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

### **中国绿色食品（控股）有限公司**

*(Incorporated in Bermuda with limited liability)*

*(Stock code: 904)*

#### **SUPPLEMENTAL ANNOUNCEMENT IN RELATION TO DISPOSAL OF FINANCIAL ASSET AND ANNUAL REPORT FOR THE YEAR ENDED 30 APRIL 2021**

Reference is made to the voluntary announcement of China Green (Holdings) Limited (the “**Company**”, together with its subsidiaries, the “**Group**”) dated 13 August 2021 (the “**Announcement**”) in relation to the disposal of the Company’s investment in financial asset, being 4.49% equity interest in a Hong Kong unlisted company (the “**Disposal of Financial Asset**”), and the annual report of the Company for the year ended 30 April 2021 (the “**2021 Annual Report**”) published on 18 October 2021. Unless otherwise stated, capitalised terms used in this announcement shall have the same meanings as those defined in the Announcement.

#### **DISPOSAL OF FINANCIAL ASSET**

The Company would like to supplement the following additional information in respect of the Disposal of Financial Asset:

#### ***Details of the Company’s investment in financial asset***

The Company’s investment in Financial Asset (the “**Investment**”) refers to 4.49% equity interest in a Hong Kong unlisted company, namely Help U Credit Finance Limited (the “**Investee Company**”), which is a company incorporated in Hong Kong with limited liability on 25 August 2009. The Investee Company engaged in money lending business providing various financing services to small or medium size enterprises (SMEs) and individuals. The money lender licence held by the Investee Company expired on 10 December 2020.

### ***Background of the Company's original acquisition of the Investment***

Crown Rise Enterprises Limited (“**Crown Rise**”), a wholly-owned subsidiary of the Company, entered into a subscription agreement with, among others, the Investee Company on 1 March 2016, pursuant to which Crown Rise agreed to subscribe for 8% convertible notes due 2017 (the “**CN**”) in principal amount of HK\$8,000,000 issued by the Investee Company. On 31 March 2016, Crown Rise exercised its conversion rights under the CN to convert the principal amount of HK\$8,000,000 in full into 6,666 new shares of the Investee Company at conversion price of HK\$1,200 per share. The 6,666 shares represent 4.49% equity interest in the Investee Company.

The above subscription and conversion were based on the Group's investment portfolios at the material time.

The Directors wish to state that the above subscription of the CN and the subsequent conversion did not constitute notifiable transaction nor connected transaction of the Company under Chapters 14 and 14A of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “**Listing Rules**”), respectively.

### ***Identity of the Purchaser***

The purchaser, being Hong Kong Hua Sui Property Management Limited (香港華穗物業管理有限公司) (the “**Purchaser**”), is a company incorporated in Hong Kong with limited liability on 2 November 2015 which engages in property management and investment in properties. The ultimate beneficial owner of the Purchaser is Ms. Huang Ai Sui (黃愛穗).

To the best of the knowledge, information and belief of the Directors after having made all reasonable enquiries, the Purchaser and its ultimate beneficial owner, Ms. Huang Ai Sui, are third parties independent of and not connected with the Company and connected persons of the Company (as defined in the Listing Rules).

### ***Basis of determination of the Consideration and the reasons for the Disposal of Financial Asset***

According to the management accounts of the Investee Company as at 31 December 2020, the net assets as at 31 December 2020 were amounted to HK\$32,691,281. Non-current assets amounted to HK\$159,441 and current assets amounted to HK\$91,385,342, of which HK\$40,028,360 was account receivables, HK\$143,103 was prepayment and deposit paid, HK\$51,105,528 was amount due from director, and HK\$108,351 was bank balance and cash.

The Company has not participated in the management of the Investee Company. Based on the communication with the management of the Investee Company, the Investee Company had been chasing the parties for the outstanding payment by communicating with them and issuing demand letters. The Company was given to understand that at least half of the receivables are not recoverable due to the continuous spread of the COVID-19 epidemic and

difficult operating environment and impairment on such receivable balance will be made in the financial year ending 31 March 2022.

The Company embarked upon the disposal plan in May 2021 and appointed a market participant as its representative to facilitate better understanding on the Investee Company's situation, identify and approach potential buyers, and negotiate with the Purchaser for more favourable terms (including the consideration of Disposal of Financial Asset (the "**Consideration**")) to the Company. However, as the money lender license held by the Investee Company expired on 10 December 2020 as well as its net assets value cannot truly reflect its worsen financial situation, no other parties appear to have any interest in the Investee Company.

Having considered that the operation status of the Investee Company was very poor in recent years and the situation was worse after the money lender licence expired on 10 December 2020, the Purchaser considered that at least half of the amount of account receivables, prepayment and deposit paid, and amount due from director are probably not recoverable and refused to pay a higher consideration.

The Consideration was arrived at after arm's length negotiations between Crown Rise (as vendor) and the Purchaser (as purchaser) taking into account, amongst others, the prevailing economic environment and market condition, and the realizable value and carrying value of the Investee Company as well as the financial position of the Investee Company (i.e. the net assets reduced to HK\$32,691,281 and the cash balance of HK\$108,351 as at 31 December 2020 and the gearing ratio experienced annual growth and reached to approximately 70% for the year ended 31 December 2020).

Although it is expected that the Group will record an accounting loss on the Disposal of Financial Asset of approximately RMB2.8 million, which is based on the carrying amount of the Investment determined with reference to the valuation as at 26 July 2019, having considered that the Investee Company was in a poor situation with at least half of the receivables not recoverable, and the consideration acceptable to the Purchaser, the Board considered it is already the best possible consideration for the Disposal of Financial Asset and have already taken the interests of the Company and its shareholders fully into consideration. Meanwhile, the Board considered the Disposal of Financial Asset allows the management of the Company (the "**Management**") to focus on the principal business of the Group and the Disposal of Financial Asset is beneficial to the Group in terms of addressing the matter leading to the audit disclaimer opinion on the scope limitation on financial assets at fair value through other comprehensive income on the Group's consolidated financial statements for the year ended 30 April 2020.

Having considered the reasons above, the Board is of the view that the Disposal of Financial Asset (including the Consideration) is fair and reasonable and in the interests of the Company and its shareholders as a whole in light of the accounting loss to be recognized in connection with the Disposal of Financial Asset.

## AUDIT QUALIFICATION - GOING CONCERN

As disclosed in 2021 Annual Report, HLB Hodgson Impey Cheng Limited, the auditors of the Company (the “**Auditors**”), issued a disclaimer of opinion on the Company’s consolidated financial statements for the year ended 30 April 2021 due to (i) scope limitation on financial assets at fair value through other comprehensive income; and (ii) multiple uncertainties relating to the going concern basis (the “**Audit Qualification on Going Concern**”). The Board would like to provide further information in relation to the Audit Qualification on Going Concern as stated below:

### *Work performed by the Company to address the going concern issue and the reason why the going concern issue still remain unresolved*

The Company performed the following works to address the going concern issue since the issuance of the disclaimer of opinion in the Company’s financial statements for the year ended 30 April 2020:

- (i) the Company had actively explored, formulated and negotiated with Convoy Collateral Limited (the “**Noteholder**”), the holder of the restated HK\$190,000,000 non-interest bearing convertible notes due 2019, on feasible debt restructuring plans and the Company intended to enter into an letter of intent regarding the repayment plan with the Noteholder in July 2020. However, due to the personnel matters of the Noteholder, no formal debt restructuring agreement had been entered into between the parties;
- (ii) in September 2021, the Company authorized an intermediate to negotiate with the Noteholder on the debt restructuring and the negotiation is now in progress. If the debt restructuring can be materialized, such intermediate will also assist the Group in implementation of operation restructuring plan aimed at improving the Company’s sustainability;
- (iii) Mr. Sun Shao Feng, the chairman, chief executive officer and executive Director of the Company, had 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;
- (iv) the Company has actively contacted its current banks to secure necessary credit facilities. In September 2020, the Group had successfully obtained a one-year banking facility of RMB75,000,000; and
- (v) the Management has also actively explored opportunities for financing, merger and acquisition, which aimed at improving the financial situation of the Group.

The going concern issue remain unresolved is mainly due to the negotiation on debt restructuring with the Noteholder is still in progress. The Company will strive to reach agreement with the Noteholder in the financial year ending 30 April 2022.

### ***Action plan of the Company to resolve the going concern issue***

In September 2021, the Company authorized an intermediate to negotiate with the Noteholder on the debt restructuring. It is expected the debt restructuring will be finalized and implemented by 30 April 2022.

The Company has also been exploring business opportunities on certain agricultural related projects and plans to complete by end of 2022. As at the date of this announcement, certain potential business partners which are state-owned enterprises were introduced to the Company.

### ***Management's position, view and assessment on the Audit Qualification on Going Concern***

In the post-COVID era, the Company has been actively exploring new business, seizing the opportunities for innovative development in the sector of new consumption, strengthening its new retail channel layout, and continue to strive to enhance its corporate governance. The Management has been actively pursuing the removal of the Audit Qualification on Going Concern from the Auditors. The Company also authorized an intermediate to negotiate with the Noteholder to expeditiously implement the debt restructuring.

Accordingly, the Management considered 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 Management has considered the Auditor's rationale and understood their consideration in arriving the Audit Qualification on Going Concern. The Management will take all necessary actions to address the effect on the basis for Audit Qualification on Going Concern to procure no such Audit Qualification on Going Concern to be made in the next financial year.

The Company expects the Audit Qualification on Going Concern could be removed in the next financial year, and committed to generate strong and sustainable returns for its shareholders.

### ***Board's View on the Audit Qualification on Going Concern***

The Board agreed with the Management's position based on the reasons above and expects the Audit Qualification on Going Concern could be removed in the next financial year. The Company has communicated with the Auditors on the above issue.

As at 30 April 2021, the Company has cash and cash equivalent of approximately RMB140,000,000. It is expected the net cash inflow from operating activities would be approximately RMB36,000,000. On the assumption that the proposed debt restructuring of the Company will be successfully completed, and bank borrowings in an amount of RMB239,000,000 can be renewed on their respective due dates, the Board expects that the Group will have sufficient working capital to finance its operations and financial obligation in the next 12 months.

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

Hong Kong, 3 December 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. Hu Ji Rong, Mr. Guo Zebin and Mr. Muk Hung Fei.*