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## **CHINA GREEN (HOLDINGS) LIMITED**

**中國綠色食品（控股）有限公司**

*(Incorporated in Bermuda with limited liability)*

(Stock Code: 904)

### **(1) ANNOUNCEMENT OF ANNUAL RESULTS**

**FOR THE YEAR ENDED 30 APRIL 2021**

### **(2) RESUMPTION OF TRADING**

**AND**

### **(3) FURTHER DELAY IN DESPATCH OF ANNUAL REPORT**

#### **FINANCIAL HIGHLIGHTS**

- Revenue increased by approximately 9.5% from approximately RMB449.4 million for the year ended 30 April 2020 (“FY2019/20”) to approximately RMB492.0 million for the year ended 30 April 2021 (“FY2020/21”).
- Gross profit and gross profit margin increased from approximately RMB42.3 million and 9.4% for FY2019/20 to approximately RMB59.7 million and 12.1% for FY2020/21.
- Loss for the year attributable to owners of the Company decreased from approximately RMB846.4 million for FY2019/20 to approximately RMB585.7 million for FY2020/21.

	<b>2021</b>	2020
	<b><i>RMB'000</i></b>	<i>RMB'000</i>
<b>Revenue</b>		
– Fresh produce and processed products	<b>342,844</b>	412,849
– Branded food products and others	<b>149,139</b>	36,593
	<b>491,983</b>	449,442
<b>Gross profit</b>	<b>59,662</b>	42,279
Gross profit margin	<b>12.1%</b>	9.4%
Loss for the year attributable to owners of the Company	<b>(585,653)</b>	(846,398)
Basic loss per share ( <i>RMB</i> )	<b>(1.60)</b>	(2.32)
<b>Key Financial Ratios</b>		
Current Ratio	<b>0.60 times</b>	0.56 times
Gearing Ratio	<b>N/A</b>	95.3%

## ANNUAL RESULTS

The board (the “**Board**”) of directors (the “**Directors**”) of China Green (Holdings) Limited (the “**Company**” together with its subsidiaries, the “**Group**”) announces the annual results of the Group for the year ended 30 April 2021, together with the comparative figures for the year ended 30 April 2020, as follows.

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

*For the year ended 30 April 2021*

	<i>Notes</i>	<b>2021</b> <b>RMB'000</b>	2020 <b>RMB'000</b>
<b>Revenue</b>	4	<b>491,983</b>	449,442
Cost of sales		<u>(432,321)</u>	<u>(407,163)</u>
<b>Gross profit</b>		<b>59,662</b>	42,279
Other revenue	5(a)	<b>1,380</b>	1,240
Other losses	5(b)	<b>(5)</b>	(407)
Gain arising from changes in fair value less costs to sell of biological assets		<b>9,668</b>	8,225
Impairment loss on property, plant and equipment		<b>(113,649)</b>	(166,552)
Impairment loss on right-of-use assets		<b>(290,189)</b>	(379,496)
Selling and distribution expenses		<b>(18,919)</b>	(42,035)
General and administrative expenses		<b>(152,336)</b>	(229,828)
Share of loss of investment in a joint venture		<b>(115)</b>	(133)
<b>Loss from operations</b>		<b>(504,503)</b>	(766,707)
Finance costs	6(a)	<b>(81,150)</b>	(79,691)
<b>Loss before taxation</b>	6	<b>(585,653)</b>	(846,398)
Income tax	7	<b>–</b>	–
<b>Loss for the year attributable to owners of the Company</b>		<u><b>(585,653)</b></u>	<u>(846,398)</u>
<b>Other comprehensive income/(loss) for the year</b>			
<i>Items that may be reclassified subsequently to profit or loss:</i>			
Exchange differences arising on translation of foreign operations		<b>29,821</b>	(13,637)
<i>Items that will not be reclassified to profit or loss:</i>			
Change in fair value of financial assets at fair value through other comprehensive income		<b>–</b>	(144)
<b>Other comprehensive income/(loss) for the year</b>		<u><b>29,821</b></u>	<u>(13,781)</u>
<b>Total comprehensive loss for the year attributable to owners of the Company</b>		<u><b>(555,832)</b></u>	<u>(860,179)</u>
<b>Loss per share attributable to owners of the Company (RMB)</b>			
– Basic and diluted	9	<u><b>(1.60)</b></u>	<u>(2.32)</u>

## CONSOLIDATED STATEMENT OF FINANCIAL POSITION

*As at 30 April 2021*

	<i>Notes</i>	<b>2021</b> <b>RMB'000</b>	2020 <i>RMB'000</i>
<b>Non-current assets</b>			
Property, plant and equipment		<b>300,478</b>	488,064
Right-of-use assets		<b>281,719</b>	628,797
Investment in an associate		–	–
Investment in a joint venture		<b>438</b>	553
Financial assets at fair value through other comprehensive income		<b>2,669</b>	2,921
		<u><b>585,304</b></u>	<u>1,120,335</u>
<b>Current assets</b>			
Inventories		<b>4,136</b>	4,134
Biological assets		<b>16,326</b>	14,740
Trade and other receivables	10	<b>216,698</b>	208,229
Pledged bank deposits		<b>7,500</b>	6,750
Cash and cash equivalents		<b>147,147</b>	44,690
		<u><b>391,807</b></u>	<u>278,543</u>
<b>Current liabilities</b>			
Trade and other payables	11	<b>262,754</b>	257,392
Bank borrowings		<b>239,000</b>	165,000
Lease liabilities		<b>114,759</b>	49,591
Amount due to a director		<b>12,774</b>	7,540
Amount due to a shareholder		<b>1,304</b>	1,426
Income tax payable		<b>17,804</b>	17,804
		<u><b>648,395</b></u>	<u>498,753</u>
<b>Net current liabilities</b>		<u><b>(256,588)</b></u>	<u>(220,210)</u>
<b>Total assets less current liabilities</b>		<u><b>328,716</b></u>	<u>900,125</u>

	<b>2021</b>	2020
<i>Notes</i>	<b><i>RMB'000</i></b>	<i>RMB'000</i>
<b>Non-current liabilities</b>		
Deferred tax liabilities	<b>69,081</b>	69,081
Lease liabilities	<b>450,728</b>	466,305
	<u><b>519,809</b></u>	<u>535,386</u>
<b>Net (liabilities)/assets</b>	<u><b>(191,093)</b></u>	<u>364,739</u>
<b>Capital and reserves</b>		
Share capital	<b>62,247</b>	62,247
Reserves	<b>(253,340)</b>	302,492
	<u><b>(191,093)</b></u>	<u>364,739</u>
<b>Total (capital deficiency)/equity attributable to owners of the Company</b>	<u><b>(191,093)</b></u>	<u>364,739</u>

# NOTES TO THE AUDITED CONSOLIDATED FINANCIAL STATEMENTS

*For the year ended 30 April 2021*

## 1. BASIS OF PREPARATION AND ACCOUNTING POLICIES

The consolidated financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants (“**HKICPA**”). For the purpose of preparation of the consolidated financial statements, information is considered material if such information is reasonably expected to influence decisions made by primary users. In addition, the consolidated financial statements include applicable disclosures required by the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited and by the Hong Kong Companies Ordinance (the “**HKCO**”).

The measurement basis used in the preparation of the consolidated financial statements is the historical cost basis except that biological assets are measured at their fair value less costs to sell, and certain financial instruments that are measured at fair values at the end of each reporting period.

### **Going concern**

For the year ended 30 April 2021, the Group incurred a loss of approximately RMB585,653,000 (2020: approximately RMB846,398,000). As at 30 April 2021, the Group had net current liabilities of approximately RMB256,588,000 (2020: approximately RMB220,210,000) and net liabilities of approximately RMB191,093,000 (2020: net assets of approximately RMB364,739,000). In addition, the Group’s convertible notes with principal amount of HK\$190,000,000 (equivalent to approximately RMB158,288,000) was matured on 22 August 2019 and together with the accrued interests of approximately HK\$38,760,000 (equivalent to RMB32,291,000) (2020 approximately HK\$15,960,000 (equivalent to RMB14,546,000)), was not paid as at 30 April 2021 and as at the date of approval for issuance of these consolidated financial statements. As at 30 April 2021, the Group’s bank borrowings of RMB239,000,000 will be due for repayment in June 2021 and September 2021.

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

In view of such circumstances, the Directors have given careful consideration to the future liquidity and performance of the Group and its available sources of financing in assessing whether the Group will be able to repay its liabilities, including the outstanding convertible notes and bank borrowings, and be able to finance its future working capital and liquidity requirements.

Certain measures have been and will be taken to manage the liquidity needs of the Group and to improve its financial position which include, but are not limited to, the following:

1. Mr. Sun Shao Feng, the chairman, chief executive officer and executive Director of the Company, has provided a written confirmation that he is willing to continue to provide financial support to the Group to enable the Group to continue as a going concern;
2. As at the date of approval of these consolidated financial statements, the Group is actively exploring, formulating and negotiating feasible debt restructuring plans with the convertible notes holder’s representatives;

3. The Group will contact its current bank lenders for bank borrowings renewal;
4. The Group will seek to obtain any possible financing;
5. The Group will successfully undertake alternative capital rising transaction to strengthen the capital base of the Group; and
6. The Group will implement operation plans to control costs and generate adequate cash flows from the Group's operations.

Having considered the above and with review to a cash flow forecast of the Group, the Directors are of the opinion that it is appropriate to prepare the consolidated financial statements of the Group for the year ended 30 April 2021 on a going concern basis.

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

## **2. APPLICATION OF AMENDMENTS TO HONG KONG FINANCIAL REPORTING STANDARDS (“HKFRSs”)**

### **Amendments to HKFRSs that are mandatorily effective for the current year**

In the current year, the Group has applied the Amendments to References to the Conceptual Framework in HKFRS Standards and the following amendments to HKFRSs issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”) for the first time which are mandatorily effective for the Group's annual period beginning on or after 1 May 2020 for the preparation of the consolidated financial statement:

Amendments to HKASs 1 and 8	Definition of Material
Amendments to HKAS 39, HKFRSs 7 and 9	Interest Rate Benchmark Reform – Phase 1
Amendments to HKFRS 3	Definition of a Business

The application of the Amendments to References to the Conceptual Framework in HKFRS Standards and the amendments to HKFRSs in the current year had no material impact on the Group's financial positions and performance for the current and prior years and/or on the disclosures set out in these consolidated financial statements.

### **New and amendments to HKFRSs in issue but not yet effective**

The Group has not early applied the following new and amendments to HKFRSs that have been issued but are not yet effective:

HKFRS 17	Insurance Contracts and the related Amendments <sup>1</sup>
Amendments to HKFRSs	Annual Improvements to HKFRSs 2018 – 2020 <sup>2</sup>
Amendments to HKFRS 3	Reference to the Conceptual Framework <sup>2</sup>
Amendments to HKFRS 9, HKAS 39, HKFRS 7, HKFRS 4 and HKFRS 16	Interest Rate Benchmark Reform – Phase 2 <sup>5</sup>
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture <sup>3</sup>
Amendments to HKFRS 16	Covid-19-Related Rent Concessions <sup>4</sup>
Amendments to HKFRS 16	Covid-19-Related Rent Concessions beyond 30 June 2021 <sup>6</sup>
Amendments to HKAS 1	Classification of Liabilities as Current or Non-current and related amendments to Hong Kong Interpretation 5 (2020) <sup>1</sup>
Amendments to HKAS 1 and HKFRS Practice Statement 2	Disclosure of Accounting Policies <sup>1</sup>
Amendments to HKAS 8	Definition of Accounting Estimates <sup>1</sup>
Amendments to HKAS 12	Deferred Tax related to Assets and Liabilities arising from a Single Transaction <sup>1</sup>
Amendments to HKAS 16	Property, Plant and Equipment – Proceeds before Intended Use <sup>2</sup>
Amendments to HKAS 37	Onerous Contracts – Cost of Fulfilling a Contract <sup>2</sup>

<sup>1</sup> Effective for annual periods beginning on or after 1 January 2023.

<sup>2</sup> Effective for annual periods beginning on or after 1 January 2022.

<sup>3</sup> Effective for annual periods beginning on or after a date to be determined.

<sup>4</sup> Effective for annual periods beginning on or after 1 June 2020.

<sup>5</sup> Effective for annual periods beginning on or after 1 January 2021.

<sup>6</sup> Effective for annual periods beginning on or after 1 April 2021.

The directors anticipate that the application of new and amendments to HKFRSs will have no material impact on the consolidated financial statements in the foreseeable future.

### **3. SEGMENT REPORTING**

The Group manages its businesses by product types. In a manner consistent with the way in which information is reported internally to the Group's most senior executive management for the purposes of resources allocation and performance assessment, the Group has identified the following two reportable segments in accordance with HKFRS 8 presented as follows:

- Fresh produce and processed products: this segment grows, processes and sells agricultural products. Currently the Group's activities in this regard are carried out in the PRC.
- Branded food products and others: this segment processes and sells food products. Currently the Group's activities in this regard are carried out in the PRC.



(a) **Segment results, assets and liabilities**

Information regarding the Group's reportable segments as provided to the Group's most senior executive management for the purposes of resources allocation and assessment of segment performance for the years ended 30 April 2021 and 2020 is set out below:

Segment assets include all current and non-current assets with the exception of investments in financial assets and other corporate assets. Segment liabilities include trade and other payables attributable to the sales activities of the individual segments and borrowings managed directly by the segments.

Revenue and expenses are allocated to the reportable segments with reference to sales generated by those segments and the expenses incurred by those segments or which otherwise arise from the depreciation or amortisation of assets attributable to those segments.

The measure used for reporting segment loss is "adjusted operating loss". To arrive at "adjusted operating loss", the Group's loss is adjusted for items not specifically attributable to individual segments, such as directors' and auditors' remuneration and other head office or corporate administration costs. Taxation charge is not allocated to reportable segment loss. Inter-segment sales are priced with reference to prices charged to external parties for similar orders.

	Fresh produce and processed products		Branded food products and others		Total	
	2021 RMB'000	2020 RMB'000	2021 RMB'000	2020 RMB'000	2021 RMB'000	2020 RMB'000
Revenue from external customers	342,844	412,849	149,139	36,593	491,983	449,442
Inter-segment revenue	3,134	10,161	-	-	3,134	10,161
Reportable segment revenue	<u>345,978</u>	<u>423,010</u>	<u>149,139</u>	<u>36,593</u>	<u>495,117</u>	<u>459,603</u>
Reportable segment loss	<u>(445,838)</u>	<u>(633,045)</u>	<u>(25,377)</u>	<u>(23,248)</u>	<u>(471,215)</u>	<u>(656,293)</u>
Interest income	345	855	10	7	355	862
Depreciation and amortisation	109,059	126,113	795	603	109,854	126,716
Gain arising from changes in fair value less costs to sell of biological assets	9,668	8,225	-	-	9,668	8,225
Finance costs	49,591	45,238	898	-	50,489	45,238
Impairment loss on property, plant and equipment	113,030	166,552	48	-	113,078	166,552
Impairment loss on right-of-use assets	270,405	379,496	19,784	-	290,189	379,496
Loss/(gain) on disposal of property, plant and equipment	546	(60)	1	-	547	(60)
Share of loss of investment in a joint venture	115	133	-	-	115	133
(Provision)/reversal of impairment losses under expected credit loss model, net	1	59	(6)	29	(5)	88
Reportable segment assets	<u>737,349</u>	<u>1,200,763</u>	<u>97,035</u>	<u>5,421</u>	<u>834,384</u>	<u>1,206,184</u>
Capital expenditure (Note)	2,396	379	2	179	2,398	558
Reportable segment liabilities	<u>586,568</u>	<u>533,048</u>	<u>24,081</u>	<u>1,394</u>	<u>610,649</u>	<u>534,442</u>

Note: Capital expenditure consists of additions to property, plant and equipment during the year.

(b) **Reconciliation of reportable segment revenue, profit or loss, assets and liabilities and other items**

	2021 <i>RMB'000</i>	2020 <i>RMB'000</i>
<b>Revenue</b>		
Reportable segment revenue	495,117	459,603
Elimination of inter-segment revenue	<u>(3,134)</u>	<u>(10,161)</u>
Consolidated revenue	<u><u>491,983</u></u>	<u><u>449,442</u></u>
<b>Profit or loss</b>		
Reportable segment loss derived from		
Group's external customers	(471,215)	(656,293)
Finance costs	(30,661)	(34,453)
Finance income	81	118
Other revenue and gain	56	–
Impairment of property, plant and equipment	(571)	–
Reversal of impairment losses under expected credit loss model, net	–	7
Unallocated depreciation and amortization	(5,537)	(12,842)
Unallocated head office and corporate expenses	<u>(77,806)</u>	<u>(142,935)</u>
Consolidated loss before taxation	<u><u>(585,653)</u></u>	<u><u>(846,398)</u></u>
<b>Assets</b>		
Reportable segment assets	834,384	1,206,184
<b>Unallocated head office and corporate assets:</b>		
– Fixed assets	88,835	139,849
– Pledge bank deposits	6,923	6,750
– Cash and cash equivalents	545	31,233
– Other assets	<u>46,424</u>	<u>14,862</u>
Consolidated total assets	<u><u>977,111</u></u>	<u><u>1,398,878</u></u>
<b>Liabilities</b>		
Reportable segment liabilities	610,649	534,442
Deferred tax liabilities	69,081	69,081
Bank borrowings	220,615	165,000
Unallocated head office and corporate liabilities	<u>267,859</u>	<u>265,616</u>
Consolidated total liabilities	<u><u>1,168,204</u></u>	<u><u>1,034,139</u></u>

(c) **Geographical information**

During the years ended 30 April 2021 and 2020, the Group mainly operated in the PRC and all of the Group's revenue was derived from the PRC, most of the non-current assets of the Group were located in the PRC as at 30 April 2021 and 2020.

No analysis of the Group's result and assets by geographical area is disclosed.

(d) **Information about major customers**

During the years end 30 April 2021 and 2020, none of the individual customer accounted for 10% or more of the Group's external revenue.

**4. REVENUE**

During the years ended 30 April 2021 and 2020, the Group was principally engaged in the growing, processing and sales of agricultural products, production and sales of consumer food products.

Revenue represents sales value of agricultural products and consumer food products supplied to customers, which is net of value-added tax and other sales taxes, less returns and discounts. The amount of each significant category of revenue recognised in turnover during the year is as follow:

	2021 <i>RMB'000</i>	2020 <i>RMB'000</i>
<b>Disaggregation of revenue from contract with customers</b>		
<i>At a point in time</i>		
Fresh produce and processed products	342,844	412,849
Branded food products and others	149,139	36,593
	<u>491,983</u>	<u>449,442</u>

All revenue are for the periods of one year or less. As permitted under HKFRS 15, the transaction price allocated to these unsatisfied contracts is not disclosed. Revenue recognition are disclosed in significant accounting policies to the consolidated financial statements.

**5. OTHER REVENUE AND OTHER LOSSES, NET**

(a) **Other revenue**

	2021 <i>RMB'000</i>	2020 <i>RMB'000</i>
Interest income	436	980
Sundry income	944	260
	<u>1,380</u>	<u>1,240</u>

(b) **Other losses, net**

	2021 <i>RMB'000</i>	2020 <i>RMB'000</i>
Loss on disposal of a subsidiary	–	(502)
(Provision)/reversal of impairment losses under expected credit loss model, net	<u>(5)</u>	<u>95</u>
	<u><u>(5)</u></u>	<u><u>(407)</u></u>

6. **LOSS BEFORE TAXATION**

Loss before taxation is arrived at after (crediting)/charging the following:

	2021 <i>RMB'000</i>	2020 <i>RMB'000</i>
<b>(a) Finance costs</b>		
Interest on borrowings wholly repayable within five years		
– interest on convertible notes	19,887	19,081
– interest on bank borrowings	11,672	15,372
Interest on lease liabilities	<u>49,591</u>	<u>45,238</u>
	<u><u>81,150</u></u>	<u><u>79,691</u></u>
<b>(b) Staff costs</b>		
Employee benefits expenses (including Directors' emoluments):		
Salaries, wages and other benefits	23,691	26,728
Contributions to defined contribution retirement plans	<u>821</u>	<u>1,304</u>
	<u><u>24,512</u></u>	<u><u>28,032</u></u>
<b>(c) Other items</b>		
Depreciation of property, plant and equipment	75,752	89,912
Depreciation of right-of-use assets	39,639	49,646
Expenses relating to short-term leases	69	539
Auditors' remuneration		
– audit services	1,394	1,431
– non-audit services	–	9
Cost of inventories sold	432,321	407,163
Loss/(gain) on disposal of property, plant and equipment	559	(60)
Gain on disposal of right-of-use assets ( <i>Note</i> )	<u>929</u>	<u>–</u>

*Note:*

The gain on disposal of right-of-use assets were arised from the resumption of the land use right of state-owned land by The People's Government of Huian County together with the plant and fixtures constructed thereon for consideration of RMB18,179,000.

## 7. INCOME TAX

	2021 <i>RMB'000</i>	2020 <i>RMB'000</i>
<b>Current tax – Enterprise income tax in the PRC</b>		
– Provision for the year	–	–
<b>Deferred tax</b>		
Origination and reversal of temporary differences	–	–
	<hr/>	<hr/>
Total income tax expenses recognised in profit or loss	–	–
	<hr/> <hr/>	<hr/> <hr/>

*Notes:*

### (i) PRC Enterprise Income Tax

The provision for PRC Enterprise Income Tax for the Company's subsidiaries in the PRC is based on PRC Enterprise Income Tax rates of 25% of the taxable income as determined in accordance with the relevant income tax rules and regulations of the PRC for both years.

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

### (ii) Hong Kong Profits Tax

No provision for Hong Kong Profits Tax for the years ended 30 April 2021 and 2020 has been made as the Group has no estimated assessable profits arising in Hong Kong for both years.

### (iii) Other Income Tax

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

## 8. DIVIDENDS

The directors do not recommend the payment of any dividend in respect of the year ended 30 April 2021 (2020: nil).

## 9. LOSS PER SHARE

### (a) Basic loss per share

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

#### (i) Loss attributable to owners of the Company

	2021 <i>RMB'000</i>	2020 <i>RMB'000</i>
Loss attributable to owners of the Company used to determine basic and diluted loss per share	<u>(585,653)</u>	<u>(846,398)</u>

#### (ii) Number of shares

	2021	2020
Weighted average number of ordinary shares for calculation of basic and diluted loss per share	<u>365,158,370</u>	<u>365,158,370</u>

### (b) Diluted loss per share

Diluted loss per share for the years ended 30 April 2021 and 2020 was the same as the basic loss per share.

For the years ended 30 April 2021 and 2020, the computation of diluted loss per share did not assume exercise of outstanding share options during the years ended 30 April 2021 and 2020 since the effect of such exercise was anti-dilutive.

For the years ended 30 April 2020, the computation of diluted loss per share did not assume the conversion of the Company's outstanding convertible notes since the effect of such conversion was anti-dilutive.

## 10. TRADE AND OTHER RECEIVABLES

	2021 <i>RMB'000</i>	2020 <i>RMB'000</i>
Trade receivables	4,943	1,332
Less: allowance for impairment of trade receivables	<u>(25)</u>	<u>(18)</u>
	<u>4,918</u>	<u>1,314</u>
Other receivables ( <i>note</i> )	19,261	1,364
Less: allowance for impairment of other receivables	<u>(266)</u>	<u>(268)</u>
	<u>18,995</u>	<u>1,096</u>
Total trade and other receivables	23,913	2,410
Rental and other deposits	75	85
Prepayments		
– to suppliers	139,505	130,318
– to others	42,900	61,016
Value added tax recoverable	<u>10,305</u>	<u>14,400</u>
	<u><u>216,698</u></u>	<u><u>208,229</u></u>

*Note:*

As at 30 April 2021, the amount include the right-of-use asset disposal receivable of approximately RMB18,179,000 (2020: nil).

Before accepting any new customers, the Group assesses the potential customer's credit quality and defines credit limits by customers. There were five customers who represent more than 5% of the total balance of trade receivables for the year 2021 (2020: Five).

Trade receivables with the following ageing analysis as of the end of the reporting period, net of allowance:

	2021 <i>RMB'000</i>	2020 <i>RMB'000</i>
Within 1 month	1,108	78
Over 1 month but within 3 months	313	33
Over 3 months but within 6 months	1,198	1,203
Over 6 months	<u>2,299</u>	<u>–</u>
	<u><u>4,918</u></u>	<u><u>1,314</u></u>

Trade receivables are normally due within 30 days (2020: 30 days) from the date of billing. The ageing analysis of trade receivables presented based on the invoices date at the report date.

## 11. TRADE AND OTHER PAYABLES

	2021 <i>RMB'000</i>	2020 <i>RMB'000</i>
Trade payables	4,744	1,606
Accrued salaries and wages	1,178	1,456
Other accruals and payables ( <i>note a</i> )	98,288	80,973
Convertible Note 2019 ( <i>note b</i> )	<u>158,288</u>	<u>173,167</u>
Financial liabilities measured at amortisation cost	262,498	257,202
Other taxes payable	<u>256</u>	<u>190</u>
	<u><u>262,754</u></u>	<u><u>257,392</u></u>

*Note:*

- (a) As at 30 April 2021, other accruals and payables included payables related to the disposal of beverage business operations and default interest for convertible notes of approximately RMB36,317,000 and RMB32,291,000 (2020: RMB40,955,000 and RMB14,546,000) respectively.
- (b) The convertible note with principal amount of HK\$190,000,000 (equivalent to approximately RMB158,288,000) (2020: equivalent to approximately RMB173,167,000) was matured on 22 August 2019 and reclassified as other payable and bear the default interest rate of 12.0% per annum.

Included in trade and other payables are trade payables with the following ageing analysis presented based on the invoice date as of the end of the reporting period:

	2021 <i>RMB'000</i>	2020 <i>RMB'000</i>
Within 1 month	2,595	11
Over 1 month but within 3 months	1,595	268
Over 3 months but within 6 months	501	77
Over 6 months but within 1 year	<u>53</u>	<u>1,250</u>
	<u><u>4,744</u></u>	<u><u>1,606</u></u>

The average credit period on purchase of goods is 30 days.



## **EXTRACTS OF THE INDEPENDENT AUDITOR'S REPORT**

The section below sets out an extract of the report by HLB Hodgson Impey Cheng Limited, the auditor of the Company, regarding the consolidated financial statements of the Group for FY2020/21:

We do not express an opinion on the consolidated financial statements of the Group. Because of the significance of the matters described in the Basis for Disclaimer of Opinion section of our report, we have not been able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion on these consolidated financial statements and as to whether the consolidated financial statements have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

### **BASIS FOR DISCLAIMER OF OPINION**

#### **Scope limitation on financial assets at fair value through other comprehensive income**

As disclosed in the Note 19 to the consolidated financial statements, the Group's investment in financial assets at fair value through other comprehensive income is carried at approximately RMB2,669,000 and RMB2,921,000 as at 30 April 2021 and 2020 respectively. We were unable to obtain sufficient appropriate audit evidence about the carrying amount of the investment as at 30 April 2021 and 2020 because no valuation of the investment as at 30 April 2021 and 2020 was performed by management or independent professional valuer engaged by the management and management was unable to provide us with the financial results and other relevant financial information in respect of the investee company.

We were unable to satisfy ourselves about the carrying amount of the Group's investment in the financial assets at fair value through other comprehensive income as at 30 April 2021 and 2020 and the fair value change to be recognised in other comprehensive income of the Group for the years then ended. Consequently, we were unable to determine whether any adjustments to these recorded amounts were necessary. Any adjustments found to be necessary may have a consequential significant impact on the other comprehensive loss of the Group for the years ended 30 April 2021 and 2020, and the Group's net liabilities or assets as at 30 April 2021 and 2020 and the related elements presented or disclosed in the consolidated financial statements.

### **Multiple uncertainties relating to the going concern basis**

As explained in Note 2 to the consolidated financial statements, the Group incurred a net loss of approximately RMB585,653,000 for the year ended 30 April 2021, and, as of that date, the Group's current liabilities exceeded its current assets by approximately RMB256,588,000 and the Group's total liabilities exceeded its total assets by RMB191,093,000. The Group's convertible notes with principal amount of HK\$190,000,000 (equivalent to approximately RMB158,288,000) matured on 22 August 2019 and together with the overdue interest payment of RMB32,291,000 (equivalent to HK\$38,760,000) was not repaid as at 30 April 2021 and at the date of this report. The Group's bank borrowings of RMB239,000,000 outstanding as at 30 April 2021 will fall due in June 2021 and September 2021. The directors are undertaking certain measures to improve the Group's liquidity and financial position, which are set out in Note 2 to the consolidated financial statements. The consolidated financial statements have been prepared on a going concern basis, the validity of which is dependent on the eventual successful outcomes of these measures, which are subject to multiple uncertainties, including (i) whether Mr. Sun Shao Feng, the chairman, chief executive officer and executive director of the Company, is able to provide financial support to the Group to enable the Group to continue to operate as a going concern in the foreseeable future and to settle the Group's liabilities as and when they fall due; (ii) whether the Group is able to successfully negotiate with the holder of its outstanding convertible notes to restructure and/or refinance the obligation, including extending the repayment dates for the overdue principals and interests; (iii) whether the Group is able to secure necessary credit facilities to enable the Group to meet its working capital and liquidity requirements in the foreseeable future; (iv) whether the Group is able to obtain renewals of its existing bank borrowings when they fall due for repayment; (v) whether the Company is able to successfully undertake alternative capital raising transactions to strengthen the capital base of the Group; and (vi) whether the Group is able to implement its cost control measures to attain positive cash flows from operations.

The factors referred to the above, along with other matters as described in Note 2 to the consolidated financial statements, indicate the existence of multiple uncertainties that may cast significant doubt on the Group's ability to continue as a going concern. We have not been able to obtain sufficient appropriate audit evidence to satisfy ourselves about the appropriateness of the use of the going concern basis of accounting in the preparation of the consolidated financial statements because of the lack of detailed analyses provided by management in relation to its plans and measures for future actions in its going concern assessment which take into account the uncertainty of outcome of these plans and measures and how variability in outcome would affect the future cash flows of the Group. Should the Group be unable to continue to operate as a going concern, adjustments would have to be made to write down the carrying value of assets to their recoverable amounts, to provide for further liabilities which might arise and to reclassify non-current assets and non-current liabilities as current assets and current liabilities respectively. The effects of these adjustments have not been reflected in these consolidated financial statements and we were unable to determine whether such adjustment were necessary.

## MANAGEMENT DISCUSSION AND ANALYSIS

### RESULTS OVERVIEW

For the year ended 30 April 2021, the Group continued the operation of two business segments, namely (i) fresh produce and processed products and (ii) branded food products and others. The breakdown of their revenue was as follows:

	For the year ended 30 April	
	2021	2020
	<i>RMB'000</i>	<i>RMB'000</i>
– Fresh produce and processed products	<b>342,844</b>	412,849
– Branded food products and others	<b>149,139</b>	36,593
Total	<b><u>491,983</u></b>	<b><u>449,442</u></b>

#### Fresh produce and processed products

Fresh produce and processed products primarily consisted of fresh vegetables such as sweet corns, lotus roots, radish, cucumbers, watermelons, chili, broad beans and tomatoes, multi-grains such as red beans, green beans and peanuts, frozen fruits and vegetables such as frozen water chestnuts, frozen taro, and rice flour. During FY2020/21, revenue from this segment amounted to approximately RMB342,844,000 (FY2019/20: approximately RMB412,849,000), which decreased by 16.96% compared with that of the last year. The decrease was mainly due to the change in classification criteria applied for the two business segments during the year as compared to that of the previous financial year.

#### Multi-Grain Farmland – Baicheng City

As a major cultivation and production base of the Group, the cultivation area of farmland in Baicheng City slightly increased as compared to the area as at 30 April 2020. At the same time, the Group will pay more attention to soil quality and water control to reduce the impact of extreme weather and maintain the production capacity. The Group will also closely monitor market demand and adjust production structure on a timely basis.

### **Branded food products and others**

Branded food products and others mainly include rice sold under the Group's own brand, as well as the Group's "Garden Life" (田園生活) brand and "China Green Imperial Delicacy" (中綠御膳良品) brand. During FY2020/21, revenue from this segment was approximately RMB149,139,000 (FY2019/20: approximately RMB36,593,000), which increased by 307.56% compared with that of the last year, which was mainly due to the change in classification criteria applied for the two business segments during the year as compared to that of the previous financial year. Among all categories of branded food products and other products, soy beans, frozen sweet corn kernels and crescent rice are top 3 best sellers, which sales figure was approximately RMB104,425,000, RMB3,729,000 and RMB3,608,000 respectively, accounting for approximately 74.94% of the total revenue from the Group's business segment of branded food products and others business in aggregate.

### **Gross profit and gross profit margin**

During FY2020/21, the Group recorded a gross profit and gross profit margin of approximately RMB59,662,000 and 12.13% (FY2019/20: gross profit and gross profit margin of approximately RMB42,279,000 and 9.4%). The increase in both gross profit and gross profit margin was mainly attributable to (a) the increase in revenue as driven by the increase in sales price and volume of the Group's fresh produce and processed products business segment, as well as the lowered production costs resulting from certain expenses became fully amortised; and (b) the stabilisation of the pandemic prevention and control situation in the People's Republic of China ("PRC") since the second half of 2020 and the gradual recovery of the consumer atmosphere, which led to the increase in revenue generated from the Group's branded food products and others business segment.

### **Other revenue**

Other revenue increased from approximately RMB1,240,000 in FY2019/20 to approximately RMB1,380,000 in FY2020/21, which was mainly attributable to the increase in other operating revenue of approximately RMB684,000.

### **Other losses**

During FY2020/21, the Group recorded a net loss of other losses of approximately RMB5,000 (FY2019/20: approximately RMB407,000). The decrease in net loss was mainly attributable to the absent of loss on disposal of a subsidiary in FY2020/21.

### **Gain arising from changes in fair value less costs to sell of biological assets**

There was a gain arising from changes in fair value less costs to sell of biological assets of approximately RMB9,668,000 as compared with a gain of approximately RMB8,225,000 in FY2019/20. Such gain is mainly attributable to (a) the increase of market price of certain biological assets such as peanuts and lotus roots as at 30 April 2021; and (b) the decrease in production costs with certain expenses that were included therein had been fully amortised.

### **Impairment loss on property, plant and equipment**

During FY2020/21, the Group recognised impairment loss on property, plant and equipment of approximately RMB113,649,000 (FY2019/20: approximately RMB166,552,000).

The decrease in impairment loss on property, plant and equipment was mainly due to (a) certain equipment had been fully depreciated or determined as obsolete during FY2019/20; and (b) maintenance of the related property, plant and equipment during FY2019/20 to extend their useful life and performance.

### **Impairment loss on right-of-use assets**

The impairment loss in respect of long term prepaid rentals was approximately RMB290,189,000 (FY2019/20: approximately RMB379,496,000).

The decrease in impairment loss was mainly due to (a) certain right-of-use assets became fully amortised during the financial year; and (b) the stabilisation of the pandemic prevention and control situation in the PRC since the second half of 2020 and the gradual recovery of the consumer atmosphere, coupled with the enhancement in the quality of the Group's fresh produce and the related product structure adjustment during the financial year, which led to the increase in both the sales price and volume of the Group's products, resulting in an increase in the estimated future cash flows from the long-term leased farmlands. As a result, the impairment loss on right-of-use assets decreased as compared to that as at FY2019/20.

The above-mentioned losses are non-cash in nature and have no significant impact on the Group's cash flows for FY2020/21 accordingly.

### **Operating expenses**

Total operating expenses decreased to approximately RMB171,255,000 (FY2019/20: approximately RMB271,863,000). Selling and distribution expenses amounted to approximately RMB18,919,000 (FY2019/20: approximately RMB42,035,000), representing a decrease of approximately 54.99%. This was due to the decrease in advertising and promotion costs of the branded food products and others business in FY2020/21. General and administrative expenses amounted to approximately RMB152,336,000 (FY2019/20: approximately RMB229,828,000), representing a decrease of approximately 33.72%, mainly due to (a) in view of the timeliness of research and development, a decrease in the product research and development expenses incurred in the current financial year as compared to FY2019/20 as the investments in product research and development during the financial year is currently in the research and development stage; and (b) enhancement in corporate governance, streamlining headcount and rationalising the Group's various expenses, while focusing on the principal businesses and continuously refining products and services.

### **Loss attributable to owners of the Company**

During FY2020/21, loss attributable to owners of the Company was approximately RMB585,653,000 (FY2019/20: approximately RMB846,398,000). The decrease was mainly due to (a) lower operating expenses; and (b) lower impairment losses recognised in respect of property, plant and equipment and right-of-use assets as explained in the above paragraphs.

### **OUTLOOK AND PROSPECTS**

Despite the short-term impact of the COVID-19 pandemic on the relevant industries, the long-term development trend of the consumer market remains promising. The consumer sentiment in China gradually recovered in the second and third quarters of 2020 as the situation of the outbreak in China has stabilised. To mitigate the negative pandemic impact on the Group's sales, the Group strengthened its new retail channel layout and promotion initiatives in the second half of 2020. These measures had boosted the Group's sales performance during this difficult year.

In the face of the challenges and opportunities ahead, we will continue to uphold the Group's development philosophy and implement its plans and strategies for the new development landscape, stay true to our original vision, focus on our principal business, continuously refine our products and services and prepare for the future. With a thorough understanding of the changing market trends and consumer needs, the Group will focus on fulfilling the consumers' pursuit of quality, healthy and nutritious food products, and seize the opportunities for innovative development in the sectors of household consumption and new consumption in a timely manner.

The Group will continue to strive to enhance its corporate governance, leverage its strengths in the industrial chain and experience in brand operation, optimise its structural adjustments and create products that embody its core competitive advantages. We will fully capitalise the opportunities presented by the national policies to enhance our development to meet the changes in consumer habits and consumption patterns and consolidate and improve our competitiveness. We will also actively expand new channels to provide consumers with high quality products.

### **UNCERTAINTIES RELATING TO GOING CONCERN**

For the year ended 30 April 2021, the Group incurred a loss of approximately RMB585,653,000 (2020: approximately RMB846,398,000) and a net cash inflow from operating activities of approximately RMB35,980,000 (2020: cash outflow of approximately RMB180,010,000). As at 30 April 2021, the Group had net current liabilities of approximately RMB256,588,000 (2020: approximately RMB220,210,000) and net liabilities of approximately RMB191,093,000 (2020: net assets of approximately RMB364,739,000). In addition, the Group's convertible notes with principal amount of HK\$190,000,000 (equivalent to approximately RMB158,288,000) was matured on 22 August 2019 and together with the accrued interests of HK\$38,760,000 (equivalent to approximately RMB32,291,000) was not paid as at 30 April 2021 and as at the date of approval for issuance of these consolidated financial statements. As at 30 April 2021, the Group's bank borrowings of RMB239,000,000 will be due for repayment in June 2021 and September 2021.

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

In view of such circumstances, the Directors have given careful consideration to the future liquidity and performance of the Group and its available sources of financing in assessing whether the Group will be able to repay its liabilities, including the outstanding convertible notes and bank borrowings, and be able to finance its future working capital and liquidity requirements.

Certain measures have been and will be taken to manage the liquidity needs of the Group and to improve its financial position which include, but are not limited to, the following:

1. Mr. Sun Shao Feng, the chairman, chief executive officer and executive Director, has provided a written confirmation that he is willing to continue to provide financial support to the Group to enable the Group to continue as a going concern;
2. As at the date of approval of these consolidated financial statements, the Group is actively exploring, formulating and negotiating feasible debt restructuring plans with the convertible notes holder's representatives;
3. The Group will contact its current bank lenders for bank borrowings renewal;
4. The Group will seek to obtain any possible financing;
5. The Group will successfully undertake alternative capital raising transaction to strengthen the capital base of the Group; and
6. The Group will implement operation plans to control costs and generate adequate cash flows from the Group's operations.

Having considered the above and with review to a cash flow forecast of the Group, the Directors are of the opinion that it is appropriate to prepare the consolidated financial statements of the Group for the year ended 30 April 2021 on a going concern basis.

The audit committee of the Company (the "**Audit Committee**") has reviewed and agreed with the management's position and is of the view that the Board should continue its efforts in implementing necessary measures for enhancing the Group's liquidity position.

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

## LITIGATION

### *HCA 2922/2017*

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

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

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

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

On 12 March 2020, the Plaintiffs filed their reply to the Company’s Amended Defence and further filed their Re-Re-Amended Statement of Claim on 6 July 2020.

On 2 March 2021, the Plaintiffs filed their Re-Re-Re-Amended Statement of Claim. The Company has sought legal advice and will defend the claims vigorously.

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

### *HCMP 2773/2017*

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

There has not been any further steps taken in these proceedings since September 2020.



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

The Company understanding that at the hearing HCMP 41/2018 in August 2018, the justice determined in favor of defendants therein in respect of certain issue and adjourned the remainder of the issue to be heard in July 2019. The Company however not aware of the results of the hearing in July 2019 and there has not been any further steps taken in these proceedings since July 2019.

For the details of the abovementioned petition, please refer to the Company’s announcement dated 3 January 2018.

### ***HCA 399/2018***

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

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

For details about the abovementioned action, please refer to the Company’s announcement dated 14 February 2018.

## **EVENTS AFTER THE YEAR**

### **Placing of New Shares under General Mandate**

On 25 June 2021, the Company entered into a placing agreement with Yuet Sheung International Securities Limited (the “**Placing Agent**”) as the placing agent, pursuant to which the Placing Agent agrees, as agent of the Company, to procure on a best effort basis of not less than six placees, who and whose ultimate beneficial owners will be independent third parties of the Company and its connected persons, to subscribe for up to a maximum of 73,031,674 new shares of the Company at par value of HK\$0.2 each (the “**Placing Shares**”) with nominal value of HK\$14,606,334.8 at the placing price of HK\$0.2 per Placing Share (the “**Placing**”). The placing price of HK\$0.2 represents a discount of approximately 6.98% to the closing price of HK\$0.215 per share of the Company as quoted on The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”) on 25 June 2021.

The reason for carrying out the Placing was to strengthen the Group's financial position and widen the Company's shareholder base.

The Placing was completed on 21 July 2021. An aggregate of 73,031,674 Placing Shares were issued and allotted to not less than six places under the general mandate granted to the Directors by a resolution of the shareholders passed at the adjourned annual general meeting of the Company held on 4 December 2020.

The net proceeds amounted to approximately HK\$14.2 million (equivalent to a net price of approximately HK\$0.194 per Placing Share) has not yet been utilized. The Company intends to apply the net proceeds from the Placing as to (i) not more than HK\$10,000,000 for any suitable investment when opportunities arise; and (ii) the remaining net proceeds of the Placing will be used as the general working capital of the Group, which is expected to be utilized by 31 December 2021.

For details of the Placing, please refer to the Company's announcements dated 25 June 2021 and 21 July 2021.

#### **Proposed Issue of 5.5 per cent. coupon bonds due 2024**

On 10 May 2021, the Company as issuer and Forest Resources Management Limited (the "**Underwriter**") as lead underwriter, entered into a framework agreement (the "**Framework Agreement**") pursuant to which the Underwriter agreed to act as lead underwriter of the Company, assist the Company to issue the 5.5% per annum bonds in an aggregate principal amount of up to US\$30,000,000 with maturity date of three years from the date of issue (the "**Bonds**"). The Bonds will constitute direct, unconditional, unsubordinated and unsecured obligations of the Company which will rank equally and without any preference amongst themselves and at all times rank at least pari passu with all other present and future direct, unconditional, unsubordinated and unsecured obligations of the Company, and the subscribers of the Bonds and their ultimate beneficial owners (if applicable) shall be third parties independent of the Company, its connected persons and their respective associates and not connected with the Company and any of the above persons.

On 11 August 2021, the Company and the Underwriter entered into a supplemental agreement to the Framework Agreement, pursuant to which the parties will negotiate and enter into a formal agreement pursuant to which the Underwriter shall, on a best endeavour basis during the period commence from the date of such agreement and up to (and including) 9 October 2021 to procure the subscribers to subscribe for the Bonds.

As at the date of this announcement, no formal agreement in respect of the issue of Bonds has been entered into between the Company and the Underwriter. For details, please refer to the Company's announcements dated 10 May 2021 and 11 August 2021.

### **Entering into the Land and Above-ground Assets Acquisition Agreement**

On 12 August 2021, 中綠(湖北)食品開發有限公司(Zhonglu (Hubei) Food Development Limited\*)(“**Zhonglu Hubei**”), an indirect wholly-owned subsidiary of the Company, Changyang Tujia Autonomous County Land Reserve Center (長陽土家族自治縣土地儲備中心) (the “**Land Reserve Center**”) and The People’s Government of Gaojiayan Town at Changyang Tujia Autonomous County, Yichang City, Hubei Province, the PRC (中國湖北省宜昌市長陽土家族自治縣高家堰鎮人民政府) (“**The Gaojiayan Town People’s Government**”) entered into the Land and Above-ground Assets Acquisition Agreement (土地及地上資產收購合同), pursuant to which, Zhonglu Hubei agreed to dispose and the Land Reserve Center agreed to acquire Zhonglu Hubei’s land use right of a parcel of state-owned land for construction, which is located in Gaojiayan Town, Changyang Tujia Autonomous County, Hubei Province, together with the above-ground assets (the “**Hubei Transaction**”). The relevant land in Hubei and the relevant assets on such land is a parcel of industrial land with area of approximately 9,510.46 square metres and building with area of approximately 3,828.65 square metres respectively. The consideration for the Hubei Transaction is RMB4,800,000.

The Hubei Transaction has been completed on 19 August 2021. For the details of the Hubei Transaction, please refer to the announcement of the Company dated 13 August 2021.

### **Entering into the Resumption Agreement for the Land Use Right of State-Owned Land for Construction**

On 12 August 2021, 中綠(河北)食品開發有限公司(Zhonglu (Hebei) Food Development Limited\*)(“**Zhonglu Hebei**”), an indirect wholly-owned subsidiary of the Company, and The People’s Government of Wanquan County at Zhangjiakou Municipal (張家口市萬全區人民政府) entered into the Resumption Agreement for the Land Use Right of State-owned Land for Construction (the “**Resumption Agreement for the Land Use Right of State-Owned Land for Construction**”), pursuant to which, The People’s Government of Wanquan County at Zhangjiakou Municipal will resume the land use right of a parcel of state-owned land for construction located in the West of Aimin Road, Wanquan County, Zhangjiakou Municipal, Hebei Province, the PRC (中國河北省張家口市萬全區城區愛民路西) together with the plant and fixtures constructed thereon from Zhonglu Hebei (the “**Hebei Transaction**”). The relevant land in Hebei is a parcel of industrial land with total area of 19,740.84 square metres. The compensation payable to Zhonglu Hebei for the resumption of the relevant land in Hebei is RMB14,097,374.64. The aforesaid compensation is the compensation for the plant and fixtures erected thereon contemplated under the Resumption Agreement for the Land Use Right of State-Owned Land for Construction and the costs of dismount, transportation and installation of the equipment involved, and no compensation for the land use right of the state-owned land for construction.

As at the date of this announcement, the Hebei Transaction has not yet completed. For the details of the Hebei Transaction, please refer to the announcement of the Company dated 13 August 2021.

## **Disposal of Financial Assets**

On 13 August 2021, the Company entered into an equity transfer agreement (the “**Equity Transfer Agreement**”) with a company limited by shares incorporated in Hong Kong (the “**Purchaser**”) in respect of the disposal of the Company’s investment in financial asset (the “**Financial Asset**”), being 4.49% equity interest in a Hong Kong unlisted company, at the consideration of HK\$100,000 (the “**Disposal of Financial Asset**”).

Pursuant to the Equity Transfer Agreement, the Company shall transfer the Financial Asset to the Purchaser upon signing of the Equity Transfer Agreement and the Purchaser shall entitle to all rights and benefits of the Financial Asset absolutely, including legal title, distribution of profits and disposition of such Financial Asset; and the consideration shall be paid in cash by the Purchaser to the Company within 2 business days after the signing of the Equity Transfer Agreement.

The Disposal of Financial Asset had been completed on 13 August 2021 and necessary equity transfer procedure has been fulfilled and the consideration has been received by the Company. For details, please refer to the Company’s announcement dated 13 August 2021.

Upon completion of the Disposal of Financial Asset, the matter leading to the audit disclaimer opinion on the scope limitation on financial assets at fair value through other comprehensive income has been resolved and addressed. After discussed with HLB Hodgson Impey Cheng Limited, the auditor of the Company, the Board expected that such audit disclaimer opinion related to financial assets at fair value through other comprehensive income will not have continuous effect in the financial statements of the Group as at 30 April 2022.

## **GROUP’S LIQUIDITY AND FINANCIAL RESOURCES**

As at 30 April 2021, the Group’s total cash and cash equivalents amounted to approximately RMB147,147,000 (30 April 2020: approximately RMB44,690,000) whilst the total assets and net liabilities were approximately RMB977,111,000 (30 April 2020: approximately RMB1,398,878,000) and RMB191,093,000 (30 April 2020: net assets of approximately RMB364,739,000) respectively. The Group had current assets of approximately RMB391,807,000 (30 April 2020: approximately RMB278,543,000) and current liabilities of approximately RMB648,395,000 (30 April 2020: approximately RMB498,753,000). The current ratio was 0.60 times (30 April 2020: 0.56 times). The Group’s bank borrowings amounted to approximately RMB239,000,000 (30 April 2020: approximately RMB165,000,000), of which secured bank borrowings were approximately RMB239,000,000 (30 April 2020: approximately RMB165,000,000). The Restated Convertible Notes (as defined below) amounted to HK\$190,000,000 (equivalent to approximately RMB158,288,000) (30 April 2020: approximately RMB173,167,000). The gearing ratio of the Group, defined as the total borrowings and convertible notes to the shareholders’ equity, was not applicable as at 30 April 2021 and the gearing ratio as at 30 April 2020 amounted to 95.3%.

## **CAPITAL STRUCTURE AND FUND-RAISING ACTIVITIES**

There was no change to the Company's capital structure during the year ended 30 April 2021. As at 30 April 2021, the authorised share capital of the Company was HK\$1,000,000,000 divided into 5,000,000,000 shares of the Company with par value of HK\$0.20 each and the issued share capital was HK\$73,031,674 divided into 365,158,370 shares.

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

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

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

Pursuant to the terms and conditions of the Restated Convertible Notes, the Restated Convertible Notes are subject to redemption by the Company on 22 August 2019, being the date falling on the third anniversary of the date of the issue of the Convertible Notes. As at the date of approval of the consolidated financial statements of the Group for the year ended 30 April 2021, the Company is in discussion with the Noteholder through intermediaries to work out a repayment plan. As such, pursuant to the respective terms and conditions of the Restated Convertible Notes, the foregoing constitutes a potential event of default under the Restated Convertible Notes and default interest will accrue on the outstanding amount to the Noteholder.

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

## **CAPITAL COMMITMENTS AND CONTINGENT LIABILITIES**

As at 30 April 2021, the Group did not have contractual capital commitments (30 April 2020: Nil).

As at 30 April 2021, the Group had not provided any form of guarantee for any companies outside the Group and no provision for contingent liabilities (30 April 2020: Nil) had been made by the Group due to the involvement in litigation.

## **PLEDGE ON GROUP'S ASSETS**

As at 30 April 2021, certain property, plant and equipment and interests in leasehold land held for own use under operating leases with book value amounting to approximately RMB76,200,000 (30 April 2020: approximately RMB80,353,000) had been pledged to secure the Group's bank loans for the purpose of working capital, and bank deposits amounting to approximately RMB7,500,000 (30 April 2020: approximately RMB6,750,000) had been pledged to secure the Group's bank loans and bank facilities.

Following the redemption of the United States dollars ("US\$") settled 7.00% secured convertible bonds due 2016 and the US\$ settled 10.00% secured convertible bonds due 2016 in full at their outstanding principal amount plus accrued and default interest payable and accrued to the redemption date on 18 August 2016, the Company has instructed the trustee to proceed with the relevant procedures for the release of the related shares charge, which have not yet been completed as at 30 April 2021 and as at the date of approval of the consolidated financial statements of the Group for the year ended 30 April 2021.

## **FINANCIAL RISK MANAGEMENT**

The Group did not have any outstanding foreign exchange contracts, interest or currency swaps or other financial derivatives as at 30 April 2021. The revenue, operating costs and bank deposits of the Group are mainly denominated in RMB and HK\$. As such, the Group is not exposed to any material foreign currency exchange risk.

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

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

## **SIGNIFICANT INVESTMENTS HELD AND MATERIAL ACQUISITIONS AND DISPOSALS**

The Group did not have any material acquisition and disposal of subsidiaries, associates and joint ventures during the year ended 30 April 2021 and did not have any significant investment held as at 30 April 2021.

## **STAFF, TRAINING AND REMUNERATION POLICIES**

As at 30 April 2021, the Group had a total of 284 employees, of which 146 were workers at the Group's cultivation bases. The aggregate employee compensation and Directors' remuneration for the year ended 30 April 2021 was approximately RMB24,512,000 (for the year ended 30 April 2020: approximately RMB28,032,000).

Employees are paid competitively, taking into account individual performance, experience, and their respective roles and positions. Other benefits offered by the Group included statutory provident funds, year-end bonuses, and share options to be granted to selected employees on the basis of their individual performance. In addition, the Group provides different training courses to its employees. Such trainings are either provided internally or by external parties which include personal quality and business skills training, sales training, and extra-curriculum training sessions.

#### **FINAL DIVIDEND**

The Board does not recommend the payment of a final dividend for the year ended 30 April 2021 (2020: Nil).

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

Neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities during the year ended 30 April 2021.

#### **MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS**

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 code of conduct regarding Directors' securities transactions. Having made specific enquiry of all Directors, the Directors confirmed that they have complied with the required standards as set out in the Model Code during the year ended 30 April 2021.

#### **CORPORATE GOVERNANCE PRACTICES**

The corporate governance principles of the Company emphasize a quality board, sound internal controls, transparency and accountability to all shareholders of the Company.

The Company has adopted the code provisions set out in the Corporate Governance Code (the "**CG Code**") contained in Appendix 14 to the Listing Rules as its own code of corporate governance. During the year ended 30 April 2021, the Company was in compliance with all relevant code provisions set out in the CG Code except for the deviations as explained below.

Code provision A.1.8 of the CG Code provides that appropriate insurance cover in respect of legal action against directors should be arranged. Currently, the Company does not have insurance cover for legal action against the Directors. The Board believes that with the current risk management and internal control systems and the close supervision of the management, the Directors' risk of being sued or getting involved in litigation in the capacity as Directors is relatively low. Benefits to be derived from taking out insurance may not outweigh the cost. Despite it, every Director is, subject to the provisions of the applicable laws, indemnified out of the assets of the Company against all costs, charges, expenses, losses and liabilities he/she may sustain or incur in or about the execution of his/her office or otherwise in relation thereto pursuant to the bye-laws of the Company. In view of the above, the Board considers that the Directors' exposure to risk is manageable.

Code provision A.2.1 of the CG Code provides that the responsibilities between the chairman and chief executive officer should be divided. Mr. Sun Shao Feng, the chairman of the Company (the “**Chairman**”), currently performs the chief executive officer (the “**CEO**”) role. The Board believes that vesting the roles of both Chairman and CEO in the same person has the benefit of ensuring consistent leadership within the Group and enables more effective and efficient overall strategic planning for the Group. The Board further believes that the balance of power and authority for the present arrangement will not be impaired and is adequately ensured by the current Board which comprises experienced and high caliber individuals with sufficient number thereof being independent non-executive Directors.

Code provision C.1.2 of the CG Code provides that management should provide all members of the board with monthly updates giving a balanced and understandable assessment of the issuer’s performance, position and prospects in sufficient detail to enable the board as a whole and each director to discharge their duties under Rule 3.08 and Chapter 13 of the Listing Rules. Although the management of the Company did not provide a regular monthly update to the members of the Board, the management keeps providing information and updates to the members of the Board as and when appropriate.

#### **REVIEW OF ANNUAL RESULTS BY AUDIT COMMITTEE**

The Company established the Audit Committee on 12 December 2003 with written terms of reference in compliance with the CG Code, which currently comprises three independent non-executive Directors, namely, Mr. Hu Ji Rong (as committee chairman), Mr. Wei Xiongwen and Mr. Guo Zebin.

The principal duties of the Audit Committee include the review of the Company’s financial reporting system, risk management and internal control systems and financial information of the Group.

The Audit Committee has reviewed the audited consolidated financial statements of the Group for the year ended 30 April 2021, including the accounting principles and practices adopted by the Group, which was of the opinion that such financial information complied with the applicable accounting standards and requirements and the Listing Rules, and adequate disclosures had been made.

#### **APPRECIATION**

The Board would like to thank the shareholders, business partners and customers of the Company for their continued support and trust, and would like to take this golden opportunity to express our heartfelt gratitude towards the management team and staff for the loyalty, efforts and contributions over the past year.



## **RESUMPTION OF TRADING**

At the request of the Company, trading in the shares of the Company on the Stock Exchange was suspended with effect from 9:00 a.m. on 2 August 2021 pending the release of this announcement. The Company has applied to the Stock Exchange for resumption of trading in the shares of the Company with effect from 9:00 a.m. on 16 September 2021.

## **FURTHER DELAY IN DESPATCH OF ANNUAL REPORT**

The Board also announces that the despatch of the annual report will be further delayed in order to allow sufficient time for the Company to prepare and finalize the information for inclusion in the annual report for the year ended 30 April 2021 (“**Annual Report**”) and to arrange for bulk printing. The further delay in the despatch of the Annual Report by the Company constitutes a non-compliance with Rule 13.46(2)(a) of the Listing Rules.

The Company is currently working towards finalising the Annual Report for publication and it is anticipated that the Annual Report will be despatched on or around 6 October 2021.

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

Hong Kong, 15 September 2021

*As at the date of this announcement, the Board comprises three executive Directors, namely Mr. Sun Shao Feng (Chairman and Chief Executive Officer), Mr. Wang Jinhua and Mr. Tong Shun Luen Philip; one non-executive Director, namely Ms. Chen Xiaodan; and three independent non-executive Directors, namely Mr. Wei Xiongwen, Mr. Hu Ji Rong and Mr. Guo Zebin.*

\* *For identification purpose only*