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中國農林低碳控股有限公司

CHINA AGROFORESTRY LOW-CARBON HOLDINGS LIMITED

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 1069)

**SUPPLEMENTAL ANNOUNCEMENT
ON THE ANNUAL REPORT
FOR THE YEAR ENDED 31 DECEMBER 2018**

Reference is made to the annual report of China Agroforestry Low-Carbon Holdings Limited (the “**Company**”, and together with its subsidiaries, the “**Group**”) for the financial year ended 31 December 2018 (the “**2018 Annual Report**”) published on 26 April 2019. Unless otherwise stated, capitalized terms used here in shall bear the same meanings as defined in the 2018 Annual Report.

The Board would like to further supplement the following additional information to the 2018 Annual Report:

1. USE OF PROCEEDS FROM THE RIGHT ISSUE

As disclosed on page 10 of the 2018 Annual Report, the net proceeds from the Rights Issue of (i) approximately HK\$131.9 million were applied for the acquisition of entire equity interest in Today Bridge (which held Wantai Forest through its wholly-owned subsidiaries); and (ii) approximately HK\$134.8 million were applied for the settlement of promissory notes.

The following table sets out the summary of analysis of the use of proceeds of the Rights Issue up to 30 June 2019:

	Proposed use of net proceeds as disclosed in prospectus dated 12 July 2018		Amount of net proceeds used (on the items as disclosed in the prospectus dated 12 July 2018) as at 31 December 2018		Amount of net proceeds used (on the items as disclosed in the prospectus dated 12 July 2018) as at 30 June 2019	
	<i>Approx. amount (HK\$ million)</i>	<i>Approx. %</i>	<i>Approx. amount (HK\$ million)</i>	<i>Approx. %</i>	<i>Approx. amount (HK\$ million)</i>	<i>Approx. %</i>
Research and development, design and construction of light steel villas and assembled mobile houses	50	15.0%	—	—	—	—
Proposed acquisition of forest lands in the PRC	211	63.2%	132	39.5%	132	39.5%
Settlement of promissory notes and corporate bonds	73	21.8%	135	40.4%	143	42.8%
	<u>334</u>	<u>100%</u>	<u>267</u>	<u>79.9%</u>	<u>275</u>	<u>82.3%</u>
Remaining amount of net proceeds	<u>—</u>	<u>—</u>	<u>67 (Note 1)</u>	<u>20.1%</u>	<u>59 (Note 1)</u>	<u>17.7%</u>
Total	<u><u>334</u></u>	<u><u>100%</u></u>	<u><u>334</u></u>	<u><u>100%</u></u>	<u><u>334</u></u>	<u><u>100%</u></u>

Note:

- During the financial year ended 31 December 2018, the amount of approximately HK\$59 million became part of loan receivables of the Group with reference to loan agreements between the Group and Independent Third Parties of which the Group agreed to lend to Independent Third Parties (as borrowers) respective loan amounts, each as secured loan and carry interest rate of 6% per annum and repayable by the respective borrowers by August 2020 (or any other earlier time as early repayment as agreed by the Group and the respective borrowers).

(i) research and development, design and construction of light steel villas and assembled mobile houses

As set out in the prospectus of the Company dated 12 July 2018 (the “**2018 Prospectus**”), the Board intended to apply approximately HK\$50 million of the net proceeds from the Rights Issue research and development, design and construction of light steel villas and assembled mobile houses.

Having reassessed the plans on the said research and development, design and construction of light steel villas and assembled mobile houses by the Board, taking into account the prevailing market and regulatory conditions of the mobile houses business, business opportunities and financial position of the Group at the material time, the Group postponed its proposed research and development project. The Company will make further announcement and update in relation to the said research and development project as and when appropriate.

(ii) Acquisition of forest lands in the PRC

As set out in the 2018 Prospectus, the Company proposed to apply approximately HK\$211 million of the net proceeds from the Rights Issue for acquisition of the forest lands in the PRC.

As disclosed in the announcements of the Company dated 13 August 2018 and 24 August 2018, the transaction of the Company's acquisition of the entire equity interest in Today Bridge Limited (which held Wantai Forest through its wholly-owned subsidiaries) contemplated under the acquisition agreement dated 13 August 2018 was completed on 24 August 2018 at the consideration of HK\$166,000,000. Part of the consideration, being a sum of HK\$131,900,000 has been settled by the Company by cash from the net proceeds of the Rights Issue.

(iii) Settlement of promissory notes and corporate bonds

As set out in the 2018 Prospectus, the Company proposed to apply approximately HK\$73 million from the net proceeds of the Rights Issue to settle certain outstanding promissory notes and corporate bonds earlier before their maturity date to improve the gearing ratio of the Company.

In order to further improve the gearing ratio of the Company, the Group applied additional amount of approximately HK\$70 million from the net proceeds of the Rights Issue to settle certain promissory note as at 30 June 2019.

2. IMPAIRMENT LOSS ON OTHER INTANGIBLE ASSETS OF HK\$34 MILLION

As set out in Note 21 to the consolidated financial statements of the Group for the financial year ended 31 December 2018, the Group recognised other intangible assets amounted to RMB134,000,000 in connection with the acquisition of container houses business during the prior year ended 31 December 2016.

In view that the subsidiaries sustained significant losses arising from business operations, impairment losses on other intangible assets totalled RMB34,327,000 (2017: RMB51,051,000) have been recognised for the current year, which is calculated based on the recoverable amounts of the cash-generating units ("CGU") attributable to the business of the subsidiaries, as determined on value in use basis.

The recoverable amount of the CGU was determined based on a value in use which uses cash flow projections based on financial budgets approved by management of the Group covering a six-year period, and discount rate of 24.75% (2017:28.27%) per annum. The slight decrease in discount rate was due to normal market data fluctuation. Cash flow

projections during the budget period were based on the same expected gross margins throughout the budget period. The cash flow beyond that six-year period have been extrapolated using a steady growth rate of 3% (2017:2.6%) per annum. The slight increase in steady growth rate from 2.6% as at 31 December 2017 to 3% as at 31 December 2018 was due to normal market data fluctuation forecasted by International Monetary Fund. The Directors believed that any reasonably possible change in the key assumptions on which the recoverable amount was based would not cause the carrying amount of the group of units to exceed the aggregate recoverable amount.

Based on the recoverable amount of the CGU, the management considered it appropriate to recognize impairment losses on other intangible assets amounted to RMB34,327,000 (2017:RMB51,051,000).

For further details of the acquisition of container houses business, please refer to the announcements of the Company dated 22 April 2016, 21 June 2016, 15 July 2016 and 9 September 2016 and the circular of the Company dated 27 June 2016 in relation to the acquisition of Shenzhen Heng Fu Delaisi Intelligent Housing Limited* (深圳恆富得萊斯智能房屋有限公司).

The above additional information does not affect other information contained in the 2018 Annual Report and the contents of the 2018 Annual Report remain correct and unchanged.

By order of the Board of
China Agroforestry Low-Carbon Holdings Limited
Fei Phillip
Chairman and Executive Director

Shenzhen, the PRC, 6 September 2019

* *for identification purpose only*

As at the date of this announcement, the executive Directors are, Professor Fei Phillip, Mr. Li Wenjun, Ms. Feng Jiamin, Ms. Lu Wei, Mr. Wang Yue and Mr. Wong Hiu Tung. The independent non-executive Directors are Ms. Tian Guangmei, Mr. Liang Guoxin and Mr. Liu Zhaoxiang.