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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)**

**INTERIM RESULTS ANNOUNCEMENT  
FOR THE SIX MONTHS ENDED 30 JUNE 2018**

**FINANCIAL HIGHLIGHTS**

The Group's revenue for the Period was approximately RMB466.27 million, representing a decrease of approximately RMB175.87 million or 27.39% as compared to that of the same period of last year.

The Group's gross profit after fair value adjustment of biological assets (before deduction of business tax, other tax and auxiliary charges) for the Period was approximately RMB84.01 million, representing a decrease of approximately RMB51.65 million or 38.07% as compared to that of the same period of last year; the Group's gross profit margin after fair value adjustment of biological assets (before deduction of business tax, other tax and auxiliary charges) for the Period decreased from approximately 21.13% for the same period of last year to approximately 18.02% for the Period.

The Group's net profit for the Period was approximately RMB89.77 million, representing a decrease of approximately RMB19.63 million or 17.94% as compared to the same period of last year.

Basic earnings per share attributable to owners of the Company for the Period was approximately RMB7.84 cents.

\* For identification purposes only

The board (the “**Board**”) of directors (the “**Directors**”) of CHINA GREENFRESH GROUP CO., LTD. (the “**Company**”) is pleased to announce the unaudited condensed consolidated interim results of the Company and its subsidiaries (collectively, the “**Group**”, “**we**” or “**our**”) for the six months ended 30 June 2018 (the “**Period**”) together with the comparative figures for the corresponding period of 2017 as follows. The unaudited condensed consolidated interim results had been reviewed by the Group’s external auditors, RSM Hong Kong, and the audit committee of the Company (the “**Audit Committee**”).

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

For the six months ended 30 June 2018

	Notes	Six months ended 30 June	
		2018 RMB’000 (unaudited)	2017 RMB’000 (unaudited)
<b>Revenue</b>	4	<b>466,268</b>	642,138
Changes in fair value of biological assets			
less cost to sell		<b>35,800</b>	101,917
Cost of goods sold		<b>(418,059)</b>	(608,396)
Business tax, other tax and auxiliary charges		<b>(737)</b>	(744)
<b>Gross profit</b>		<b>83,272</b>	134,915
Other income and other gains and losses	5	<b>12,980</b>	(1,078)
Selling expenses		<b>(1,998)</b>	(2,420)
Administrative expenses		<b>(18,094)</b>	(19,748)
<b>Profit from operations</b>		<b>76,160</b>	111,669
Finance costs	6	<b>(431)</b>	(278)
Share of profit of an associate		<b>15,537</b>	–
<b>Profit before tax</b>		<b>91,266</b>	111,391
Income tax expense	7	<b>(1,495)</b>	(1,995)
<b>Profit for the period</b>	8	<b>89,771</b>	109,396
Other comprehensive income for the period, net of tax		–	–
<b>Total comprehensive income for the period</b>		<b>89,771</b>	109,396

	<b>Six months ended 30 June</b>	
<i>Notes</i>	<b>2018</b>	2017
	<b><i>RMB'000</i></b>	<i>RMB'000</i>
	<b>(unaudited)</b>	(unaudited)
<b>Profit for the period attributable to:</b>		
Owners of the Company	<b>87,110</b>	109,518
Non-controlling interests	<b>2,661</b>	(122)
	<b><u>89,771</u></b>	<u>109,396</u>
<b>Total comprehensive income for the period attributable to:</b>		
Owners of the Company	<b>87,110</b>	109,518
Non-controlling interests	<b>2,661</b>	(122)
	<b><u>89,771</u></b>	<u>109,396</u>
<b>Earnings per share (<i>RMB cents</i>)</b>		
Basic	<b><u>RMB7.84 cents</u></b>	<u>RMB10.21 cents</u>
Diluted	<b><u>RMB7.84 cents</u></b>	<u>RMB10.17 cents</u>

10

## CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

*As at 30 June 2018*

	<i>Notes</i>	<b>30 June 2018 RMB'000 (unaudited)</b>	31 December 2017 RMB'000 (audited)
<b>Non-current assets</b>			
Property, plant and equipment	<i>11</i>	<b>179,984</b>	186,623
Goodwill		<b>158,648</b>	158,648
Investment in an associate		<b>209,747</b>	194,210
Prepaid land lease payments		<b>39,002</b>	32,065
Other assets		<b>666</b>	674
Deposits for acquisition of subsidiaries		<b>131,820</b>	–
		<hr/>	<hr/>
<b>Total non-current assets</b>		<b>719,867</b>	572,220
<b>Current assets</b>			
Inventories		<b>23,384</b>	17,857
Biological assets	<i>12</i>	<b>12,854</b>	13,580
Trade receivables	<i>13</i>	<b>173,572</b>	151,259
Deposits, prepayments and other receivables		<b>175,796</b>	147,472
Bank and cash balances		<b>977,614</b>	1,056,631
		<hr/>	<hr/>
<b>Total current assets</b>		<b>1,363,220</b>	1,386,799
		<hr/>	<hr/>
<b>TOTAL ASSETS</b>		<b>2,083,087</b>	1,959,019

	<i>Notes</i>	<b>30 June 2018 RMB'000 (unaudited)</b>	31 December 2017 RMB'000 (audited)
<b>Equity</b>			
Share capital	<i>14</i>	<b>72,428</b>	70,062
Reserves		<b><u>1,919,304</u></b>	<u>1,818,849</u>
Equity attributable to owners of the Company		<b>1,991,732</b>	1,888,911
Non-controlling interests		<b><u>12,515</u></b>	<u>9,854</u>
<b>Total equity</b>		<b><u>2,004,247</u></b>	<u>1,898,765</u>
<b>Non-current liabilities</b>			
Operating lease rentals received in advance		<b><u>90</u></b>	<u>120</u>
<b>Current liabilities</b>			
Trade payables	<i>15</i>	<b>24,404</b>	19,532
Accruals and other payables		<b>20,357</b>	22,573
Bank loans		<b>29,200</b>	10,000
Current tax liabilities		<b>3,135</b>	2,784
Due to non-controlling interests		<b><u>1,654</u></b>	<u>5,245</u>
<b>Total current liabilities</b>		<b><u>78,750</u></b>	<u>60,134</u>
<b>TOTAL EQUITY AND LIABILITIES</b>		<b><u>2,083,087</u></b>	<u>1,959,019</u>

## CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 June 2018

	Six months ended 30 June	
	2018	2017
	RMB'000	RMB'000
	(unaudited)	(unaudited)
<b>CASH GENERATED FROM OPERATIONS</b>	<b>23,481</b>	68,980
Income taxes paid	(1,144)	(1,444)
Interest paid	(431)	(278)
<b>NET CASH GENERATED FROM OPERATING ACTIVITIES</b>	<b>21,906</b>	67,258
Purchase of prepaid land lease payments	(7,369)	–
Deposits for acquisition of subsidiaries	(131,820)	–
Purchases of property, plant and equipment	(544)	(3,316)
Other net cash flows arising from investing activities	7,825	9,199
<b>NET CASH (USED IN)/GENERATED FROM INVESTING ACTIVITIES</b>	<b>(131,908)</b>	5,883
Bank loans raised	29,200	10,000
Repayment of bank loans	(10,000)	(10,000)
Proceeds from issue of shares	11,785	12,436
Dividend paid to owners of the Company	–	(9,333)
<b>NET CASH GENERATED FROM FINANCING ACTIVITIES</b>	<b>30,985</b>	3,103
<b>NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS</b>	<b>(79,017)</b>	76,244
<b>CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD</b>	<b>1,056,631</b>	1,174,002
<b>CASH AND CASH EQUIVALENTS AT END OF PERIOD, REPRESENTED BY</b>		
Bank and cash balances	977,614	1,250,246

## NOTES

### 1. BASIS OF PREPARATION

The condensed consolidated financial statements have been prepared in accordance with International Accounting Standard 34 “Interim Financial Reporting” issued by the International Accounting Standards Board and the applicable disclosures required by the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”).

The condensed consolidated financial statements should be read in conjunction with the issued 2017 annual financial statements. The accounting policies and methods of computation used in the preparation of the condensed consolidated financial statements are consistent with those used in the annual financial statements for the year ended 31 December 2017 except as stated below.

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

In the current period, the Group has adopted all the new and revised International Financial Reporting Standards (“**IFRSs**”) issued by the International Accounting Standards Board that are relevant to its operations and effective for its accounting period beginning on 1 January 2018. IFRSs comprise International Financial Reporting Standards (“**IFRS**”); International Accounting Standards (“**IAS**”); and Interpretations.

The Group has initially adopted IFRS 9 Financial Instruments and IFRS 15 Revenue from Contracts with Customers from 1 January 2018. A number of other new standards are effective from 1 January 2018 but they do not have a material effect on the Group’s consolidated financial statements.

#### **IFRS 9 Financial Instruments**

IFRS 9 replaces the provisions of IAS 39 that relate to the recognition, classification and measurement of financial assets and financial liabilities, derecognition of financial instruments, impairment of financial assets and hedge accounting.

The adoption of IFRS 9 resulted in the following changes to the Group’s accounting policies.

#### *(a) Classification*

From 1 January 2018, the Group classifies its financial assets in the following measurement category:

- those to be measured at amortised cost.

The classification depends on the Group’s business model for managing the financial assets and the contractual terms of the cash flows.

**(b) Impairment**

For trade receivables, the Group applies the simplified approach permitted by IFRS 9, which requires expected lifetime losses to be recognised from initial recognition of the receivables.

No impact on the Group's opening retained earnings as at 1 January 2018 by adoption of IFRS 9 on the Group.

The following table and the accompanying notes below explain the original measurement category under IAS 39 and the new measurement category under IFRS 9 for each class of the Group's financial assets as at 1 January 2018.

<b>Financial assets</b>	<i>Note</i>	<b>Classification under IAS 39</b>	<b>Classification under IFRS 9</b>	<b>Carrying amount under IAS 39 RMB'000</b>	<b>Carrying amount under IFRS 9 RMB'000</b>
Trade and other receivables	(a)	Loans and receivables	Amortised cost	298,731	298,731

*Note:*

- (a) Trade and other receivables that were classified as loans and receivables under IAS 39 are now classified at amortised cost. RMB Nil in the allowance for impairment over these receivables was recognised in opening retained earnings at 1 January 2018 on transition to IFRS 9.

**IFRS 15 Revenue from Contracts with Customers**

IFRS 15 establishes a comprehensive framework for determining whether, how much and when revenue is recognised. It replaced IAS 18 Revenue, IAS 11 Construction Contracts and related interpretations.

The Group has adopted IFRS 15 using the cumulative effect method with the effect of initially applying this standard recognised at the date of initial application. Accordingly, the information presented for 2017 has not been restated, i.e. it is presented, as previously reported, under IAS 18 and related interpretations.

For contracts with customers in which the sale of agricultural products and trading of canned food or other processed food products are the only performance obligation, adoption of IFRS 15 does not expect to have any impact on the Group's revenue or profit or loss. The revenue recognition occurs at a point in time when control of the asset is transferred to the customer, generally on delivery of the goods.

A receivable is recognised when the goods are delivered as this is the point in time that the consideration is unconditional because only the passage of time is required before the payment is due.



### 3. FAIR VALUE MEASUREMENTS

The carrying amounts of the Group's financial assets and financial liabilities as reflected in the condensed consolidated statement of financial position approximate their respective fair values.

### 4. REVENUE AND SEGMENT INFORMATION

The Group has eight (six months ended 30 June 2017 and as at 31 December 2017: seven) reportable segments as follows:

King trumpet mushroom	–	Planting of king trumpet mushroom
Button mushroom and straw mushroom	–	Planting of button mushroom and straw mushroom
Shiitake mushroom	–	Planting of shiitake mushroom
Healthcare products	–	Sales of self-developed healthcare products
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 the People's Republic of China (the "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 the 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 technology and marketing strategies.

Segment assets includes trade receivables, inventories and biological assets.

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:**

	King trumpet mushroom <i>RMB'000</i>	Button mushroom and straw mushroom <i>RMB'000</i>	Shiitake mushroom <i>RMB'000</i>	Healthcare products <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>
<b>Six months ended 30 June 2018</b>									
<b>(unaudited)</b>									
Revenue from external customers	177,133	-	18,303	35,399	34,956	1,883	157,448	41,146	466,268
Intersegment revenue	-	-	-	-	-	-	-	-	-
Segment profit	<u>47,513</u>	<u>-</u>	<u>1,707</u>	<u>23,481</u>	<u>6,554</u>	<u>76</u>	<u>4,282</u>	<u>2,582</u>	<u>86,195</u>
<b>As at 30 June 2018 (unaudited)</b>									
Segment assets	<u>36,478</u>	<u>-</u>	<u>1,239</u>	<u>18,835</u>	<u>17,573</u>	<u>5,189</u>	<u>-</u>	<u>36,305</u>	<u>115,619</u>
	King trumpet mushroom <i>RMB'000</i>	Button mushroom and straw mushroom <i>RMB'000</i>	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>	
<b>Six months ended 30 June 2017</b>									
<b>(unaudited)</b>									
Revenue from external customers	214,107	105,166	14,990	36,731	4,915	140,075	126,154	642,138	
Intersegment revenue	-	-	-	-	18	-	-	18	
Segment profit	<u>64,403</u>	<u>52,904</u>	<u>1,352</u>	<u>8,112</u>	<u>621</u>	<u>11,191</u>	<u>9,416</u>	<u>147,999</u>	
<b>As at 31 December 2017 (audited)</b>									
Segment assets	<u>187,552</u>	<u>-</u>	<u>4,288</u>	<u>9,486</u>	<u>4,230</u>	<u>-</u>	<u>104,854</u>	<u>310,410</u>	

Reconciliations of segment profit or loss:

	<b>Six months ended 30 June</b>	
	<b>2018</b>	2017
	<i>RMB'000</i>	<i>RMB'000</i>
	<b>(unaudited)</b>	(unaudited)
<b>Profit or loss</b>		
Total profit of reportable segments	<b>86,195</b>	147,999
Elimination of intersegment profits	–	(8)
Change in profit or loss from change in fair value of biological assets	<b>(1,092)</b>	(12,345)
Unallocated amounts		
Equity-settled share-based payments	<b>(3,926)</b>	(4,338)
Depreciation	<b>(7,183)</b>	(6,009)
Amortisation of prepaid land lease payments	<b>(432)</b>	(360)
Share of profit of an associate	<b>15,537</b>	–
Bank interest income	<b>7,825</b>	2,399
Others	<b>(7,153)</b>	(17,942)
	<u>89,771</u>	<u>109,396</u>
Consolidated profit for the period	<b>89,771</b>	109,396

#### 5. OTHER INCOME AND OTHER GAINS AND LOSSES

	<b>Six months ended 30 June</b>	
	<b>2018</b>	2017
	<i>RMB'000</i>	<i>RMB'000</i>
	<b>(unaudited)</b>	(unaudited)
Exchange gain/(loss), net	<b>2,872</b>	(3,454)
Government subsidies and awards ( <i>Note</i> )	–	249
Bank interest income	<b>7,825</b>	2,399
Rental income	<b>182</b>	191
Scrap sales	<b>2,656</b>	–
Others	<b>(555)</b>	(463)
	<u>12,980</u>	<u>(1,078)</u>

*Note:* Government subsidies and awards mainly related to the subsidy received from the local government authority to support the local business development and subsidy received from the agricultural project in the PRC.

## 6. FINANCE COSTS

	Six months ended 30 June	
	2018	2017
	<i>RMB'000</i>	<i>RMB'000</i>
	(unaudited)	(unaudited)
Interest on bank borrowings	<u>431</u>	<u>278</u>

## 7. INCOME TAX EXPENSE

	Six months ended 30 June	
	2018	2017
	<i>RMB'000</i>	<i>RMB'000</i>
	(unaudited)	(unaudited)
Current tax – Provision for the period		
– PRC	1,160	1,315
– Hong Kong	<u>335</u>	<u>680</u>
	<u>1,495</u>	<u>1,995</u>

Hong Kong Profits Tax is provided at 16.5% (2017: 16.5%) based on the assessable profit for the six months ended 30 June 2018.

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 the 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 for respective periods which obtained the exemption from the PRC Enterprise Income Tax:

**Six months ended 30 June 2017 and 30 June 2018**

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\*)

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\*)

虎林綠寶生物科技有限公司  
(Hulin Greenfresh Biotechnology Co., Limited\*)

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

**Six months ended 30 June 2018**

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

\* For identification purpose only

## 8. PROFIT FOR THE PERIOD

The Group's profit for the Period is stated after charging the following:

	Six months ended 30 June	
	2018 <i>RMB'000</i> (unaudited)	2017 <i>RMB'000</i> (unaudited)
Amortisation of prepaid land lease payments	432	360
Depreciation	7,183	6,009
Directors' emoluments		
– As directors	196	131
– For management		
– Salaries, bonus, allowances and retirement benefits scheme contributions	574	575
– Equity-settled share-based payments	–	679
Operating lease charges		
– Land and buildings		
– Minimum lease payments	2,237	8,501
– Others		
– Minimum lease payments	–	147
Research and development expenditure	1,963	1,803
Cost of goods sold	418,059	608,396
Staff costs including directors' emoluments		
– Salaries, bonus and allowances	15,619	15,818
– Retirement benefits scheme contributions	2,756	4,198
– Equity-settled share-based payments	3,926	4,338
Fair value change of biological assets		
– realised	34,995	97,326
– unrealised	805	4,591

## 9. DIVIDENDS

	<b>Six months ended 30 June</b>	
	<b>2018</b>	<b>2017</b>
	<b>RMB'000</b>	<b>RMB'000</b>
	<b>(unaudited)</b>	<b>(unaudited)</b>
Final dividend in respect of the previous financial year, approved and paid during the Period, of HK Nil cents per ordinary share (equivalent to approximately RMB Nil cent per ordinary share) (2017: HK2.00 cents per ordinary share (equivalent to approximately RMB1.74 cents per ordinary share))	<u>–</u>	<u>9,333</u>

The Board does not recommend declaration and payment of any interim dividend for the six months ended 30 June 2018 (six months ended 30 June 2017: RMB Nil).

## 10. EARNINGS PER SHARE

The calculation of basic earnings per share attributable to owners of the Company is based on the profit for the period attributable to owners of the Company of approximately RMB87,110,000 (unaudited) for the six months ended 30 June 2018 (2017: approximately RMB109,518,000 (unaudited)) and the weighted average number of ordinary shares of approximately 1,110,836,297 shares (2017: 1,072,762,000) in issue for the six months ended 30 June 2018.

The calculation of diluted earnings per share attributable to owners of the Company is based on the profit for the period attributable to owners of the Company of approximately RMB87,110,000 (unaudited) for the six months ended 30 June 2018 (2017: approximately RMB109,518,000 (unaudited)) and the weighted average number of ordinary shares of approximately 1,110,836,297 shares (2017: 1,072,762,000) in issue for the six months ended 30 June 2018, plus the effect of diluted potential ordinary shares arising from share options issued by the Company during the six months ended 30 June 2018 of approximately 139,000 shares (2017: 4,407,000).

## 11. PROPERTY, PLANT AND EQUIPMENT

During the six months ended 30 June 2018, the Group acquired property, plant and equipment of approximately RMB544,000 (unaudited) (six months ended 30 June 2017: approximately RMB3,316,000 (unaudited)).

## 12. BIOLOGICAL ASSETS

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

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

Biological assets were mushrooms and were stated at fair value less cost to sell as at the reporting dates. 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/periods. During the growing period, cost approach is adopted. The costs of direct raw material, direct labor, labor service and leasing have been considered in the calculation of the fair values for the growing period and these costs are approximately 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/periods are calculated to be the product of market price and estimated the agricultural produce mushroom by 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 in IFRS 13, Fair value measurement. Significant unobservable inputs are mainly the expected future cash flows 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 flows and discount rate are immaterial.

During the six months ended 30 June 2018 and 30 June 2017, there was no transfer occurred between levels in the hierarchy and changes in the valuation techniques used.

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

	<b>King trumpet mushroom and shiitake mushroom Six months ended 30 June</b>	
	<b>2018</b>	2017
	<b>RMB'000</b>	RMB'000
	<b>(unaudited)</b>	(unaudited)
At 1 January (audited)	<b>13,580</b>	59,319
Increases due to plantation (unaudited)	<b>56,514</b>	87,571
Gain from changes in fair value less costs to sell (#) (unaudited)	<b>35,800</b>	101,917
Decreases due to harvest (unaudited)	<b>(93,040)</b>	(232,824)
	<b>12,854</b>	15,983
At 30 June (unaudited)	<b>12,854</b>	15,983
(#) Included gains or losses for assets held at the end of the reporting period (unaudited)	<b>805</b>	4,591



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

Description	Valuation technique	Unobservable inputs	Range		Effect on fair value for increase of inputs	Fair value	
			As at 30 June 2018 (unaudited)	As at 31 December 2017 (audited)		As at 30 June 2018 (unaudited)	As at 31 December 2017 (audited)
King trumpet mushroom	Cost and market approach	King trumpet mushroom yield	0.19kg–0.35kg	0.20kg–0.41kg	Increase	11,737	12,908
		Price of king trumpet mushroom	RMB7.00–RMB10.16 per kg	RMB6.99–RMB10.57 per kg	Increase		
Shiitake mushroom	Cost and market approach	Shiitake mushroom yield	0.70kg	0.70kg	Increase	1,117	672
		Price of shiitake mushroom	RMB7.42 per kg	RMB8.05 per kg	Increase		

### 13. TRADE RECEIVABLES

The credit terms of trade receivables are in accordance with specific payment schedules agreed with various customers and generally range from 45 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 Directors.

Included in the trade receivables, an amount of RMB3,475,000 was due from a non-controlling interest, and the amount was governed by normal credit terms.

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

	<b>30 June 2018 RMB'000 (unaudited)</b>	31 December 2017 RMB'000 (audited)
0 – 90 days	<b>146,026</b>	150,405
91 – 180 days	<b>27,546</b>	854
	<b><u>173,572</u></b>	<b><u>151,259</u></b>

#### 14. SHARE CAPITAL

	<b>Authorised</b>		<b>Issued and fully paid</b>	
	<b>Number of shares '000</b>	<b>US\$'000</b>	<b>Number of shares '000</b>	<b>RMB'000</b>
Ordinary shares of US\$0.01 each				
Balance at 1 January 2017 (audited)	2,000,000	20,000	520,000	31,919
Issue of shares under share option schemes (audited)	–	–	17,500	1,203
Issue of bonus shares (audited)	–	–	537,500	36,940
Balance at 31 December 2017 (audited) and 1 January 2018 (audited)	2,000,000	20,000	1,075,000	70,062
Issue of shares under share option schemes (unaudited)	–	–	14,160	921
Issue of consideration shares for the acquisition of a subsidiary and an associate (unaudited) ( <i>Note</i> )	–	–	22,224	1,445
Balance at 30 June 2018 (unaudited)	<b><u>2,000,000</u></b>	<b><u>20,000</u></b>	<b><u>1,111,384</u></b>	<b><u>72,428</u></b>

*Note:*

Following the completion of the acquisition of Mega Rainbow International Limited (“**Zhao Hong**”) and Lucky Max Developments Limited (“**Lucky Max**”), on 9 January 2018, the Company allotted and issued 8,889,568 and 13,334,353 consideration shares to the former shareholders of Zhao Hong and Lucky Max respectively.

## 15. TRADE PAYABLES

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

	<b>30 June 2018 RMB'000 (unaudited)</b>	31 December 2017 RMB'000 (audited)
0 – 90 days	<b>22,721</b>	17,215
91 – 180 days	<b>962</b>	1,094
181 – 365 days	<b>37</b>	433
Over 1 year	<b>684</b>	790
	<hr/> <b>24,404</b> <hr/>	<hr/> 19,532 <hr/>

## **BUSINESS OVERVIEW**

With the publication of the No.1 Central Document, accelerating the agricultural supply-side structural reform and fostering new growth drivers for agricultural development have become the focus of the current “Agriculture, Rural Areas and Farmers” (三農) sector. It is an important agriculture and rural task in the future to spare no efforts on strengthening the agricultural supply side structural reform and realizing a high level of supply and demand balance of agricultural products from a low level balance, thereby solving the current issues of agricultural development, and contributing to the healthy and sustainable agricultural development. As a leading enterprise in the edible fungi industry, in response to the development of national economy and the guidance of policies, the Group has made timely refinement in transformation and upgrade of the industrial structure. During the first half of 2018, the Group has made achievements in the production, research and development, establishment of sales channel and healthcare products business.

The Group is a leading comprehensive service provider in the edible fungi industry. Our business includes various businesses including modern cultivation of various edible fungi products (king trumpet mushroom, button mushroom, straw mushroom and shiitake mushroom), primarily food processing (canned vegetables, canned fruits, canned edible fungi and snacks) and domestic and overseas sales platform for edible fungi and processed products, the research and development, production and sales of edible fungi products for general healthcare, etc. After years of development, our development history and level of business have gained recognition and favorable reviews from relevant departments and consumers. The Group has been awarded with titles of “National Key Leading Enterprise for Agriculture Industrialization” (農業產業化國家重點龍頭企業), “Top Ten Exporters of Canned Food in the PRC” (中國罐頭出口十強), “National Leading Enterprise in Edible Fungi Industry With Excellent Performance” (全國食用菌行業優秀龍頭企業), etc. Our product brand has also been rated as “Renowned Trademark of China” (中國馳名商標).

For the six months ended 30 June 2018, revenue of the Group was approximately RMB466,270,000, representing a period-on-period decrease of approximately 27.39%. In respect of the contribution to sales during the Period, king trumpet mushroom and trading through domestic network remained the largest sources of income of the Group, whereas segments of healthcare products also made outstanding performance. During the Period, the sales of the Group were as follows:

	<b>Amount of Sales</b> <i>(RMB'000)</i>	<b>Percentage of total amount of Sales</b> <i>(%)</i>
King trumpet mushroom	177,133	37.99
Button mushroom and straw mushroom	–	–
Shiitake mushroom	18,303	3.93
Healthcare products	35,399	7.59
Canned food	34,956	7.50
Other processed food products	1,883	0.40
Trading through domestic network	157,448	33.77
International trading of food	41,146	8.82
	<hr/>	<hr/>
Total	<u>466,268</u>	<u>100.00</u>

Through research and development of self-owned technologies, building up of our owned brand and assigning selected manufacturer to produce healthcare products, the Group has successfully developed various healthcare products. Currently, the Group has two major series named “Kangbao” (康寶) and “520 International” (520國際), which include ten featured products. The four kinds of products under the Kangbao series include FUSION (福祿仙顆粒), ECONB (康益寶膠囊), LACTOBACILLUS (素然片) and COLLAGEN ESSENCE (膠原精華), while the six kinds of products under the 520 International series include “宜延壽”, which activates cells and strengthens the immune system; “益延禧膠囊”, which detoxifies livers and improves sleeping quality; “植元”, which strengthens gastrointestinal probiotics and beautifies skin by eliminating toxicant; “冉然”, which supplements collagen for human bodies, and “鎖二喬” and “西妃寶”. Both series are jointly developed with renowned university and research institution in Japan (including Kumamoto University, Japan Oriental Medical Research Centre, etc.). The Group is confident in the business and expects to introduce its products to a domestic market with large potentials for consumption.

On 27 June 2018, the Group signed a cooperation agreement with Tasty Group Limited (“**Tasty Group**”) (a company located in Hong Kong), pursuant to which, Tasty Group shall promote and sell our healthcare products under the “520 International” series in its large scale retail chain shops “Tastymart”(品味1+1). Leveraging on the broad sales platform of Tasty Group, our healthcare products have entered into the Hong Kong retail market and opened up a new chapter for our sales business.

During the Period, the Group further expanded its sales channel. In the second quarter of 2018, the Board resolved, and the Group entered into the agreements in relation to the acquisition of 100% equity interests in four companies located in Xi’an, Nanchang, Foshan and Changsha in the PRC, respectively, where such companies and the vendors of such equity interests are all independent from the Group and from each other. The strategic acquisition of these four companies was in line with our development focus, which would quickly broaden our sales network by tapping into unoccupied areas and achieve business complement to a certain extent. Such acquisitions would also help the Group successfully pass through the key period of transformation and upgrading. All four acquired companies are principally engaged in the procurement and sales of edible fungi and vegetables. They are all leading companies in their respective cities and industries which have a certain extent of brand influence in the domestic market as they possess comprehensive regional sales channels and stable upstream and downstream procurement and sales systems. Through such acquisitions, the Group could integrate its channels management, product systems, brand influence and etc., to achieve synergies by complementing each other’s advantages.

In recent years, the effect from the promulgation of environmental protection policies has arose at a faster pace. In order to cope with the requirements of environmental protection, we had actively adjusted our strategies, eliminated outdated production capacities of certain king trumpet mushrooms and of all button mushrooms and straw mushrooms, which led to a short-term periodical decline in our results. To alleviate the effect caused by the shrink of production capacity, the Group develops the business of edible fungi channel sales in full force and makes use of the synergies arising from mergers and acquisitions to bring new momentum to the Group, thereby striving for a full penetration of national major regions for sales and the channel network of provincial key cities. Under the macro environment of rapid growth in edible fungi consumption market, the Group will seize the opportunity of business transformation and upgrade by leveraging on our comprehensive strengths and visionary operation strategies in order to become a leader in the edible fungi industry in the PRC.

## **BUSINESS OUTLOOK**

For production and research and development, the Group will continue to devote effort in research and development, improve product quality and biological transform rate through technical improvement, thereby raising the capability in plantation and production. The Group will also strive to diversify our product range and continue to develop the plantation technique for new species of edible fungi that are suitable for industrialized cultivation.

Apart from the continuous efforts in research and development, we will also achieve our goal of expanding capacity based on our need through measures like self-built factories and strategic acquisitions as and when appropriate.

The year of 2018 is a critical year for realizing our strategic transformation and upgrade. While strengthening our main businesses, we have successfully entered into the life and healthcare industry. Our healthcare products have gained high recognition from our customers, and the development of which has been flourishing. The management believes that, with the increasingly higher social consumption level and health awareness of consumers, the Asian market with large consumption potential will bring remarkable results to the Group.

In the future, the Group will adopt “Establishment of Life and Healthcare Industrial Chain in China” (打造中國生命健康產業鏈) as our corporate vision. While reinforcing our leading status in the edible fungi industry, we will step up the research and development, production and sales of edible fungi general healthcare products. It is our mission to offer healthy and quality food, establish our leading role in the industry so as to maximise the value for our shareholders, customers and staff. Our performance strategy is to “Establish a General Healthy Food Enterprise of International Standard” (打造具有國際水準的大健康食品企業). Focusing on core issues such as supplying fresh edible fungi, promoting healthy food, offering cross-border trading assistance, adopting new marketing model as our driving force, creating shared value for stakeholders, we are developing our Group into a general healthy food enterprise with global presence, comprehensive industrial chain and the biggest market and development potential, thereby fulfilling our responsibility of creating the “General Health Industry Ecosphere” (大健康產業生態圈) and realizing the sustainable development of the enterprise, the society and the environment.

## USE OF PROCEEDS FROM IPO

The shares of the Company were listed on the Main Board of the Stock Exchange (the “**Listing**”) on 18 June 2015 (the “**Listing Date**”) and the net proceeds from the global offering were approximately RMB444,990,000 (net of underwriting commission and relevant expenses). The Group has started the use of the proceeds from the Listing. The net proceeds have been used as follow:

	<b>Percentage</b>	<b>Proceeds</b>	<b>Amounts utilised as at 30 June 2018</b>
	( <i>%</i> )	( <i>RMB million</i> )	( <i>RMB million</i> )
Developing the Guangxi Biological Technology Food Industry Park	31.10	138.39	–
Developing the Zhangzhou Biological Technology Food Industry Park	37.70	167.76	–
Acquiring two king trumpet mushroom cultivation facilities in China	25.70	114.36	114.36
Acquiring laboratory and testing equipment	1.10	4.90	–
Construction of mushroom garden	1.10	4.90	–
Working capital and other general corporate purpose	3.30	14.68	–
	<u>100.00</u>	<u>444.99</u>	<u>114.36</u>

## FINANCIAL REVIEW

During the Period, the Group recorded revenue of approximately RMB466,270,000 (six months ended 30 June 2017: approximately RMB642,140,000), representing a decrease of approximately 27.39%. In particular, sales of (i) king trumpet mushroom; (ii) button mushroom and straw mushroom; (iii) shiitake mushroom; (iv) healthcare products; (v) canned food; (vi) other processed food products; (vii) trading through domestic network; and (viii) international trading of food amounted to approximately RMB177,130,000, RMB Nil, RMB18,300,000, RMB35,400,000, RMB34,960,000, RMB1,880,000, RMB157,450,000 and RMB41,150,000, respectively, representing 37.99%, 0%, 3.93%, 7.59%, 7.50%, 0.40%, 33.77% and 8.82% of the revenue of the Group, respectively (the revenue of the Group for the six months ended 30 June 2017 amounted to approximately RMB642,140,000. In particular, sales of (i) king trumpet mushroom; (ii) button mushroom and straw mushroom; (iii) shiitake mushroom; (iv) canned food; (v) other processed food products; (vi) trading through domestic network; and (vii) international trading of food amounted to approximately RMB214,110,000, RMB105,170,000, RMB14,990,000, RMB36,730,000, RMB4,910,000, RMB140,080,000 and RMB126,150,000, respectively, representing 33.34%, 16.38%, 2.33%, 5.72%, 0.77%, 21.81% and 19.65% of the revenue of the Group, respectively).



The decrease in revenue during the Period was primarily because (i) the button mushroom and straw mushroom from contract farming did not gain any sales revenue, which was attributable to the production halt of all button mushroom and straw mushroom in Fujian Province, the PRC as the Group phased out its production facilities and obsolete mushroom houses; (ii) the production halt in the unqualified production and planting areas such as Nos. 2, 3 and 4 factories in Shiliu and a factory in Hengshan and a branch company in Changzhou due to the implementation of more stringent review and approval measures for environment protection by the local government, resulting in the decrease in sales revenue of king trumpet mushroom.

The following table sets forth the Group's gross profit (before deduction of business tax and auxiliary charges) and gross profit margin by product category before and after fair value adjustment of biological assets:

Product category	For the six months ended 30 June 2018				For the six months ended 30 June 2017			
	After fair value		Before fair value		After fair value		Before fair value	
	adjustment	Gross Profit	adjustment	Gross Profit	adjustment	Gross Profit	adjustment	Gross Profit
	Gross profit	Margin	Gross profit	Margin	Gross profit	Margin	Gross profit	Margin
	RMB'000		RMB'000		RMB'000		RMB'000	
King trumpet mushroom	45,260	25.55%	47,513	26.82%	63,268	29.55%	64,403	30.08%
Button mushroom and straw mushroom	-	-	-	-	41,222	39.20%	52,904	50.31%
Shiitake mushroom	1,774	9.69%	1,707	9.33%	1,829	12.20%	1,352	9.02%
Healthcare products	23,481	66.33%	23,481	66.33%	-	-	-	-
Canned food	6,554	18.75%	6,554	18.75%	8,112	22.08%	8,112	22.08%
Other processed food products	76	4.04%	76	4.04%	621	12.63%	621	12.63%
Trading through domestic network	4,282	2.72%	4,282	2.72%	11,191	7.99%	11,191	7.99%
International trading of food	2,582	6.28%	2,582	6.28%	9,416	7.46%	9,416	7.46%
Total	<u>84,009</u>	<u>18.02%</u>	<u>86,195</u>	<u>18.49%</u>	<u>135,659</u>	<u>21.13%</u>	<u>147,999</u>	<u>23.05%</u>

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

	<b>For the six months ended 30 June 2018</b>		For the six months ended 30 June 2017	
	<b>Sales volume (Kilogram)</b>	<b>Average selling price (RMB)</b>	Sales volume (Kilogram)	Average selling price (RMB)
<b>Fresh edible fungi</b>				
King trumpet mushroom	<b>25,095,117</b>	<b>7.06</b>	29,051,271	7.37
Button mushroom and straw mushroom	–	–	12,480,025	8.43
Shiitake mushroom	<b>3,065,710</b>	<b>7.63</b>	4,022,810	7.87
Healthcare products	<b>5,591</b>	<b>6,331.70</b>	–	–
<b>Processed food products</b>				
Canned food	<b>4,178,159</b>	<b>8.37</b>	4,632,093	7.93
Other processed food products	<b>84,677</b>	<b>22.24</b>	25,005	196.55
<b>Trading through domestic network</b>	<b>24,451,087</b>	<b>6.44</b>	12,253,595	11.43
<b>International trading of food</b>	<b><u>3,603,522</u></b>	<b><u>11.42</u></b>	<b><u>10,771,775</u></b>	<b><u>11.71</u></b>

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

The revenue of the Group decreased by approximately RMB175,870,000 or 27.39% from approximately RMB642,140,000 for the six months ended 30 June 2017 to approximately RMB466,270,000 for the Period, which was primarily due to (i) the temporary cancellation of contract farming of button mushroom and straw mushroom, resulting in the decrease of sale revenue of approximately RMB105,170,000 or 100% as compared to that of the corresponding period of 2017; (ii) the shrink in the self-owned cultivation areas for king trumpet mushroom, resulting in the decrease of sale revenue of approximately RMB36,970,000 or 17.27% as compared to that of the corresponding period of 2017.

The Group's king trumpet mushroom business 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 in the self-built factories and by the employees of the Group, whereas the contract farming represents the agricultural production and sales model that, 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 during the Period decreased by approximately 3,956 tonnes as a result of the production halt in the unqualified production and planting areas such as Nos. 2, 3 and 4 factories in Shiliu, a factory in Hengshan and a branch company in Changzhou due to the implementation of more stringent review and approval measures for environment protection by the local government. It was the Group's priority to enter into contracts with qualified farmers, so as to secure the contracted supply from those farmers during the Period. The average unit selling price of the king trumpet mushroom per kilogram dropped by RMB0.31 during the Period, which was mainly due to the imbalanced demand and supply of the market. As the decrease in sales volume and unit selling price, revenue from king trumpet mushroom for the Period dropped by approximately RMB36,970,000 as compared to that of the corresponding period of 2017.

The sales volume of button mushroom and straw mushroom during the Period decreased by approximately 12,480 tonnes, primarily because the Group phased out mushroom houses with obsolete production facilities, which caused temporary halt in all button mushroom and straw mushroom production in Fujian Province and the temporary record of no sale revenue self-owned button mushroom and straw mushroom from contract farming for the Period. Accordingly, the revenue decreased by approximately RMB105,170,000 as compared to that of the corresponding period of 2017.

The average unit selling price per kilogram of shiitake mushroom for the Period decreased by RMB0.24, which was affected by the demand and supply of the sales market. Affected by the fluctuating market prices, the selling volume of shiitake mushroom decreased by 957 tonnes as compared to that of the corresponding period of last year. However, for shiitake mushroom sticks, one of the products under the range of shiitake mushrooms, the average unit selling price per stick increased by approximately RMB2.77 as compared to that of the corresponding period in 2017, resulting in the increase in revenue of sales of shiitake mushroom of approximately RMB3,310,000.

The sales volume of healthcare products for the Period amounted to approximately 6 tonnes. Such products were our newly-developed products for the Period. The Group was committed to safeguarding people's health. It actively promotes the development of health industry. Upon the launch of new products, they gained enormous popularity among consumers. As a result, the Group achieved a sale revenue of approximately RMB35,400,000 for the Period.

The sales volume of canned food for the Period decreased by approximately 454 tonnes, which was primarily attributable to the influence of the international market, the decline in demand of edible fungi canned food, hence resulting in the decrease in sales volume. The average selling price per kilogram for the Period increased by RMB0.44 as compared to that of the corresponding period of 2017, which was mainly due to the increase in the selling price of non-edible fungi canned food as a result of the increase in demand during the Period. Due to the decrease in sales volume and increase in selling price, the revenue from canned food products in the Period dropped by approximately RMB1,780,000 as compared to that of the corresponding period of 2017.

The sales volume of other processed food products during the Period increased by approximately 60 tonnes as compared to that of the same period of 2017, primarily due to the increase in preserved vegetables products for sale. The unit selling price per kilogram during the Period decreased by RMB174.31 as compared to that of the same period of 2017, primarily because the decrease in unit price caused by the change in sales structure as the sales of other processed food products excluded brined mushroom but mainly consisted of edible fungi dried goods products and preserved vegetables products with a lower unit price. As a result, the revenue from other processed food products in the Period decreased by approximately RMB3,030,000 as compared to that in the same period of 2017.

The sales volume from trading through domestic network during the Period increased by approximately 12,197 tonnes, which was mainly attributable to (i) the Group's constant development on channels in the PRC and vigorous expansion in the trading business, together with the channels established in the early stage matured during the Period and started to make an impact; (ii) the increase of sales from domestic sales channels as a result of the temporary cancellation of self-owned farming business of button mushroom and straw mushroom and replacing it with the acquisition of button mushroom and straw mushroom and various kinds of vegetables from qualified farmers and selling directly to domestic markets. During the Period, the unit price per kilogram decreased by RMB4.99 as compared to that of the same period of 2017, which was primarily due to the sales of button mushroom and straw mushroom and various kinds of vegetables added for the Period, of which sales volume of such products accounted for a larger proportion. However, the significant increase in sales volume led to the increase in revenue from trading through domestic network by approximately RMB17,370,000 as compared to that of the same period of 2017.

During the Period, the sales volume of international food trading business decreased by approximately 7,168 tonnes, as the products sold during the Period excluded fresh vegetables and fruits with lower selling price as compared to that of the corresponding period of 2017. For the corresponding period of 2017, such vegetables accounted for a larger proportion of the sales volume of international food trade. The unit selling price decreased by RMB0.29 per kilogram as compared to that of the corresponding period of 2017. The decrease in sales volume and unit selling price resulted in the decrease in the sales revenue from the international food trading business, thus the revenue from the international food trading business decreased by approximately RMB85,010,000 as compared to that of the same period of 2017.

## Analysis of gross profit and gross profit margin

For the Period, gross profit of the Group (before business tax, other tax and auxiliary charges) was approximately RMB84,010,000 (six months ended 30 June 2017: approximately RMB135,660,000), and gross profit margin was approximately 18.02% (six months ended 30 June 2017: approximately 21.13%). Of which, gross profit margin of (i) king trumpet mushroom; (ii) button mushroom and straw mushroom; (iii) shiitake mushroom; (iv) healthcare products; (v) canned food; (vi) other processed food products; (vii) trading through domestic network; and (viii) international trading of food was approximately 25.55%, 0%, 9.69%, 66.33%, 18.75%, 4.04%, 2.72% and 6.28%, respectively (six months ended 30 June 2017: 29.55%, 39.20%, 12.20%, 0%, 22.08%, 12.63%, 7.99% and 7.46%, respectively).

The sales volume of king trumpet mushroom for the Period decreased by approximately 3,956 tonnes as compared to that of the same period of 2017, and the average unit selling price of king trumpet mushroom went down by RMB0.31 per kilogram during the Period as compared to that of the same period of 2017. The declined sales volume and unit price resulted in a decrease of gross profit from king trumpet mushroom for the Period by approximately RMB18,010,000 as compared to that of the same period of 2017. The decline in the gross profit margin of king trumpet mushroom for the Period mainly attributable to lower gross profit margin in general caused by the decrease of sales volume and unit selling price during the Period as a result of the changes in supply and demand within the king trumpet mushroom market, leading to a decrease in the gross profit margin from approximately 29.55% for the same period of 2017 to approximately 25.55% for the Period.

The sales volume of button mushroom and straw mushroom for the Period decreased by approximately 12,480 tonnes as compared to that of the same period of 2017. The Company adjusted its production and operation model during the Period to temporarily halt the contract production of button mushroom and straw mushroom during the Period, which resulted in temporarily no sales revenue of self-owned button mushroom and straw mushroom recorded during the Period.

The unit selling price of shiitake mushroom decreased by RMB0.24 per kilogram as compared to that of the same period of last year, while the sales volume of shiitake mushroom decreased by 957 tonnes as compared to that of last year, due to the decrease in unit selling price and sales volume, the gross profit margin decreased from approximately 12.20% for the corresponding period of 2017 to approximately 9.69% for the Period.

During the Period, we achieved satisfying results from the general healthcare product business. The sales of healthcare products was introduced and the sales volume was approximately 6 tonnes, and the gross profit was approximately RMB23,480,000 and the gross profit margin was approximately 66.33%.

The sales volume of canned food for the Period decreased by approximately 454 tonnes as compared to that of the same period of 2017, while the unit cost of the Period increased by RMB0.62 per kilogram as compared to that of the same period of 2017, which was primarily due to the slightly rise in the purchase cost of the raw materials for the production of canned food. As the increase in unit price could be offset by the increase in unit cost, plus decline in sales volume, the gross profit from sales of canned food decreased by approximately RMB1,560,000 during the Period as compared to that of the same period of 2017. The unit price of canned food per kilogram for the Period increased by RMB0.44 and the unit cost per kilogram increased by RMB0.62, leading to the decrease of the gross profit margin from approximately 22.08% for the same period of last year to approximately 18.75% for the Period.

The sales volume of other processed food products for the Period increased by approximately 60 tonnes as compared to that of the same period of 2017. The unit selling price for the Period decreased by RMB174.31 per kilogram as compared to that of the same period of 2017, which was mainly due to the overall unit cost of other processed food products (including dried goods and preserved vegetables) decreased as a result of the change in sales structure of other processed food as the sales of brined mushroom for the Period decreased and the sales of preserved vegetables with lower gross profit increased. Due to the decline in the unit selling prices, gross profit from other processed food products for the Period decreased by approximately RMB550,000 as compared to that of the same period of 2017. The unit price of other processed food products per kilogram for the Period decreased by RMB174.31, leading to the drop of the gross profit margin from approximately 12.63% for the same period of last year to approximately 4.04% for the Period.

The sales volume of trading through domestic network for the Period rose approximately 12,197 tonnes as compared to that of the same period of 2017, and the unit selling price decreased by RMB4.99 per kilogram as compared to that of the same period of 2017, which was mainly attributable to the decreased unit selling price due to different proportion of the variety of fresh edible fungi which could be purchased through our domestic channels during the Period as compared to those of the same period of last year and the lower unit selling price of certain fungi products. As the decrease in unit selling price, the gross profit from trading through domestic network for the Period decreased by approximately RMB6,910,000 as compared to that of the same period of 2017, resulting in a decrease in the gross profit margin from approximately 7.99% of the same period of last year to approximately 2.72% for the Period.

The sales volume of the international food trading decreased by approximately 7,168 tonnes as compared to that of the same period of 2017, and the unit selling price for the Period decreased by approximately RMB0.29 per kilogram as compared to that of the same period of 2017. As the unit selling price and the sales volume both dropped, the gross profit from the international food trading business decreased by approximately RMB6,830,000 as compared to that of the same period of 2017, leading to a drop of the gross profit margin from approximately 7.46% for the same period of last year to approximately 6.28% for the Period.

## Cost of sales

Cost of sales primarily consisted of costs of raw materials, direct labour and the manufacturing overheads. Direct labour cost included wages and other compensation paid to workers, while the manufacturing overheads included depreciation, transportation cost, packaging and utilities charges. Cost of raw materials constituted the majority of the cost of sales and represented approximately 80.79% of the cost of sales for the Period (six months ended 30 June 2017: 72.68%).

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

	<b>For the six months ended 30 June</b>			
	<b>2018</b>		<b>2017</b>	
	<i>RMB'000</i>	<b>% of cost of sales</b>	<i>RMB'000</i>	<b>% of cost of sales</b>
<b>Raw materials</b>				
– Cultivation materials	<b>38,009</b>	<b>9.09%</b>	59,465	9.77%
– Fresh fruit and vegetables	<b>295,239</b>	<b>70.62%</b>	376,572	61.90%
– Packaging materials	<b>4,515</b>	<b>1.08%</b>	6,115	1.01%
Direct labour	<b>13,015</b>	<b>3.11%</b>	13,725	2.25%
Healthcare products	<b>12,270</b>	<b>2.94%</b>	–	–
Labour subcontracting fee	–	–	11,911	1.96%
Cultivation overheads	<b>13,536</b>	<b>3.24%</b>	24,049	3.95%
Manufacturing overheads	<b>3,489</b>	<b>0.83%</b>	2,302	0.38%
<b>Change in fair value of biological assets</b>	<b>37,986</b>	<b>9.09%</b>	114,257	18.78%
<b>Total</b>	<b>418,059</b>	<b>100.00%</b>	608,396	100.00%

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

	<b>For the six months ended 30 June</b>			
	<b>2018</b>		<b>2017</b>	
	<i>RMB'000</i>	<i>% of cost of sales</i>	<i>RMB'000</i>	<i>% of cost of sales</i>
<b>Fresh edible fungi products</b>				
King trumpet mushroom	<b>167,271</b>	<b>40.01%</b>	200,166	32.90%
Button mushroom and straw mushroom	–	–	115,714	19.02%
Shiitake mushroom	<b>16,935</b>	<b>4.05%</b>	13,980	2.3%
Healthcare products	<b>11,918</b>	<b>2.85%</b>	–	–
<b>Processed food products</b>				
Canned food	<b>28,402</b>	<b>6.79%</b>	28,619	4.70%
Other processed food products	<b>1,807</b>	<b>0.44%</b>	4,294	0.71%
<b>Trading through domestic network</b>	<b>153,164</b>	<b>36.64%</b>	128,884	21.18%
<b>International trading of food</b>	<b>38,562</b>	<b>9.22%</b>	116,739	19.19%
<b>Total</b>	<b>418,059</b>	<b>100.00%</b>	<b>608,396</b>	<b>100.00%</b>

#### **Other income and other gains and losses**

Other income and other gains for the Period was approximately RMB12,980,000 (six months ended 30 June 2017: approximately RMB1,080,000), which mainly included (i) interest income; and (ii) net exchange gain.

Other income and other gains and losses for the Period increased as compared to that of the same period of the last year, which was primarily due to (i) the increase in exchange gain, net; and (ii) increase in interest income. Net exchange gain, net for the Period increased by approximately RMB6,330,000 as compared to that of the same period of 2017, which was mainly because the increase in exchange gain from the translation of currency at the end of the period as a result of the fluctuation of exchange rate of Hong Kong dollar against Renminbi during the Period.



## **Selling expenses**

Selling expenses of the Group mainly included (i) wages; (ii) transportation costs; and (iii) surcharges, which decreased from approximately RMB2,420,000 for the six months ended 30 June 2017 to approximately RMB2,000,000 for the Period. It was primarily because the decrease in sales personnel led to a decrease in wages and bonuses and transportation fee incurred by sales, as a result of the decrease of sales income.

## **Administrative expenses**

Administrative expenses of the Group for the Period were approximately RMB18,090,000 (six months ended 30 June 2017: approximately RMB19,750,000) which mainly included (i) wages; (ii) professional fee; (iii) research and development expenditure; and (iv) office expenditure. The administrative expenses decreased by approximately RMB1,660,000, as compared to that of the same period of 2017, was mainly due to the professional fee incurred for the Period (excluding audit fee) was approximately RMB1,030,000, as compared to approximately RMB3,380,000 of the same period of 2017, representing a decrease of approximately RMB2,350,000.

## **Income tax expense**

The Group's income tax expense decreased by 25.06% from approximately RMB2,000,000 for the six months ended 30 June 2017 to approximately RMB1,500,000 for the Period. The decrease in effective tax rate was mainly due to the increase in proportion of revenue contributed by the subsidiaries of the Company in the PRC which enjoy preferential tax treatment during the Period, and the slight decline in the revenue of processed food segment, which was subject to taxation over the last year.

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

For the Period, the Group recorded profit before tax of approximately RMB91,270,000 (six months ended 30 June of 2017: approximately RMB111,390,000) which represented a decrease of approximately 18.07%. The Group's profit for the Period attributable to owners of the Company was approximately RMB87,110,000 (six months ended 30 June 2017: approximately RMB109,520,000), representing a decrease of approximately 20.46%.

Net profit for the Period was approximately RMB89,770,000, representing a decrease of approximately 17.94% as compared to that of the same period of 2017. Net profit margin was 19.25% (six months ended 30 June 2017: 17.04%), representing an increase of approximately 2.21 percentage points. It was primarily due to the change in sales structure of the Group and the increase in the proportion of trading through domestic channels. The gross profit from trading segment was much lower than those from the sales of king trumpet mushroom and shiitake mushroom, which dragged down the overall gross profit margin of the Group. However, as the Group acquired 48.70% of the shareholding of Guangxi Jiabao Food Group Co., Ltd.\* (廣西嘉寶食品集團有限公司), the share of profit of an associate was considerable, causing an increase in net profit margin for the Period as compared to that of the same period of last year.

For the Period, basic earnings per share attributable to owners of the Company was approximately RMB7.84 cents (six months ended 30 June 2017: approximately RMB10.21 cents).

### **Trade receivables**

As at 30 June 2018, trade receivables of the Group were approximately RMB173,570,000 (31 December 2017: approximately RMB151,260,000). The increase was mainly because of the trade receivables of Zhangzhou Shengtai Agricultural Development Company Limited, which were within credit period, increased by approximately RMB34,800,000 in June 2018, which led to increase in the balance of trade receivables.

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

As at 30 June 2018, deposits, prepayments and other receivables of the Group were approximately RMB175,800,000 (31 December 2017: approximately RMB147,470,000), which mainly included (i) land prepayments; and (ii) other receivables. The overall increase was mainly attributable to prepayment for goods increased by approximately RMB26,170,000 as compared to that of the same period of last year.

## **CAPITAL STRUCTURE**

As at 30 June 2018, the issued share capital of the Company was US\$11,113,839.21, divided into 1,111,383,921 shares with nominal value of US\$0.01 per share. Gearing ratio (calculated by dividing total borrowings by total equity) was 1.46% as at 30 June 2018 (31 December 2017: 0.53%). Current ratio (calculated by dividing current assets by current liabilities) was 17.31 times as at 30 June 2018 (31 December 2017: 23.1 times). The Group will continue to stringently monitor the policy of debt recovery to minimise the risk of credit sale and ensure timely recovery of the fund.

\* *For identification purpose only*

## **Liquidity and financial resources**

As at 30 June 2018, the total bank and cash balances of the Group were approximately RMB977,610,000 (31 December 2017: RMB1,056,630,000). The Company were listed on the Stock Exchange on 18 June 2015 and the net proceeds raised (net of underwriting commission and the relevant listing expenses) was approximately RMB444,990,000. As at 30 June 2018, interest bearing bank borrowings of the Group were approximately RMB29,200,000 with an interest rate of 4.44% to 5.66% which will be due in May 2019.

## **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. However, the Company believes that the Group is principally engaged in business in China and the principal subsidiaries of the Group denominated in RMB, and the functional currency of the principal subsidiaries is RMB. As a result, most of the Group's transactions are settled in RMB. The reporting currency of the Group is RMB. Most of the cash and bank deposits of the Group are dominated in RMB. The interest-bearing bank loans 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 of Group's assets**

As at 30 June 2018, machineries and facilities of the Group with the carrying value of approximately RMB20,950,000 had been pledged for securing bank loans (31 December 2017: approximately RMB19,330,000).

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

As at 30 June 2018, capital commitments of the Group contracted but not provided were approximately RMB160,730,000 (31 December 2017: approximately RMB72,850,000). As at 30 June 2018, operating leases commitments of the Group in respect of lands, buildings and other properties were approximately RMB8,930,000 (31 December 2017: approximately RMB13,100,000).

## **Employee benefits, remuneration policy and training**

As at 30 June 2018, the Group had 715 employees in total (30 June 2017: 861). The remunerations of employees of the Group were determined according to their experience and qualifications, performance of the Group and the market condition. During the Period, staff costs including directors' emoluments were approximately RMB22,300,000 (six months ended 30 June 2017: approximately RMB24,350,000). During the Period, staff costs accounted for approximately 4.78% of the Group's revenue (six months ended 30 June 2017: 3.79%).

In addition, the Group adopted a pre-IPO share option scheme (the "**Pre-IPO Share Option Scheme**") and a share option scheme ("**Share Option Scheme**") on 27 May 2015. During the Period, the Group granted share options to certain eligible individuals to subscribe for 50,000,000 ordinary shares of US\$0.01 each of the Company pursuant to the Share Option Scheme to retain and motivate employees who have contributed to the success of the Group. During the Period, a total of 14,160,000 share options were exercised by an aggregate of 28 employees of the Group for share subscription. The Directors believe that the Group provides a competitive remuneration package to its employees in comparison with market standards and practices.

Pursuant to the PRC's social security regulations, the Company 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.

The Group values the importance of staff training. The Group establishes an inhouse business school and develops training programmes for specific operating business covering various aspects such as personnel, finance, administration, quality control, marketing and management to enhance knowledge of managerial and professional staff of the Group.

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

Apart from the share options granted to Directors pursuant to the Pre-IPO Share Option Scheme, at any time during the Period, 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**

As at 30 June 2018, the Company did not hold any significant investment.

## **Contingent liabilities**

As at 30 June 2018, the Group did not have any significant contingent liabilities.

## **Material acquisition and disposal**

The Group has no material acquisition and/or disposal during the Period.

## **Events after the Period**

The Group did not carry out significant events after 30 June 2018 and until the date of this announcement.

## **INTERIM DIVIDEND**

The Board resolved not to declare any interim dividend for the six months ended 30 June 2018 (2017: RMB Nil).

## **PURCHASE, SALE OR REDEMPTION OF THE LISTED SECURITIES OF THE COMPANY**

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

## **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 to the Rules Governing the Listing of Securities on the Stock Exchange (the “**Listing Rules**”) as the Company’s code of conduct regarding securities transactions by the Directors. Having made specific enquiry of all Directors, all Directors have confirmed that they complied with the required standards set out in the Model Code during the Period.

## **CORPORATE GOVERNANCE PRACTICE**

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

During the Period, the Company had complied with the code provisions set out in the Corporate Governance Code except for the deviation from the code provision A.2.1 as stated 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. Mr. Zheng Songhui, the chairman of the Board, was also acting as the chief executive officer of the Company at the same time. The Board believes that vesting the roles of both chairman and chief executive officer in Mr. Zheng Songhui helps ensure 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 of experienced and high calibre individuals, including sufficient number of independent non-executive Directors.

## **AUDIT COMMITTEE AND REVIEW OF THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**

The Audit Committee has reviewed the unaudited condensed consolidated financial statements of the Company for the Period with the management and RSM Hong Kong, the external auditors. The Audit Committee and the external auditors have no dispute over the accounting method adopted by the Company.

## **CHANGE OF THE INFORMATION OF THE DIRECTORS**

Saved as disclosed below, since the publication of annual report 2017 of the Company, the Company has disclosed changes in the information of each of the Directors under Rules 13.51(2) and 13.51B(1) of the Listing Rules.

Mr. Mak Hing Keung Thomas resigned as an independent non-executive Director, chairman of the Audit Committee and a member of the remuneration committee of the Company on 20 July 2018. Mr. Li Wai Kwan has been appointed as an independent non-executive Director, chairman of the Audit Committee and a member of the remuneration committee of the Company on the same date. Please refer to the announcement of the Company dated 20 July 2018 for details.

## **PUBLICATION OF INTERIM REPORT**

This interim results announcement is published on the websites of the Stock Exchange ([www.hkexnews.hk](http://www.hkexnews.hk)) and the Company ([www.china-greenfresh.com](http://www.china-greenfresh.com)). The Company's interim report will be dispatched to the shareholders of the Company and will be published on the respective websites of the Stock Exchange and the Company in due course.

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

Hong Kong, 31 August 2018

*As at the date of this announcement, the executive Directors of the Company are Mr. Zheng Songhui, Mr. Zheng Tianming and Ms. Zheng Ruyan; the non-executive Director is Ms. Zhang Lin; and the independent non-executive Directors are Mr. Li Wai Kwan, Mr. Lou Robert Hsiu-sung and Mr. Cheng Hiu Yung.*