model where, when the Group receives sales orders and expects that the production capacity of its self-own cultivation is not able to satisfy the demand, the Group enters into contracts with qualified farmers for the arrangement of their production and cultivation technology support, pursuant to which the Group undergoes unified acquisition of the high quality king trumpet mushrooms after harvest.

The sales volume of king trumpet mushroom for the Year increased by approximately 6,077 tonnes, primarily due to rise in sales orders after optimization of sales channels of the Group during the Year. However, the imbalanced demand and supply of the market resulted in decline in the average unit selling price per kilogram by RMB0.70, therefore causing the overall decrease in the gross profit margin of the king trumpet mushroom during the Year. As sales volume increased and the unit selling price decreased, sales revenue from king trumpet mushroom in 2017 rose by approximately RMB10.63 million as compared to that of the corresponding period of last year, while gross profit margin decreased from 34.88% for the corresponding period of last year to 28.67% for the Year.

The sales volume of button mushroom, straw mushroom and shiitake mushroom for the Year decreased by approximately 3,648 tonnes, primarily because the Group phased out mushroom houses with obsolete production facilities, which led to drop of the cultivation area for button mushroom and straw mushroom in Fujian province of China. The cultivation area of button mushroom decreased from 890,000 sq.m in the first half of 2016 to 590,000 sq.m in 2017, and that of straw mushroom shrank from 880,000 sq.m in the first half of 2016 to 790,000 sq.m in 2017, resulting in decline in the production volume of button mushroom and shiitake mushroom and therefore drop in sales volume. The average unit selling price per kilogram of button mushroom and straw mushroom for the Year rose by RMB0.45 as compared to that of last year and the average unit selling price per kilogram of the shiitake mushroom segment was RMB6.78, representing an increase of RMB0.72 over that of last year. The unit price of button mushroom, straw mushroom and shiitake mushroom generally increased by RMB0.36 as compared to that of last year due to the change of product sales structure. As a result, the sale revenue of button mushroom, straw mushroom and shiitake mushroom in 2017 decreased by RMB15.19 million as compared to that of 2016.

The sales volume of canned food for the Year decreased by approximately 2,909 tonnes, which was primarily attributable to the impact of the international market, such as the decline in demand for edible fungi canned food in Russia, Europe and the US, hence resulting in the decrease in sales volume. The average selling price per kilogram for the Year increased by RMB1.19 as compared to that of 2016, mainly due to the improved product quality which pushed up selling price. Due to the decrease in sales volume and increase in selling price, the revenue from canned food products in 2017 dropped by RMB10.70 million as compared to that of 2016.

The sales volume of other processed food products for the Year decreased by 3,034 tonnes as compared to that of 2016, primarily due to the drop of market demand for brined mushroom and the decreased in sales of dried foods this Year. The average unit selling price per kilogram of brined mushroom for the Year decreased by RMB2.40 as compared to that of 2016, therefore the revenue from the sales of other processed food products in 2017 decreased by RMB18.66 million as compared to that of 2016.

During the Year, the Group placed much effort in building up domestic channels and establishing new subsidiaries in various regions in the mainland China, namely Guangdong, Yunnan, Hebei and Heilongjiang based on the foundation laid out by the subsidiaries in Jiangxi, Xinjiang and Fujian. We purchased a wide variety of local edible fungi and vegetable, and sold them all over the country after primary processing. In 2017, the sales volume from trading through domestic network was 15,099 tonnes (2016: 17,898 tonnes), representing a decrease of 2,799 tonnes as compared to that of 2016; the revenue amounted to RMB160.81 million (2016: RMB150.96 million), representing an increase of approximately RMB9.85 million as compared of that of 2016.

The Group reinforced its endeavor to develop food trading business in the international market during the Year, which mainly involves trading of edible fungi products, fruits, vegetables, canned food and frozen food as well as edible fungi healthcare products. The sales volume of international trading of food for the Year increased by 8,598 tonnes as compared to that of last year, while the unit selling price per kilogram for the Year decreased by RMB6.33 as compared to that in 2016, which was mainly because the products sold during the Year were primarily fruit, vegetables and frozen food with lower value and lower selling prices. As a result of the increase in sales volume and decrease in unit selling price, revenue from international trading of food for the Year rose by RMB2.11 million as compared to that of 2016.

### **Analysis of gross profit and gross profit margin**

During the Year, gross profit of the Group (before business tax, other taxes and auxiliary charges) was approximately RMB230.15 million (2016: RMB278.59 million), and gross profit margin was 21.63% (2016: 25.65%). In particular, gross profit margin of (I) king trumpet mushroom; (II) button mushroom, straw mushroom and shiitake mushroom; (III) canned food; (IV) other processed food products; (V) trading through domestic network; and (VI) international trading of food was approximately 28.67%, 39.61%, 23.02%, 17.45%, 7.60% and 7.93% respectively (2016: 34.88%, 50.26%, 21.11%, 18.85%, 10.37% and 5.69%).

The sales volume of king trumpet mushroom for the Year uplifted by approximately 6,077 tonnes as compared to that of 2016, and the average unit selling price of king trumpet mushroom per kilogram went down by RMB0.7 from that of 2016. As a result of offset of the decrease in unit selling price against the increase in the sales volume, the gross profit from sales of king trumpet mushroom for the Year dropped by RMB19.43 million as compared to that of 2016. The decline in the gross profit margin of king trumpet mushroom for the Year was mainly attributable to the growth of contract farming which drove up the sales volume of king trumpet mushroom during the Year, while the lower gross profit margin of contract farming than that of the Group's own cultivation had dragged down the gross profit margin of king trumpet mushroom in general, leading to a decrease in the gross profit margin from 34.88% in 2016 to 28.67% for this Year.

The sales volume of button mushroom, straw mushroom and shiitake mushroom for the Year decreased by 3,648 tonnes as compared to that of 2016 and there was an increase in unit cost per kilogram of RMB0.42 in 2017 over that in 2016. The primary reasons were the slight increase in the purchase price of key raw materials for cultivation of button mushroom and straw mushroom in the market and the higher unit price of raw materials for cultivation of shiitake mushroom, which increased the overall unit cost of button mushroom, straw mushroom and shiitake mushroom. As a result of the increased cost and unit selling price as well as change in the sales structure of products, gross profit from sales of button mushroom, straw mushroom and shiitake mushroom for the Year dropped by RMB26.42 million as compared to that of 2016. The increase in the average unit selling price of button mushroom, straw mushroom and shiitake mushroom per kilogram for the Year by RMB0.36 and increase of average cost per kilogram by RMB0.42 resulted in the higher increase in costs than selling price, which led to the decrease in gross profit margin from 50.26% in 2016 to 39.61% this Year.

Sales volume of the canned food for the Year went down by 2,909 tonnes as compared to that of 2016, while the cost per kilogram climbed up by RMB0.78 over that of 2016, which was mainly attributable to the slight increase in the cost of raw materials. As the increase in unit selling price and unit cost offset each other, while the sales volume decreased, the gross profit of canned food decreased by RMB1.01 million during the Year as compared to that of 2016. The average unit selling price of canned food per kilogram for the Year rose by RMB1.19 and the unit cost per kilogram increased by RMB0.78, leading to the increase in the gross profit margin from 21.11% in 2016 to 23.02% in 2017.

The sales volume of other processed food products (including brined mushroom, dried foods and sparassis crispa) for the Year decreased by 3,034 tonnes as compared to that of 2016, which was mainly attributable to the decline in sales volume of brined mushroom and dried foods and the decrease in unit selling price per kilogram of brined mushroom by RMB2.4 during the Year. Due to the change of product sales structure, the average unit costs of other processed food increased. As a result of which, the gross profit from sales of other processed food in 2017 decreased by RMB3.99 million as compared to that of 2016. The gross profit margin decreased from 18.85% in 2016 to 17.45% for the Year.

The sales volume of the segment of trading through domestic network for the Year slid down by 2,799 tonnes over that of 2016, which was mainly attributable to the decline in the sales volume of edible fungi such as shiro-shimeji and enokitake, and the cost per kilogram increased by RMB2.28 during the Year as compared to that of 2016, and the unit selling price per kilogram increased by RMB2.22. As the increase in the selling price and the increase in the cost per kilogram offset each other, together with the drop of sales volume had caused, the gross profit from the trading through domestic network for the Year to decline by RMB3.44 million over that of 2016. The gross profit margin from trading through domestic network dropped from 10.37% of 2016 to 7.60% this Year.

The sales volume of international trading of food for the Year increased by 8,598 tonnes as compared to that of 2016, which was mainly due to the increase in sales of fresh fruits and vegetables in international trading of food and the sales of healthcare products with higher profit margin. Due to the change of product sales structure, the gross profit margin increased from 5.69% in 2016 to 7.93% in 2017.

## Cost of sales

Cost of sales primarily consists of costs of raw materials, direct labour and the manufacturing overheads. Direct labour cost includes wages and other compensation payable to workers, while the manufacturing overheads include depreciation, transportation cost, packaging and utilities charges. Cost of raw materials constitutes the majority of the cost of sales and it represented approximately 73.97% of the cost of sales for the Year (2016: 70.82%).

The following table sets forth the breakdown of our cost of sales for business operation for the years indicated:

	2017		2016	
	<i>RMB'000</i>	% of cost of sales	<i>RMB'000</i>	% of cost of sales
<b>Raw materials</b>				
– Cultivation materials	<b>101,736</b>	<b>10.26</b>	101,814	10.03
– Fresh fruit and vegetables	<b>620,414</b>	<b>62.55</b>	602,716	59.38
– Packaging materials	<b>11,513</b>	<b>1.16</b>	14,336	1.41
<b>Direct labour</b>	<b>23,347</b>	<b>2.35</b>	24,282	2.39
<b>Labour subcontracting fee</b>	<b>16,268</b>	<b>1.64</b>	19,669	1.94
<b>Cultivation overheads</b>	<b>44,492</b>	<b>4.49</b>	41,713	4.11
<b>Manufacturing overheads</b>	<b>1,358</b>	<b>0.14</b>	5,612	0.55
<b>Change in fair value of biological assets</b>	<b>172,680</b>	<b>17.41</b>	204,908	20.19
<b>Total</b>	<b><u>991,808</u></b>		<b><u>1,015,050</u></b>	

The following table sets forth our cost of sales by product categories for the years indicated:

	<b>For the year ended 31 December</b>			
	<b>2017</b>		<b>2016</b>	
	<i>RMB'000</i>	<b>% of cost of sales</b>	<i>RMB'000</i>	<b>% of cost of sales</b>
<b>Fresh edible fungi products</b>				
King trumpet mushroom	<b>345,608</b>	<b>34.85</b>	340,007	33.50
Button mushroom, straw mushroom and shiitake mushroom	<b>184,471</b>	<b>18.60</b>	198,510	19.56
<b>Processed food products</b>				
Canned food	<b>50,380</b>	<b>5.08</b>	60,068	5.91
Other processed food products	<b>27,813</b>	<b>2.80</b>	42,482	4.19
<b>Trading of food</b>	<b><u>383,536</u></b>	<b>38.67</b>	<b><u>373,983</u></b>	36.84
<b>Total</b>	<b><u>991,808</u></b>		<b><u>1,015,050</u></b>	

#### **Other income**

Other income for the Year was approximately RMB12.85 million (2016: RMB19.16 million) which mainly included (I) interest income; (II) gain from foreign exchange; (III) government subsidies and rewards; (IV) gains on disposal of property, plant and equipment and prepaid land lease payments; (V) rental income; (VI) income from sales of scrap; and (VII) others.

The interest income for the Year increased by RMB1.73 million as compared to that of 2016, primarily due to the increase in time deposit. The loss from foreign exchange, net of the Group in 2017 was RMB7.37 million (2016: gain of RMB5.43 million). The decrease was primarily caused by the depreciation of exchange rate at the end of the reporting period, which led to the loss from foreign exchange, net upon translation. Government subsidies and rewards was RMB1.00 million (2016: RMB1.76 million), representing a decreased of RMB0.76 million as compared to that of 2016, which was mainly attributable to the decrease in government subsidies during the Year as compared to last year.

#### **Finance costs**

The Group's financial costs represented the interest on bank borrowing repayable in full within a year. The Group's financial costs amounted to RMB560,000 in 2017 (2016: RMB810,000), representing a decrease of RMB250,000 as compared to that of 2016. The main reason for the decrease was the diminished interests on other payables as compared to 2016.

## **Income tax expense**

The Group's income tax expense decreased by 5.48% from approximately RMB3.80 million in 2016 to RMB3.59 million in 2017. The decrease was mainly due to the decline in the proportion of revenue contributed by the Group's subsidiaries in the PRC which enjoy preferential tax treatment. The drop of revenue from canned food resulted in decrease in the tax expense.

## **Selling expenses**

Selling expenses for the Year mainly included (I) wages; (II) transportation costs; and (III) advertising and promotion expenses, which increased to RMB6.15 million for the Year from approximately RMB4.58 million in 2016. The increase was mainly caused by the newly added segment of healthcare products by the Group during the Year, which resulted in increase in the advertising and promotion expenses.

## **Administrative expenses**

Administrative expenses of the Group for the Year were approximately RMB46.36 million (2016: RMB65.05 million), which mainly included (I) wages; (II) equity-settled share-based payments; (III) professional fee; and (IV) research and development expenditure.

The decrease in administrative expenses for the Year as compared to that of 2016 was mainly caused by the recognition of equity-settled share-based payment of RMB7.43 million (2016: RMB33.51 million), representing a decrease of RMB26.08 million as compared to that of last year.

## **Profit before tax and profit attributable to owners of the Company**

During the Year, the Group recorded profit before tax of approximately RMB187.62 million (2016: RMB225.44 million), representing a slide down of approximately 16.78%. The Group's profit for the Year attributable to owners of the Company was approximately RMB184.55 million (2016: RMB222.09 million), representing a decrease of approximately 16.90%.

During the Year, net profit of the Group decreased by approximately RMB37.61 million to approximately RMB184.03 million (2016: RMB221.64 million); net profit margin was 17.29% (2016: 20.40%), representing a drop of approximately 3.11%. It was primarily due to the equity-settled share-based payments of RMB7.43 million (2016: RMB33.51 million). Excluding the said payment, net profit of the Group for the Year would be approximately RMB191.46 million, representing a decrease of approximately 24.96% as compared to that of 2016, and net profit margin would be 17.99%.

Basic earnings per share attributable to owners of the Group for the Year was approximately RMB17.19 cents (2016: Restated RMB21.8 cents).

### **Trade receivables**

As at 31 December 2017, trade receivables of the Group were approximately RMB151.26 million (2016: RMB196.65 million). The decrease was mainly attributable to the Company's unremitting effort made in the collection of trade receivables from domestic food trading and sales of king trumpet mushroom, which resulted in decrease in the balance of trade receivables.

### **Deposits, prepayments and other receivables**

As at 31 December 2017, deposits, prepayments and other receivables of the Group were approximately RMB147.47 million (2016: RMB121.87 million), which mainly included (I) land prepayments; (II) deposits; and (III) prepayments. The overall increase for the Year was mainly attributable to the increase in other receivables of RMB32.65 million and the decrease in operating lease prepayments of RMB7.00 million.

## **CAPITAL STRUCTURE**

As at 31 December 2017, the issued share capital of the Company was US\$10.75 million, divided into 1,075,000,000 shares with nominal value of US\$0.01 each. Gearing ratio (calculated by dividing total borrowings by total equity) was 0.53% (2016: 0.60%) as at 31 December 2017. Current ratio (calculated by dividing current assets by current liabilities) was 23.1 times (2016: 13.7 times) as at 31 December 2017. The Group will continue to stringently monitor the policy of debt recovery to minimise the risk of credit sale and ensure timely recovery of capital.

### **Liquidity and financial resources**

As at 31 December 2017, the total bank and cash balances of the Group were RMB1,056.63 million (2016: RMB1,174.00 million). The Shares were listed on the Main Board of the Stock Exchange on 18 June 2015 and the net proceeds raised (net of underwriting commission and the relevant listing expenses) was approximately RMB444.99 million. As at 31 December 2017, interest-bearing bank borrowings of the Group amounted to approximately RMB10.00 million, which had an original due date of 14 March 2018 but will be postponed to 14 March 2019 upon renewal of the bank borrowings for one year by the Group.

## **Exposure to exchange rate risk and related hedge**

The subsidiaries of the Group incorporated in the PRC are mainly engaged in business using RMB as their denominating currency, while the Hong Kong subsidiary of the Group is engaged in business mainly denominated in USD. The presentation currency of the Group is RMB and the majority of cash and bank deposits of the Group are denominated in RMB. The interest-bearing bank borrowings of the Group are in RMB. In terms of declaration of dividends, the Company will distribute them in Hong Kong dollars. The Directors are of the opinion that the exchange rates between RMB and other currencies are relatively stable and the Group will closely monitor the exposure to changes in exchange rates, and therefore, it is not necessary to adopt hedging policy at the moment.

## **Pledge on the Group's assets**

As at 31 December 2017, machineries and facilities with a net value of RMB19.33 million had been pledged as a security of a bank borrowing (2016: RMB22.13 million).

## **Capital commitments and operating leases commitments**

As at 31 December 2017, capital commitments of the Group contracted but not provided were approximately RMB72.85 million (2016: RMB75.48 million). As at 31 December 2017, operating leases commitments of the Group in respect of lands, buildings and other properties were approximately RMB13.10 million (2016: RMB54.55 million).

## **Employee benefits and remuneration policy**

As at 31 December 2017, the Group had 641 employees in total (2016: 654). The remunerations of employees of the Group were determined according to their experience and qualifications, operating results of the Group and the market condition. During the Year, staff costs, including directors' emoluments, were approximately RMB44.09 million (2016: RMB69.58 million). During the Year, staff costs accounted for approximately 4.14% of the Group's revenue (2016: 6.41%).

The Group adopted a pre-IPO share option scheme (the "**Pre-IPO Share Option Scheme**") on 27 May 2015. On 17 June 2015, the Group granted share options to certain eligible individuals to subscribe for 25 million ordinary shares of US\$0.01 each of the Company pursuant to the Pre-IPO Share Option Scheme on 27 May 2015. As of 31 December 2017, a total of 17.5 million share options were exercised by an aggregate of 30 employees of the Group.

The Group adopted a share option scheme (the “**Share Option Scheme**”) on 27 May 2015. On 31 March 2016, the Group granted share options to certain eligible individuals to subscribe for 25 million ordinary shares of US\$0.01 each of the Company pursuant to the Share Option Scheme on 27 May 2015. As of 31 December 2017, a total of 20 million share options were exercised by an aggregate of 31 employees of the Group.

Pursuant to the PRC’s social security regulations, the Group participated in the social security scheme operated by the related local government authority which oversees pensions, medical insurance, unemployment insurance, work injury insurance and maternity insurance.

### **Directors’ rights to subscribe for shares or debentures**

Apart from the share options for ordinary shares granted to certain Directors and employees of the Company on 17 June 2015 and 31 March 2016, the Company or any of its subsidiaries did not have any arrangements which enabled the Directors to gain profit by purchasing the shares or debt securities, including debentures, of the Company or of any other legal entities.

### **Significant investment held**

During the Year, the Group has completed the acquisitions of the entire equity interest in Zhao Hong and Lucky Max, at the consideration of RMB180.2 million and RMB194.2 million, respectively.

The consideration of Zhao Hong of RMB180.2 million shall be settled by a combination of cash consideration of RMB170.6 million and the issue of 8,889,568 shares at the issue price of HK\$1.33 (being the closing price of the date of the transaction approved by the Board of the Company), calculated based on the average exchange rate of RMB0.8458 to 1 Hong Kong dollars at the People’s Bank of China on the date of the transaction approved by the Board of the Company; the consideration of Lucky Max of RMB194.2 million shall be settled by a combination of cash consideration of RMB179.8 million and the issue of 13,334,353 shares at the issue price of HK\$1.33 (being the closing price of the date of the transaction approved by the Board of the Company), calculated based on the average exchange rate of RMB0.8458 to 1 Hong Kong dollars at the People’s Bank of China on the date of the transaction approved by the Board of the Company.

Upon the completion of the acquisition, Zhao Hong became the subsidiary of the Company; therefore, the Company holds 86% equity interests in Zhangzhou Changfeng, which is held by Zhao Hong, upon the completion of the acquisition.

Upon the completion of the acquisition, Lucky Max became the subsidiary of the Company; therefore, the Company holds 48.7% equity interests in Guangxi Jiabao, which is held by Lucky Max, upon the completion of the acquisition.

## **Contingent liabilities**

As at 31 December 2017, the Group did not have any significant contingent liabilities.

## **Dividends**

The Board recommended not to declare any final dividend for the year ended 31 December 2017.

## **Purchase, sale or redemption of the listing securities of the Company**

Neither the Company nor any of its subsidiaries had purchased, disposed of or redeemed any of the listed securities of the Company during the Year.

## **Model code for securities transactions by directors of listed issuer**

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the “**Model Code**”) as set out in Appendix 10 of the Rules Governing the Listing of Securities on the Stock Exchange (the “**Listing Rules**”) as its own code of conduct regarding securities transactions by the Directors. Having made specific enquiry of all Directors by the Company, all Directors have confirmed that they had complied with the required standards set out in the Model Code during the Year.

## **Corporate governance practices**

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

During the Year, the Company had complied with the code provisions as set out in the Corporate Governance Code except for the deviation from the code provision A.2.1 explained below.

The code provision A.2.1 of Corporate Governance Code provides that the roles of chairman and chief executive officer should be separate and should not be performed by the same individual. The chairman of the Company, Mr. Zheng Songhui, was also acting as the chief executive officer of the Company during the Year. The Board believes that vesting the roles of both chairman and chief executive officer in Mr. Zheng Songhui helps ensuring consistent leadership within the Group and enables more effective and efficient overall strategic planning for the Group. The Board believes that the balance of power and authority will not be impaired by the present arrangement and is adequately ensured by the current Board, which comprises experienced and high calibre individuals, including sufficient number of independent non-executive directors.

### **Closure of register of members**

The annual general meeting of the Company for the year ended 31 December 2017 (the “**Annual General Meeting**”) will be held on 28 May 2018 (Monday). For the purpose to determine the entitlements of the Shareholders to attend and vote at the Annual General Meeting, the register of members of the Company will be closed from 18 May 2018 (Friday) to 28 May 2018 (Monday) (both days inclusive), during which no transfer of share will be carried out. Shareholders whose names appear on the register of members of the Company on 28 May 2018 (Monday) will be entitled to attend and vote at the Annual General Meeting. In order to qualify for attending and voting at the Annual General Meeting, Shareholders should ensure that all transfer documents, accompanied with relevant share certificates, must be lodged with the Hong Kong branch share registrar and transfer office of the Company, Tricor Investor Services Limited, Level 22, Hopewell Centre, 183 Queen’s Road East, Hong Kong, not later than 4:30 p.m. on 17 May 2018 (Thursday).

### **Events after the reporting period**

Following the completion of the acquisition of Zhao Hong and Lucky Max, on 9 January 2018, the Company allotted and issued 22,223,921 consideration shares to the former shareholders of Zhao Hong and Lucky Max. For details of the acquisitions, please refer to the announcements of the Company dated 5 December 2017, 22 December 2017, 29 December 2017 and 9 January 2018.

### **Audit committee and review of the audited consolidated financial statements**

The audit committee of the Company has reviewed the audited consolidated financial statements of the Group for the year ended 31 December 2017 with the management and RSM Hong Kong, the external auditors. The audit committee and the external auditors of the Company have no dispute over the accounting treatments adopted by the Company.

## **Scope of Work of RSM Hong Kong**

The figures in announcement of the Group's results for the year ended 31 December 2017 have been agreed by the Group's auditor, RSM Hong Kong, to the amounts set out in the Group's audited consolidated financial statements for the year ended 31 December 2017. The work performed by RSM Hong Kong in this regard did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by RSM Hong Kong on this announcement.

## **Publications of annual results and annual report**

This annual results announcement will be published on the website of the Stock Exchange at [www.hkex.com.hk](http://www.hkex.com.hk) and on the website of the Company at [www.china-greenfresh.com](http://www.china-greenfresh.com). The Company's annual report for the Year will be dispatched to the Shareholders in due course and available on the websites of the Stock Exchange and the Company.

By order of the Board  
**CHINA GREENFRESH GROUP CO., LTD.**  
**Zheng Songhui**  
*Chairman*

Hong Kong, 28 March 2018

*As at the date of this announcement, the Board comprises Mr. Zheng Songhui, Mr. Zheng Tianming and Ms. Zheng Ruyan as executive Directors; Ms. Zhang Lin as non-executive Director; and Mr. Mak Hing Keung Thomas, Mr. Lou Robert Hsiu-sung and Mr. Cheng Hiu Yung as independent non-executive Directors.*

\* *For identification purposes only*