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 2021

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 2021 ("**1H 2021/22**" or the "**Review Period**") with comparative figures for the six months ended 31 October 2020 ("**1H 2020/21**") as follows. The condensed consolidated interim results of the Group for the Review Period have not been audited, but have been reviewed by the audit committee of the Company (the "**Audit Committee**").

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the six months ended 31 October 2021

	Note	**2021** **RMB'000** **(Unaudited)**	2020 *RMB'000* (Unaudited)
Turnover	*4*	**368,062**	370,037
Cost of sales		**(345,326)**	(337,014)
Gross profit		**22,736**	33,023
Other revenue	*5*	**10,056**	843
Other gains and losses	*5*	**(2,800)**	146
Gain arising from changes in fair value less costs to sell of biological assets		**8,486**	5,211
Selling and distribution expenses		**(15,383)**	(17,219)
General and administrative expenses		**(61,260)**	(63,494)
Loss from operations		**(38,165)**	(41,490)
Finance costs		**(16,447)**	(14,293)
Loss before taxation	*6*	**(54,612)**	(55,783)
Income tax	*7*	**–**	–
Loss for the period attributable to owners of the Company		**(54,612)**	(55,783)
Other comprehensive loss for the period		**–**	–
Total comprehensive loss for the period attributable to owners of the Company		**(54,612)**	(55,783)
Loss per share attributable to owners of the Company (RMB cents)			
–Basic and diluted	*9*	**12.5**	15.3

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

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 October 2021

	Note	**At 31 October 2021** ***RMB'000*** **(Unaudited)**	At 30 April 2021 *RMB'000* (Audited)
Non-current assets			
Property, plant and equipment	*10*	**276,481**	300,478
Right-of-use assets		**247,803**	281,719
Investment in an associate	*11*	**–**	–
Investment in a joint venture		**438**	438
Financial assets at fair value through other comprehensive income		**–**	2,669
		524,722	585,304
Current assets			
Inventories		**9,833**	4,136
Biological assets		**19,884**	16,326
Trade and other receivables	*12*	**182,858**	216,698
Pledged bank deposits		**7,500**	7,500
Cash and cash equivalents		**132,999**	147,147
		353,074	391,807

	Note	At 31 October 2021 RMB'000 (Unaudited)	At 30 April 2021 RMB'000 (Audited)
Current liabilities			
Trade and other payables	*13*	**215,694**	262,754
Bank borrowings	*14*	**238,000**	239,000
Income tax payable		**17,804**	17,804
Lease liabilities		**114,759**	114,759
Amount due to a director		**2,774**	12,774
Amount due to a shareholder		**1,304**	1,304
		590,335	648,395
Net current liabilities		**(237,261)**	(256,588)
Total assets less current liabilities		**287,461**	328,716
Non-current liabilities			
Deferred tax liabilities		**69,081**	69,081
Lease liabilities		**450,728**	450,728
		519,809	519,809
Net liabilities		**(232,348)**	(191,093)
Capital and reserves			
Share capital	*15*	**75,604**	62,247
Reserves		**(307,952)**	(253,340)
Total capital deficiency attributable to owners of the Company		**(232,348)**	(191,093)

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

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 31 October 2021

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 addresses of its registered office and principal place of business in Hong Kong are Clarendon House, 2 Church Street, Hamilton, HM 11, 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 are prepared in accordance with the Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants (the "**HKICPA**") and the applicable disclosures required by the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited and the Hong Kong Companies Ordinance.

Going Concern Basis

For the six months ended 31 October 2021, the Group recorded a loss of approximately RMB54,612,000 (for the six months ended 31 October 2020: approximately RMB55,783,000). As at 31 October 2021, the Group had net current liabilities of approximately RMB237,261,000 (as at 30 April 2021: approximately RMB256,588,000) and net liabilities of approximately RMB232,348,000 (as at 30 April 2021: net liabilities of approximately RMB191,093,000).

In addition, the Group's convertible notes in the principal amount of approximately HK$190,000,000 (equivalent to approximately RMB158,288,000) matured on 22 August 2019 together with accrued interest of approximately HK$38,760,000 (equivalent to approximately RMB32,291,000) (2020: approximately HK$15,960,000 (equivalent to approximately RMB14,546,000)) were outstanding as at 31 October 2021 and the date on which these financial statements were approved for issue.

These circumstances indicate that there are material uncertainties which may cast significant doubt on the Group's ability to continue as a going concern and therefore the Group may not be able to realize its assets and discharge its liabilities in the normal course of business.

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 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 Group's 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, has provided a written confirmation to indicate 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 on which these condensed consolidated financial statements are approved, the Group is actively exploring, formulating and negotiating feasible debt restructuring plans with convertible notes holder's representatives;

3. The Group will liaise with its current banks lenders to renew its bank borrowings;

4. The Group will seek to obtain any possible financing;

5. The Company will successfully conduct alternative capital raising transactions 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, the Directors are of the opinion that it is appropriate to prepare the condensed consolidated financial statements of the Group for the six months ended 31 October 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 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 condensed consolidated financial statements.

3. SIGNIFICANT ACCOUNTING POLICIES

In the Review Period, the Group has applied the Amendments to References to the Conceptual Framework in HKFRS Standards and the following amendments to HKFRSs issued by the HKICPA which are mandatorily effective for the Group's annual period beginning on or after 1 May 2020 for the preparation of the condensed consolidated financial statements:

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 Review Period had no material impact on the Group's financial positions and performance for the Review Period and prior periods and/or on the disclosures set out in these consolidated financial statements.

4. TURNOVER AND SEGMENT REPORTING

An analysis of the Group's turnover for the six months ended 31 October 2021 and 2020 is as follows:

	2021	2020
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Fresh produce and processed products	**342,035**	345,985
Branded food products and others	**26,027**	24,052
	368,062	370,037

5. OTHER REVENUE AND OTHER GAINS AND LOSSES

	For the six months ended 31 October	
	2021	2020
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Other revenue		
Bank interest income	**185**	146
Rental income	**321**	469
Sundry income	**9,550**	228
	10,056	843
Other gains and losses		
Loss on disposal of financial assets	**(2,800)**	–
Reversal of impairment of the financial assets at amortised cost	**–**	146
	(2,800)	146

6. LOSS BEFORE TAXATION

Loss before taxation is stated after charging the followings:

	For the six months ended 31 October	
	2021	2020
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Depreciation of property, plant and equipment	**23,997**	23,997
Depreciation of right-of-use assets	**33,916**	33,916
Staff costs (including Directors' emolument)	**9,210**	9,310

7. INCOME TAX

	For the six months ended 31 October	
	2021	2020
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Current tax – Enterprise income tax in the People's Republic of China ("PRC")		
Provision for the period	**–**	–
Deferred tax		
Origination and reversal of temporary differences	**–**	–
Total income tax expenses recognised in profit or loss	**–**	–

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 2021 and 2020 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 2021 (six months ended 31 October 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

	For the six months ended 31 October	
	2021	2020
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Loss attributable to owners of the Company used to determine basic and diluted loss per share	**(54,612)**	(55,783)

(ii) Number of shares

	As at 31 October 2021	As at 31 October 2020
	(Unaudited)	(Unaudited)
Weighted average number of ordinary shares for calculation of basic and diluted loss per share	**438,190,044**	365,158,370

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 2021 and 2020 was the same as the basic loss per share.

For the six months ended 31 October 2021 and 2020, 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 2021, the Group did not acquire property, plant and equipment (six months ended 31 October 2020: RMB502,000), and during the period the Group did not incur any development expenditure on development of infrastructure on cultivation base (six months ended 31 October 2020: nil).

11. INVESTMENT IN AN ASSOCIATE

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

	As at 31 October 2021	As at 30 April 2021
	RMB'000	*RMB'000*
	(Unaudited)	(Audited)
Cost of investment in an associate	**30,611**	30,611
Share of post-acquisition loss	**(8,535)**	(8,535)
Share of other comprehensive income of an associate	**(251)**	(251)
	21,825	21,825
Impairment loss recognised	**(21,825)**	(21,825)
	–	–

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 31 October 2021	As at 30 April 2021	
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 based on the invoice dates is as follows (net of excepted credit losses):

	As at 31 October 2021	As at 30 April 2021
	RMB'000	*RMB'000*
	(Unaudited)	(Audited)
Within 1 month	**45,600**	1,108
Within 1 month to 3 months	**10,540**	313
Within 3 months to 6 months	**1,050**	1,198
Over 6 months	**–**	2,299
	57,190	4,918

13. TRADE PAYABLES

Included in trade payables are balances with the following aging analysis based on the invoice dates:

	As at 31 October 2021	As at 30 April 2021
	RMB'000	*RMB'000*
	(Unaudited)	(Audited)
Within 1 month	**7,100**	2,595
Within 1 month to 3 months	**5,200**	1,595
Within 3 months to 6 months	**1,263**	501
Within 6 months to 1 year	**953**	53
	14,516	4,744

14. BANK BORROWINGS

	As at 31 October 2021 ***RMB'000*** **(Unaudited)**	As at 30 April 2021 *RMB'000* (Audited)
Bank loans	**238,000**	239,000
Secured	**238,000**	239,000
Unsecured	**–**	–
	238,000	239,000
—Within one year	**238,000**	239,000
—More than one year, but not exceeding two years	**–**	–
	238,000	239,000
Less: Amounts shown under current liabilities	**(238,000)**	(239,000)
	–	–

15. SHARE CAPITAL

	As at 31 October 2021 ***RMB'000*** **(Unaudited)**	As at 30 April 2021 *RMB'000* (Audited)
Authorised:		
5,000,000,000 ordinary shares of HK$0.2 each	**843,098**	843,098
Issued and fully paid:		
438,190,044 (30 April 2021: 365,158,370) ordinary shares of HK$0.2 each	**75,604**	62,247

On 21 July 2021, a total of 73,031,674 placing shares with an aggregate nominal value of HK$14,606,334.8 were issued and allotted to not less than six placees pursuant to the general mandate granted to the Directors by a resolution of the shareholders of the Company passed at the adjourned annual general meeting of the Company held on 4 December 2020, raising net proceeds of approximately HK$14,200,000 for the purpose of general working capital of the Group and for any suitable investments as opportunities arise.

16. CONTINGENT LIABILITIES

As at 31 October 2021, no provision for contingent liabilities (30 April 2021: 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:

	For the six months ended 31 October	
	2021	2020
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Short-term employee benefits	**5,610**	5,808
Post-employment benefits	**–**	–
	5,610	5,808

The total remuneration of the Group's personnel 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 2021 were approved and authorised for issue by the Board on 17 December 2021.

INTERIM DIVIDEND

The Board has resolved not to declare any interim dividend for the six months ended 31 October 2021 (six months ended 31 October 2020: Nil).

MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL HIGHLIGHTS AND REVIEW OF OPERATIONS

During 1H 2021/22 and 1H 2020/21, the revenue 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:

	2021	2020
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Revenue by products		
Fresh produce and processed products	**342,035**	345,985
Branded food products and others	**26,027**	24,052
Total	**368,062**	370,037

Fresh produce and processed products

During the Review Period, revenue from fresh produce and processed products amounted to approximately RMB342,035,000 (1H 2020/21: approximately RMB345,985,000), which slightly decreased by approximately 1.14% compared with that of the corresponding period last year, due to the sudden drop in temperature in the Northeast China during the late Review Period resulted in a slight reduction in fresh produce output.

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 RMB26,027,000 (1H 2020/21: approximately RMB24,052,000), which rose by approximately 8.21% compared with that of the corresponding period last year. With the steady progress of pandemic prevention and control measures in Mainland China, the COVID-19 pandemic in Mainland China has been controlled on the whole, consumer demand has recovered gradually, the segment revenue from the Group's branded food products and others increased slightly.

Gross profit and gross profit margin

During the Review Period, the Group recorded a gross profit and gross profit margin of approximately RMB22,736,000 and 6.18% respectively (1H 2020/21: gross profit and gross profit margin of approximately RMB33,023,000 and 8.92%). The decrease in gross profit and gross profit margin was mainly attributable to the decrease in the output of Baicheng farmland due to the sudden drop in temperature in Northeast China during the late Review Period, resulting in a decrease in revenue from the fresh produce and processed products segment.

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

During the Review Period, there was a gain from changes in fair value less costs to sell of biological assets of approximately RMB8,486,000 (1H 2020/21: approximately RMB5,211,000). Such increase was mainly attributable to the increase in market price of certain vegetables as compared with that of the corresponding period last year.

Operating expenses

During the Review Period, total operating expenses increased to approximately RMB76,643,000 (1H 2020/21: approximately RMB80,713,000). Selling and distribution expenses were approximately RMB15,383,000 (1H 2020/21: approximately RMB17,219,000). The decrease in selling and distribution expenses during the Review Period was mainly attributable to the decrease in promotion expenses. General and administrative expenses were approximately RMB61,260,000 (1H 2020/21: approximately RMB63,494,000), representing a decrease of approximately 3.52%, which was mainly attributable to the Group's effort in improving corporate governance, streamlining of the workforce, and reasonable control of various expenses of the Group.

Loss attributable to owners of the Company

Loss attributable to owners of the Company was approximately RMB54,612,000 in 1H 2021/22 (1H 2020/21: approximately RMB55,783,000), representing a decrease of approximately 2.1%. It was mainly attributable to (i) the increase in other income mainly due to the income arising from the government's acquisition of the land use right of a parcel of state-owned land for construction of the Group in Hubei together with the above-ground assets during the Review Period, as detailed in the paragraph headed "Hubei Transaction" below; (ii) the decrease in selling and distribution expenses; and (iii) the gain arising from changes in fair value less costs to sell of biological assets.

Liquidity risk management

As at 31 October 2021, the Group had net current liabilities of approximately RMB237,261,000 (30 April 2021: approximately RMB256,588,000) and the current ratio was 0.60 times (30 April 2021: 0.60 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 (equivalent to approximately RMB158,288,000) which was due on 22 August 2019 and constituted an event of default; and (ii) PRC bank loans with an aggregate amount of RMB238,000,000. As at 31 October 2021 and 30 April 2021, the Group's gearing ratio (defined as total borrowings plus convertible notes divided by the shareholders' equity) was not applicable.

As at the date of approval of the unaudited condensed consolidated financial statements for the Review Period, the Company has authorized an intermediate to negotiate with the Noteholder (as defined below) in relation to the debt restructuring and such negotiations are still ongoing. The Company has also been actively liaising with its current banks to secure necessary credit facilities. The management is optimistic about the debt restructuring and believes that the renewal rate of banks in Mainland China is relatively high. In addition, Mr. Sun Shao Feng, the chairman, the chief executive officer and executive Director of the Company, has provided a written confirmation to indicate that he is willing to continue 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 gradually recovering as the normalization of COVID-19 pandemic. The upgrading of consumption, the pull of domestic consumption and increasing differentiation in consumption habits, more consumption drivers have been driven. Meanwhile, consumers are more inclined to choose trustworthy brands resulting from the increased awareness of the importance of nutritious and healthy food in China, which has steadily improved and created a good atmosphere for the Group's sales performance.

The Group has also acted proactively to diversify the category layout online and offline promotion, implement channel segregation and develop marketing initiatives that match the emerging consumer habits; further enhance the efficiency of marketing and promotion efforts and strengthen the penetration of channel and expand its distribution network. The Group plans to consolidate consumer loyalty by increasing brand investment and promotional efforts in the future. 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 convenience for more consumers to purchase the Group's quality products.

The Group will adhere to prudent financial management policies, reinforce new product innovation, improve food safety and quality, strengthen cost control, focus on potential opportunities concerning agricultural food, and seize every opportunity to promote reform and innovation in conjunction with policy direction. With the upgrading of consumption, it is expected that the Group will seize more opportunities in the high-quality food market to enhance the competitiveness of the Group.

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 was 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.

GROUP'S LIQUIDITY AND FINANCIAL RESOURCES

As at 31 October 2021, the Group's total cash and cash equivalents amounted to approximately RMB132,999,000 (30 April 2021: approximately RMB147,147,000) whilst the total assets and net liabilities were approximately RMB877,796,000 (30 April 2021: approximately RMB977,111,000) and RMB232,348,000 (30 April 2021: approximately RMB191,093,000) respectively. The Group had current assets of approximately RMB353,074,000 (30 April 2021: approximately RMB391,807,000) and current liabilities of approximately RMB590,335,000 (30 April 2021: approximately RMB648,395,000). The current ratio was 0.60 times (30 April 2021: 0.60 times). The Group's bank borrowings amounted to approximately RMB238,000,000 (30 April 2021: approximately RMB239,000,000), of which secured bank borrowings were approximately RMB238,000,000 (30 April 2021: approximately RMB239,000,000). The Restated Convertible Notes (as defined below) amounted to HK$190,000,000 (equivalent to approximately RMB158,288,000) (30 April 2021: approximately RMB158,288,000).

CAPITAL STRUCTURE

As at 31 October 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$0.2 each and the issued share capital was HK$87,638,008.8 divided into 438,190,044 shares. During the six months ended 31 October 2021, the Company completed the placing of an aggregate of 73,031,674 new shares of the Company with par value of HK$0.2 each. Details as follows:

On 25 June 2021, the Company entered into a placing agreement with Yuet Sheung International Securities Limited (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 with par value of HK$0.2 each (the "**Placing Shares**") 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 with aggregate nominal value of HK$14,606,334.8 were issued and allotted to not less than six placees under the general mandate granted to the Directors by a resolution of the shareholders of the Company passed at the adjourned annual general meeting of the Company held on 4 December 2020.

The net proceeds from the Placing, after deduction of the placing commission and other related expenses, amounted to approximately HK$14,200,000 (equivalent to a net placing price of approximately HK$0.194 per Placing Share). As of 31 October 2021, approximately HK$5,600,000 of the net proceeds had been used as the general working capital of the Group in the following manners: (i) approximately HK$1,000,000 for salary of employees; (ii) approximately HK$3,000,000 for legal and professional fees; and (iii) approximately HK$1,600,000 for audit related services rendered by the auditor of the Company. The unutilized net proceeds of approximately HK$8,600,000 will be used for any suitable investment when opportunities arise.

The net proceeds were used and will be used according to the intentions previously disclosed by the Company.

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

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.

On 29 November 2021, the Company received a statutory demand (the "**Statutory Demand**") dated 26 November 2021 from the legal adviser acting on behalf of the Noteholder demanding the Company to pay the amount of US$30,992,786.83 (being the equivalent of HK$241,534,246.58) (the "**Debt**"), being: (i) principal amount of HK$190,000,000 of the Restated Convertible Notes; and (ii) interest in the amount of HK$51,534,246.58 accrued at the rate of 12% per annum on the aforesaid principal amount from 23 August 2019 up to the date of the Statutory Demand. The Statutory Demand requested the Company to repay the Debt or secure or compound the same to the satisfaction of the Noteholder within 21 days of the date of service of the Statutory Demand, failing which the Noteholder may present a winding-up petition against the Company to the Supreme Court of Bermuda for an order that the Company be wound up by the Supreme Court of Bermuda.

As at the date of approval of the unaudited condensed consolidated financial statements for the six months ended 31 October 2021, the Company is considering taking legal advice in this regard. In the meantime, the Company continues to discuss with the Noteholder through intermediaries to work out a repayment plan.

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, 22 August 2019 and 29 November 2021, and the Company's circulars dated 8 July 2016 and 4 January 2017.

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**") to subscribers, who and whose ultimate beneficial owners 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 (the "**Issue of Bonds**").

On 11 August 2021, the Company and the Underwriter entered into a supplemental agreement to the Framework Agreement (the "**Supplemental Agreement**"), pursuant to which the parties would 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 no formal agreement in respect of the Issue of Bonds had been entered into between the parties within the period specified in the Framework Agreement (as supplemented by the Supplemental Agreement) and the parties have not agreed on any further extension of the deadline, the Framework Agreement (as supplemented by the Supplemental Agreement) has lapsed and the Issue of Bonds will not proceed.

For details, please refer to the Company's announcements dated 10 May 2021, 11 August 2021 and 11 October 2021.

CAPITAL COMMITMENTS AND CONTINGENT LIABILITIES

As at 31 October 2021, the Group did not have contractual capital commitments (30 April 2021: nil).

As at 31 October 2021, the Group had not provided any form of guarantee for any companies outside the Group and no provision for contingent liabilities (30 April 2021: 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 2021. The revenue, operating costs and bank deposits of the Group are mainly denominated in Renminbi and Hong Kong dollars. As such, the Group is not exposed to any material foreign currency exchange risk.

Renminbi is not freely convertible into foreign currencies. All foreign exchange transactions involving Renminbi 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

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 People's Republic of China (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 People's Republic of China（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 approval of the unaudited condensed consolidated financial statements for the six months ended 31 October 2021, 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 Asset

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**").

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 announcements dated 13 August 2021 and 3 December 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.

The Group did not have any material acquisition and disposal of subsidiaries, associates and joint ventures during the six months ended 31 October 2021 and did not have any significant investment held as at 31 October 2021.

PLEDGE ON THE GROUP’S ASSETS

As at 31 October 2021, certain property, plant and equipment and interests in leasehold land held for own use under operating leases with book value amounting to approximately RMB74,123,500 (30 April 2021: approximately RMB76,200,000) 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 2021: approximately RMB7,500,000) 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 2021 and as at the date of approval of the unaudited condensed consolidated financial statements for the six months ended 31 October 2021.

STAFF, TRAINING AND REMUNERATION POLICY

As at 31 October 2021, the Group had a total of 418 employees, of which 280 were workers at the Group’s cultivation bases. The aggregate employee compensation and Directors’ remuneration for the six months ended 31 October 2021 was approximately RMB9,210,000 (for the six months ended 31 October 2020: approximately RMB9,310,000).

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 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 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 2021.

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 2021, the Company was in compliance with all 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, currently performs the chief executive officer role. The Board believes that vesting the roles of both chairman and chief executive officer 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 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. Guo Zebin and Mr. Muk Hung Fei. 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 2021 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, 17 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 Jinhuo 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.

* *For identification purpose only*