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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)

### **INTERIM RESULTS FOR THE SIX MONTHS ENDED 31 OCTOBER 2020**

#### **INTERIM RESULTS**

The board (the “**Board**”) of directors (the “**Director(s)**”) of China Green (Holdings) Limited (the “**Company**”, together with its subsidiaries, the “**Group**”) announces the unaudited condensed consolidated results of the Group for the six months ended 31 October 2020 (“**1H 2020/21**” or the “**Review Period**”) with comparative figures for the six months ended 31 October 2019 (“**1H 2019/20**”) as follows:

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

*For the six months ended 31 October 2020*

	<i>Notes</i>	<b>2020</b> <b>RMB'000</b> <b>(Unaudited)</b>	2019 <b>RMB'000</b> <b>(Unaudited)</b>
<b>Turnover</b>	4	<b>370,037</b>	353,776
Cost of sales		<u><b>(337,014)</b></u>	<u>(323,474)</u>
<b>Gross profit</b>		<b>33,023</b>	30,302
Other revenue	5	<b>843</b>	930
Other gains and losses	5	<b>146</b>	71
(Gain)/loss arising from changes in fair value			
less costs to sell of biological assets		<b>5,211</b>	(4,427)
Selling and distribution expenses		<b>(17,219)</b>	(36,203)
General and administrative expenses		<b>(63,494)</b>	(113,319)
Share of loss of a joint venture		<u><b>–</b></u>	<u>(68)</u>

	<i>Notes</i>	<b>2020</b> <b>RMB'000</b> <b>(Unaudited)</b>	2019 <b>RMB'000</b> <b>(Unaudited)</b>
<b>Loss from operations</b>		<b>(41,490)</b>	(122,714)
Finance costs		<u>(14,293)</u>	<u>(42,884)</u>
<b>Loss before taxation</b>	6	<b>(55,783)</b>	(165,598)
Income tax	7	<u>—</u>	<u>—</u>
<b>Loss for the period attributable to owners of the Company</b>		<u><b>(55,783)</b></u>	<u>(165,598)</u>
<b>Other comprehensive (loss) for the period (after tax)</b>			
<i>Item that may be reclassified subsequently to profit or loss:</i>			
Exchange differences on translation of financial statements of overseas subsidiaries		<u>—</u>	<u>(9,278)</u>
		<u>—</u>	<u>(9,278)</u>
<i>Item that will not be reclassified to profit or loss:</i>			
Change in fair value of financial assets at fair value through other comprehensive income		<u>—</u>	<u>(141)</u>
<b>Other comprehensive loss for the period</b>		<u>—</u>	<u>(9,419)</u>
<b>Total comprehensive loss for the period attributable to owners of the Company</b>		<u><b>(55,783)</b></u>	<u>(175,017)</u>
<b>Loss per share attributable to owners of the Company (RMB cents)</b>			
– Basic and diluted	9	<u><b>15.3</b></u>	<u>45.3</u>

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

## CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

*As at 31 October 2020*

		At <b>31 October 2020</b> <i>RMB'000</i> <b>(Unaudited)</b>	At 30 April 2020 <i>RMB'000</i> (Audited)
<b>Non-current assets</b>			
Fixed assets			
– Property, plant and equipment	<i>10</i>	<b>464,067</b>	488,064
Right-of-use assets		<b>594,881</b>	628,797
Investment in an associate	<i>11</i>	–	–
Investment in a joint venture		<b>553</b>	553
Financial assets at fair value through other comprehensive income		<b>2,921</b>	2,921
		<u><b>1,062,422</b></u>	<u>1,120,335</u>
<b>Current assets</b>			
Inventories		<b>8,584</b>	4,134
Biological assets		<b>20,091</b>	14,740
Trade and other receivables	<i>12</i>	<b>226,382</b>	208,229
Pledged bank deposits		<b>7,500</b>	6,750
Cash and cash equivalents		<b>114,308</b>	44,690
		<u><b>376,865</b></u>	<u>278,543</u>

		At 31 October 2020 RMB'000 (Unaudited)	At 30 April 2020 RMB'000 (Audited)
<b>Current liabilities</b>			
Trade and other payables	13	278,584	257,392
Bank borrowings	14	240,000	165,000
Income tax payable		17,804	17,804
Lease liabilities		49,591	49,591
Amount due to a director		7,540	7,540
Amount due to a shareholder		1,426	1,426
Convertible notes		—	—
		<u>594,945</u>	<u>498,753</u>
<b>Net current liabilities</b>		<u>(218,080)</u>	<u>(220,210)</u>
<b>Total assets less current liabilities</b>		<u>844,342</u>	<u>900,125</u>
<b>Non-current liabilities</b>			
Deferred tax liabilities		69,081	69,081
Lease liabilities		466,305	466,305
		<u>535,386</u>	<u>535,386</u>
<b>Net assets</b>		<u><u>308,956</u></u>	<u><u>364,739</u></u>
<b>Capital and reserves</b>			
Share capital	15	62,247	62,247
Reserves		246,709	302,492
<b>Total equity attributable to owners of the Company</b>		<u><u>308,956</u></u>	<u><u>364,739</u></u>

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

# NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

*For the six months ended 31 October 2020*

## 1. GENERAL INFORMATION

The Company was incorporated in Bermuda under the Companies Act 1981 of Bermuda as an exempted company with limited liability and its shares are listed on the Main Board of The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”). The addresses of its registered office and principal place of business are Clarendon House, 2 Church Street, Hamilton, HM11, Bermuda and Suites 1106-08, 11th Floor, The Chinese Bank Building, 61-65 Des Voeux Road Central, Hong Kong, respectively.

The Group is principally engaged in growing, processing and sales of agricultural products, and production and sales of consumer food products.

The condensed consolidated interim financial information is presented in Renminbi (“**RMB**”), unless otherwise stated.

## 2. BASIS OF PREPARATION

The unaudited condensed consolidated financial statements and selected explanatory notes include an explanation of events and transactions that are significant to an understanding of the changes in financial position and performance of the Group since the annual financial statements for the year ended 30 April 2020.

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

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

For the six months ended 31 October 2020, the Group incurred a loss of approximately RMB55,783,000 (six months ended 31 October 2019: approximately RMB165,598,000) and a net cash inflow from operating activities of approximately RMB348,000 (six months ended 31 October 2019: net cash outflow from operating activities of approximately RMB68,640,000). As at 31 October 2020, the Group had net current liabilities of approximately RMB218,080,000 (30 April 2020: net current liabilities of approximately RMB220,210,000).

In addition, the Group’s convertible notes with principal amount of HK\$190,000,000 (equivalent to approximately RMB173,167,000) has been due on 22 August 2019 and constituted an event of default, the Group’s bank borrowings of RMB240,000,000 as at 31 October 2020 will be due during the year ending 30 April 2021.

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

1. Mr. Sun Shao Feng, the chairman, the chief executive officer and executive Director of the Company, is willing to 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 financial statements, the Group is actively exploring, formulating and negotiating feasible debt restructuring plans with convertible notes holder's representatives;
3. The Group will seek to obtain any possible financing; and
4. The Group will implement operation plans to control costs and generate adequate cash flows from the Group's operations.

Having considered the above, the Directors are of the opinion that it is appropriate to prepare the unaudited condensed consolidated financial statements of the Group for the six months ended 31 October 2020 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 value of assets to their recoverable amounts, to provide for further liabilities which might arise and to reclassify non-current assets and non-current liabilities as current assets and current liabilities respectively. The effect of these adjustments has not been reflected in the unaudited condensed consolidated financial statements.

### 3. ACCOUNTING POLICIES

The Group has applied the following new and amendments to Hong Kong Financial Reporting Standards (“**new and amendments to HKFRSs**”) issued by the HKICPA in the current period:

HKAS 19 (Amendments)	Plan Amendment, Curtailment or Settlement
HKAS 28 (Amendments)	Long-term Interests in Associates and Joint Ventures
HKFRSs (Amendments)	Annual Improvements to HKFRSs 2015-2017 Cycle
HKFRS 9 (Amendments)	Prepayment Features with Negative Compensation
HKFRS 16	Leases
HK (IFRIC) – Int 23	Uncertainty over Income Tax Treatments

The application of the new and amendments to HKFRSs in the current period has had no material impact on the Group's financial positions and performance for the current and prior periods and/or on the disclosures set out in these condensed consolidated financial statements.

#### 4. TURNOVER

An analysis of the Group's turnover for the six months ended 31 October 2020 and 2019 is as follows:

	2020 <i>RMB'000</i> (Unaudited)	2019 <i>RMB'000</i> (Unaudited)
Fresh produce and processed products	345,985	328,996
Branded food products and others	24,052	24,780
	<u>370,037</u>	<u>353,776</u>

#### 5. OTHER REVENUE AND OTHER GAINS AND LOSSES

	Six months ended 31 October	
	2020 <i>RMB'000</i> (Unaudited)	2019 <i>RMB'000</i> (Unaudited)
<b>Other revenue</b>		
Bank interest income	146	579
Rental income	469	286
Sundry income	228	65
	<u>843</u>	<u>930</u>
<b>Other gains and losses</b>		
Loss on written-off of inventories	–	(10)
Reversal of impairment of the financial assets at amortised cost	146	81
	<u>146</u>	<u>71</u>

#### 6. LOSS BEFORE TAXATION

Loss before taxation is stated after charging the followings:

	Six months ended 31 October	
	2020 <i>RMB'000</i> (Unaudited)	2019 <i>RMB'000</i> (Unaudited)
Depreciation of property, plant and equipment	23,997	51,340
Depreciation of right-of-use assets	33,916	30,786
Staff costs (including Directors' emoluments)	9,310	16,086
	<u>67,223</u>	<u>98,212</u>

## 7. INCOME TAX

	Six months ended 31 October	
	2020	2019
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
<b>Current tax – Enterprise income tax in the People’s Republic of China (“PRC”)</b>		
Provision for the period	–	–
<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 periods.

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

### (ii) Hong Kong Profits Tax

No provision for Hong Kong Profits Tax for the six months ended 31 October 2020 and 2019 has been made as the Group has no estimated assessable profits arising in Hong Kong for both periods.

### (iii) Other Income Tax

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

## 8. DIVIDENDS

No dividend has been declared for the six months ended 31 October 2020 (six months ended 31 October 2019: 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*

	<b>Six months ended 31 October</b>	
	<b>2020</b>	<b>2019</b>
	<b>RMB'000</b>	<b>RMB'000</b>
	<b>(Unaudited)</b>	<b>(Unaudited)</b>
Loss attributable to owners of the Company used to determine basic and diluted loss per share	<b>(55,783)</b>	<b>(165,598)</b>

(ii) *Number of shares*

	<b>Six months ended 31 October</b>	
	<b>2020</b>	<b>2019</b>
	<b>Number of ordinary shares</b>	<b>Number of ordinary shares</b>
	<b>(Unaudited)</b>	<b>(Unaudited)</b>
Weighted average number of ordinary shares of calculation of basic and diluted loss per share	<b>365,158,370</b>	<b>365,158,370</b>

The weighted average number of ordinary shares were the same as those for both basic and diluted loss per share.

### (b) Diluted loss per share

Diluted loss per share for the six months ended 31 October 2020 and 2019 was the same as the basic loss per share.

For the six months ended 31 October 2020 and 2019, the computation of diluted loss per share did not assume the conversion of the Company's outstanding convertible notes since the effect of such conversion was anti-dilutive.

For the six months ended 31 October 2020 and 2019, the computation of diluted loss per share did not assume the exercise of the Company's outstanding share options since the effect of such exercise was anti-dilutive.

## 10. MOVEMENTS IN PROPERTY, PLANT AND EQUIPMENT

During the six months ended 31 October 2020, the Group acquired certain property, plant and equipment amounting to approximately RMB502,000 (six months ended 31 October 2019: RMB234,000) in which the Group did not incur any development expenditure on development of infrastructure on cultivation base (six months ended 31 October 2019: nil).

## 11. INVESTMENT IN AN ASSOCIATE

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

	<b>As at 31 October 2020 RMB'000 (Unaudited)</b>	As at 30 April 2020 RMB'000 (Audited)
Cost of investment in an associate	<b>30,611</b>	30,611
Share of post-acquisition loss	<b>(8,535)</b>	(8,535)
Share of other comprehensive income of an associate	<b>(251)</b>	(251)
	<b><u>21,825</u></b>	<u>21,825</u>
Accumulated impairment loss recognised	<b><u>(21,825)</u></b>	<u>(21,825)</u>

Details of the Group's associate at the end of the reporting period are as follows:

Name of entity	Country of incorporation/ registration	Principal place of business	Proportions of ownership interest held by the Group		Principal activities of the entity and its subsidiaries
			As at	As at	
			31 October 2020	30 April 2020	
GFC Holdings Limited	Cayman Islands	Hong Kong	approximately 36%	approximately 36%	Provision of food catering services and operating restaurants, cafes and take-away outlets in Hong Kong

## 12. TRADE RECEIVABLES

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

	<b>As at 31 October 2020 RMB'000 (Unaudited)</b>	As at 30 April 2020 RMB'000 (Audited)
Within 1 month	<b>42,500</b>	78
Over 1 month but within 3 months	<b>8,472</b>	33
Over 3 months but within 6 months	<b>1,126</b>	1,203
	<b><u>52,098</u></b>	<u>1,314</u>

### 13. TRADE PAYABLES

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

	As at 31 October 2020 <i>RMB'000</i> (Unaudited)	As at 30 April 2020 <i>RMB'000</i> (Audited)
Within 1 month	6,657	11
Within 1 month to 3 months	4,619	268
Within 3 months to 6 months	1,287	77
Within 6 months to 1 year	1,023	1,250
	<u>13,586</u>	<u>1,606</u>

### 14. BANK BORROWINGS

	As at 31 October 2020 <i>RMB'000</i> (Unaudited)	As at 30 April 2020 <i>RMB'000</i> (Audited)
Bank loans	240,000	165,000
Secured	240,000	165,000
Unsecured	—	—
	<u>240,000</u>	<u>165,000</u>
– Within one year	240,000	165,000
– More than one year, but not exceeding two years	—	—
	<u>240,000</u>	<u>165,000</u>
Less: Amounts shown under current liabilities	<u>(240,000)</u>	<u>(165,000)</u>
	<u>—</u>	<u>—</u>

## 15. SHARE CAPITAL

	As at 31 October 2020 <i>RMB'000</i> (Unaudited)	As at 30 April 2020 <i>RMB'000</i> (Audited)
Authorised: 5,000,000,000 ordinary shares of HK\$0.2 each	<u>843,098</u>	<u>843,098</u>
Issued and fully paid: 365,158,370 (30 April 2020: 365,158,370) ordinary shares of HK\$0.2 each	<u>62,247</u>	<u>62,247</u>

There was no movement in the issued share capital of the Company during the six months ended 31 October 2020.

## 16. CONTINGENT LIABILITIES

As at 31 October 2020, no provision for contingent liabilities (30 April 2020: nil) had been made by the Group.

## 17. MATERIAL RELATED PARTY TRANSACTIONS

Remuneration for key management personnel of the Group, including amounts paid to the Company's Directors and certain of the highest paid employees, is as follows:

	Six months ended 31 October	
	2020	2019
	<i>RMB'000</i>	<i>RMB'000</i>
	(Unaudited)	(Unaudited)
Short-term employee benefits	5,808	4,668
Post-employment benefits	<u>–</u>	<u>20</u>
	<u>5,808</u>	<u>4,688</u>

Total remuneration to personnel of the Group is included in "staff costs" (see Note 6).

## 18. APPROVAL OF INTERIM FINANCIAL STATEMENTS

The unaudited condensed consolidated interim financial statements for the six months ended 31 October 2020 were approved and authorised for issue by the Board on 30 December 2020.

## INTERIM DIVIDEND

The Board has resolved not to declare any interim dividend for the six months ended 31 October 2020 (six months ended 31 October 2019: Nil).

## MANAGEMENT DISCUSSION AND ANALYSIS

### FINANCIAL HIGHLIGHTS AND REVIEW OF OPERATIONS

During 1H 2020/21 and 1H 2019/20, the breakdown of two principal business segments of the Group, namely (i) fresh produce and processed products and (ii) branded food products and others, was as follows:

	<b>2020</b> <i>RMB'000</i> (Unaudited)	2019 <i>RMB'000</i> (Unaudited)
<b>Revenue by products</b>		
Fresh produce and processed products	<b>345,985</b>	328,996
Branded food products and others	<b>24,052</b>	24,780
Total	<b>370,037</b>	353,776

#### Fresh produce and processed products

During the Review Period, revenue from fresh produce and processed products amounted to approximately RMB345,985,000 (1H 2019/20: approximately RMB328,996,000), which increased by approximately 5.16% compared with that of the corresponding period last year. The product mix of this business segment remained the same as last year with stable operations.

#### Branded food products and others

Branded food products and others mainly include rice sold under the Group's own brand, as well as the Group's "Garden Life" (田園生活) brand and "China Green Imperial Delicacy" (中綠御膳良品) brand. During the Review Period, revenue from this segment was approximately RMB24,052,000 (1H 2019/20: approximately RMB24,780,000), which declined by approximately 2.94% compared with that of the corresponding period last year, which was due to the decline in sales of branded food products resulting from the impact of the COVID-19 pandemic and changes in consumer habits.

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

During the Review Period, the Group recorded a gross profit and gross profit margin of approximately RMB33,023,000 and 8.92% respectively (1H 2019/20: gross profit and gross profit margin of approximately RMB30,302,000 and 8.57%). The improvement was mainly attributable to the increases in the production volume of fresh produce and processed products segment.

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

There was a gain from changes in fair value less costs to sell of biological assets of approximately RMB5,211,000 (1H 2019/20: loss of approximately RMB4,427,000). Such change was mainly attributable to the increase in market price of certain vegetables as compared with that of the corresponding period last year.

### **Operating expenses**

Total operating expenses decreased to approximately RMB80,713,000 (1H 2019/20: approximately RMB149,522,000). Selling and distribution expenses were approximately RMB17,219,000 (1H 2019/20: approximately RMB36,203,000), mainly comprised of off-line exhibition and promotion expenses, as well as the on-line advertising expenses of branded food products and others businesses for the purpose of boosting the sales in the short-run and bringing positive long-tail influence on the brand development of the Group. General and administrative expenses were approximately RMB63,494,000 (1H 2019/20: approximately RMB113,319,000), representing a decrease of approximately 43.97%, which was principally attributable to the national policy on reduction of social security expenses payable by the enterprises implemented during the outbreak of the COVID-19 pandemic and the measures taken to reduce the operating expenses.

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

Loss attributable to owners of the Company was approximately RMB55,783,000 in 1H 2020/21 (1H 2019/20: approximately RMB165,598,000), representing a decrease of approximately 66.31%. It was mainly attributable to (a) decrease in overall selling and distribution expenses resulting from the decrease in expenses on off-line promotion and advertisement; (b) decrease in general and administrative expenses as a result of the national policy on reduction of social security expenses payable by the enterprises implemented during the outbreak of the COVID-19 pandemic and the measures taken to reduce the operating expense; and (c) decrease in finance costs due to no recognition of interest on lease liabilities in the Review Period.

## **Liquidity Risk Management**

As at 31 October 2020, the Group had net current liabilities of approximately RMB218,080,000 (30 April 2020: net current liabilities of approximately RMB220,210,000) and the current ratio was 0.63 times (30 April 2020: 0.56 times). The largest two components of the current liabilities are (i) the Restated Convertible Notes (as defined below) in the aggregate principal amount of HK\$190,000,000 which was due on 22 August 2019 and constituted an event of default; and (ii) PRC bank loans with an aggregate amount of RMB240,000,000 which will be due within one year.

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

## **OUTLOOK AND PROSPECTS**

The Chinese economy in general is now gradually recovering from the outbreak of the COVID-19 pandemic and its short-term impact on the market is limited. With the upgrading of consumption and enhancement in consumption habits, more consumption scenarios and consumption drivers have emerged. Meanwhile, the Group will embrace new opportunities as consumers are more inclined to choose trustworthy brands resulting from the increased awareness of the importance of nutritious and healthy food in China.

The Group has also acted proactively to lay out online channels in a timely manner, further develop channels intensively and develop marketing initiatives that match the emerging consumer habits; further enhance the efficiency of marketing and promotion efforts and strengthen its influence and control over the terminal sector. Leveraging its industrial chain advantages and brand operation experience, the Group will promote integration of new retail and community retail models and platforms to further utilise the resources of each platform, develop new products to broaden business volume and provide quality services to consumers.

The Group will adhere to prudent financial management policies, strengthen cost control, optimise processes, focus on potential opportunities in the agricultural sector, and seize every opportunity to promote reform and innovation in conjunction with policy direction. It will create long-term value by leveraging its rich experience in the green food sector with over 20 years of extensive development.

## LITIGATIONS

### *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.

The Court is still in the process of dealing with the 26th Defendant’s strike-out application, which is now before the Court of Appeal. The hearing of the appeal is to be heard on 13 January 2021. 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 and the annual report of the Company for the year ended 30 April 2020 (the “**2020 Annual Report**”).

### *HCMP 2773/2017*

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

HCMP 41/2018 is an action commenced by Mr. Kwok Hiu Kwan (“**Mr. Kwok**”) (26th Defendant and 26th Respondent in HCA 2922/2017 and HCMP 2773/2017 respectively) by way of Originating Summons against Convoy Holdings and four executive directors of Convoy Holdings presented at the extraordinary general meeting held on 29 December 2017 (the “**EGM**”) for declarations and injunctions, in essence to restrain them from



disregarding his voting rights and to rectify the results of the EGM. If Mr. Kwok is successful in HCMP 41/2018, it is expected that he will replace the board of directors of Convoy Holdings which means that HCA 2922/2017 and accordingly HCMP 2773/2017 will be brought to an end.

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 and the 2020 Annual Report.

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

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

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

For details about the abovementioned action, please refer to the Company's announcement dated 14 February 2018 and the 2020 Annual Report.

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

As at 31 October 2020, the Group's total cash and cash equivalents amounted to approximately RMB114,308,000 (30 April 2020: approximately RMB44,690,000) whilst the total assets and net assets were approximately RMB1,439,287,000 (30 April 2020: approximately RMB1,398,878,000) and RMB308,956,000 (30 April 2020: approximately RMB364,739,000) respectively. The Group had current assets of approximately RMB376,865,000 (30 April 2020: approximately RMB278,543,000) and current liabilities of approximately RMB594,945,000 (30 April 2020: approximately RMB498,753,000). The current ratio was 0.63 times (30 April 2020: 0.56 times). The Group's bank borrowings amounted to approximately RMB240,000,000 (30 April 2020: approximately RMB165,000,000), of which secured bank borrowings were approximately RMB240,000,000 (30 April 2020: approximately RMB165,000,000). The Restated Convertible Notes (as defined below) amounted to HK\$190,000,000 (equivalent to approximately RMB173,167,000) (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, amounted to 133.7% as at 31 October 2020 as compared with 95.3% as at 30 April 2020.

## **Capital Structure**

As at 31 October 2020, the authorised share capital of the Company was HK\$1,000,000,000 divided into 5,000,000,000 shares of the Company with par value of HK\$0.20 each and the issued share capital was HK\$73,031,674 divided into 365,158,370 shares.

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

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

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

Pursuant to the terms and conditions of the Restated Convertible Notes, the Restated Convertible Notes are subject to redemption by the Company on 22 August 2019, being the date falling on the third anniversary of the date of the issue of the Convertible Notes. As at the date of approval of the unaudited condensed consolidated financial statements for the six months ended 31 October 2020, the Company is in discussion with the Noteholder through intermediaries to work out a repayment plan. As such, pursuant to the respective terms and conditions of the Restated Convertible Notes, the foregoing constitutes an event of default under the Restated Convertible Notes and default interest will accrue on the outstanding amount to the Noteholder.

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

## **Capital Commitments and Contingent Liabilities**

As at 31 October 2020, the Group did not have contractual capital commitments (30 April 2020: nil).

As at 31 October 2020, 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.

## **Financial Risk Management**

The Group did not have any outstanding foreign exchange contracts, interest or currency swaps or other financial derivatives as at 31 October 2020. 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**

During the six months ended 31 October 2020, the Group did not hold any significant investments.

## **Material Acquisitions and Disposals**

During the six months ended 31 October 2020, the Group did not have any material acquisitions or disposals of subsidiaries, associates and joint ventures.

## **Pledge on Group's Assets**

As at 31 October 2020, certain property, plant and equipment and interests in leasehold land held for own use under operating leases with book value amounting to approximately RMB77,749,000 (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 31 October 2020 and as at the date of approval of the unaudited condensed consolidated financial statements for the six months ended 31 October 2020.

## **Staff, Training and Remuneration Policies**

As at 31 October 2020, the Group had a total of 532 employees, of which 371 were workers at the Group's cultivation bases. The aggregate employee compensation and Directors' remuneration for the six months ended 31 October 2020 was approximately RMB9,310,000 (for the six months ended 31 October 2019: approximately RMB16,086,000).

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.

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

Neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities during the six months ended 31 October 2020.

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

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers ("**Model Code**") as set out in Appendix 10 to the Listing Rules, as the code of conduct regarding Directors' securities transactions. Having made specific enquiry to all Directors, the Directors confirmed that they have complied with the required standards as set out in the Model Code during the six months ended 31 October 2020.

## **CORPORATE GOVERNANCE PRACTICES**

The Company has adopted the code provisions set out in the Corporate Governance Code (the "**CG Code**") contained in Appendix 14 to the Listing Rules as its own code of corporate governance. During the six months ended 31 October 2020, the Company was in compliance with all code provisions set out in the CG Code except for the deviation as explained below.

Code provision A.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 its 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 may sustain or incur in or about the execution of his 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 role of the chief executive officer (“**CEO**”). 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.

#### **AUDIT COMMITTEE**

The Company established the audit committee (the “**Audit Committee**”) on 12 December 2003 with written terms of reference in compliance with the CG Code, which currently comprises three independent non-executive Directors, namely Mr. Hu Ji Rong (as committee chairman), Mr. Wei Xiongwen and Mr. Guo Zebin. The principal duties of the Audit Committee include the review of the Company’s financial reporting system, risk management and internal control systems and financial information of the Group. The Audit Committee has reviewed the unaudited condensed consolidated results of the Company for the six months ended 31 October 2020 and is of the opinion that such results have complied with the applicable accounting standards and the requirements under the Listing Rules, and that adequate disclosures have been made.

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

Hong Kong, 30 December 2020

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