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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)*

### **SUPPLEMENTAL ANNOUNCEMENT REGARDING ANNUAL REPORT FOR THE YEAR ENDED 30 APRIL 2020**

Reference is made to the annual report of China Green (Holdings) Limited (the “**Company**”, together with its subsidiaries, the “**Group**”) for the year ended 30 April 2020 (the “**Annual Report**”) published on 30 September 2020. Unless the context otherwise requires, capitalised terms used herein shall have the same meanings as those defined in the Annual Report.

In addition to the information disclosed in the Annual Report, the Board would like to provide additional information relating to the disclaimer of opinion (the “**Disclaimer Opinion**”) issued by HLB Hodgson Impey Cheng Limited, the Company’s auditors (the “**Auditors**”), on the consolidated financial statements of the Company for the year ended 30 April 2020, as follows:

#### **DETAILS OF THE DISCLAIMER OPINION AND THE BOARD’S VIEW ON THE DISCLAIMER OPINION**

##### **1. Scope limitation on investment in an associate**

This audit qualification is about the scope limitation on inability to obtain sufficient appropriate audit evidence about the carrying amount of the Group’s investment in the associate, namely GFC Holdings Limited (“**GFC**”), as at 30 April 2020 (which was nil as at 30 April 2020).

The Company, through Easy Run Global Limited (“**Easy Run**”), a wholly-owned subsidiary of the Company, holds approximately 36% shareholding interest in GFC and is its single largest shareholder. Based on the Company’s best knowledge, the remaining of approximately 64% shareholding interest of GFC are held by two other shareholders as to approximately 28.8% and approximately 35.2% respectively, and such two shareholders and their ultimate beneficial owner(s) are third parties independent of the Company and its connected persons (as defined under the Listing Rules).

GFC is currently operates 10 restaurants in Hong Kong under various trade names. Since early 2020, GFC was hit hard by the COVID-19 pandemic, the operations of GFC were basically suspended since March 2020. All restaurants operated by GFC were closed until June 2020 when the restaurants gradually resumed to business. Due to the financial difficulties of GFC, most of the administrative and finance personnel were laid off during the pandemic. The Auditors commenced their audit engagement since May 2020 and it was the time when the COVID-19 pandemic at its height in Hong Kong, as a result, GFC was unable to allocate sufficient accounting staff personnel to assist the work of the Auditors.

### **The Board’s plans/actions**

The Company has been actively contacted with the management of GFC to ask for the required financial information. As at the date of this announcement, the Company had communicated with the management of GFC on the above issues and ensuring that the audit procedures will be carried out in a timely manner (i.e. the management of GFC will provide management accounts, vouchers and original documents, bank confirmation and response on the inquiries from the Auditors in advance of the audit closing). The Board considered that the major difficulties faced by the Auditors was an isolated event which was unprecedented and unrelated to any unresolved audit issue, due to the personnel change and the absent of staff in the Company’s Hong Kong office, in addition to the impact of the COVID-19 which led to the Company’s mainland staff were unable to go to Hong Kong to deal with relevant issues.

Easy Run did not appoint any director to the board of directors of GFC. According to the terms of the shareholders’ agreement entered into between, among others, Easy Run and GFC dated 17 July 2017, GFC shall provide or procure the provision to each of the shareholders of GFC with the monthly unaudited consolidated financial information no later than 20 business days after the last day of the preceding month and the annual audited consolidated financial statements for each financial year no later than 2 months after the end of the relevant financial year. If GFC fails to discharge its responsibilities in accordance with the terms of the above shareholders’ agreement or fails to ensure the audit procedures will be carried out in a timely manner as mentioned above, the Group will exercise its rights when necessary for the interests and benefits of the Company.

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

This audit qualification is about the scope limitation on inability to obtain sufficient appropriate audit evidence about the carrying amount of the Group's investment in financial assets at fair value through other comprehensive income as at 30 April 2020.

The Group's investment in such financial assets, being 4.49% equity interest in a Hong Kong unlisted company (the "**Investee Company**"), is carried at approximately RMB2,921,000 as at 30 April 2020. Due to the minority interest held in the Investee Company, the fair value of the financial assets was not substantial and its effects on the Company's financial statements was minimal, the Company considered that the cost of engaging independent valuer for the valuation of such financial assets would be excessive. Therefore, the Company did not perform any valuation of such investment as at 30 April 2020.

### **The Board's plans/actions**

The Company has been actively sought various channels to contact with relevant personnel of the Investee Company to provide the Auditors with the financial results and other relevant financial information in respect of the Investee Company. However, as the relevant personnel of the Investee Company were not on duty during the COVID-19 epidemic period as well as there is no staff in the Company's Hong Kong office and the quarantine measures and travel restrictions imposed in China and Hong Kong which lead to the Company's mainland staff unable to go to Hong Kong to deal with relevant issues, the Company failed to reach the relevant personnel of the Investee Company.

The Company plans to assign suitable staff to Hong Kong to communicate with the relevant personnel of the Investee Company as soon as practicable after the COVID-19 outbreak having become relieved with relevant relaxation on travel restriction measures.

## **3. Material uncertainties relating to the going concern basis**

The Group had incurred a net loss of approximately RMB846,398,000 for the year ended 30 April 2020 and, as of that date, Group's current liabilities exceeds its current assets by approximately RMB220,210,000. The Group's convertible notes with principal amount of HK\$190,000,000 (equivalents to approximately RMB173,167,000) matured on 22 August 2019 and together with the overdue interest payment of RMB14,546,000 (equivalents to HK\$15,960,000) was not repaid as at 30 April 2020 and at the date of the Annual Report. The Group's bank borrowings of RMB165,000,000 outstanding as at 30 April 2020 would fall due in October 2020. Up to the date of the Annual Report, the Auditors were unable to obtain sufficient appropriate audit evidence for the underlying assumptions on going concern as set out in Note 2 to the consolidated financial statements for the year ended 30 April 2020 ("**Note 2**") to satisfy the Auditors that they were reasonable and supportable. Hence, the Auditors were unable to assess the

appropriateness of the use of the going concern basis of accounting in the preparation of the consolidated financial statements for the year ended 30 April 2020.

### **The Board's plans/actions**

In addition to the measures have been taken and continued to be implemented by the Directors as disclosed in Note 2, the Group is now actively in the process of negotiating with various banks, other financial institutions, third parties and related parties to raise short-term or long-term financing to the Group and is in discussion with the local government of the possible disposal of the Group's idle production plants located in Hubei so as to strengthen the Group's financial position (the "**Additional Funding Plan**"). The Additional Funding Plan includes the active negotiation with certain banks to refinance and enlarge the bank facilities to support the Group's future expansion plan in China. In September 2020, the Group has successfully obtained a one-year banking facility of RMB75,000,000. The Company expects that the Additional Funding Plan will sustain the Group's future development plan. As such, the Board expects that this audit modification will be removed for the year ending 30 April 2021.

### **THE MANAGEMENT'S VIEW AND THE AUDIT COMMITTEE'S VIEW TOWARDS THE DISCLAIMER OPINION**

The management of the Company concurs the view of the Auditors. The audit committee of the Company (the "**Audit Committee**") also confirms and concurs with the view of the Auditors.

### **REMOVAL OF THE DISCLAIMER OPINION**

The above action plans have been fully discussed with the Audit Committee and the Auditors. Based on the communication between the Company's management and the Auditors, the Company expects that the Disclaimer Opinion can be removed in the following year audit (i.e. financial year ending 30 April 2021) subject to the completeness of the audit procedures and obtain relevant financial information.

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

Hong Kong, 30 April 2021

*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.*