



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 Report  
2021/22



**CORPORATE INFORMATION****BOARD OF DIRECTORS****Executive Directors:**

Mr. Sun Shao Feng  
*(Chairman and Chief Executive Officer)*  
Mr. Wang Jinhuo  
Mr. Tong Shun Luen Philip

**Non-Executive Director:**

Ms. Chen Xiaodan

**Independent Non-Executive Directors:**

Mr. Hu Ji Rong  
Mr. Guo Zebin  
Mr. Muk Hung Fei

**AUDIT COMMITTEE**

Mr. Hu Ji Rong *(Committee Chairman)*  
Mr. Guo Zebin  
Mr. Muk Hung Fei

**REMUNERATION COMMITTEE**

Mr. Muk Hung Fei  
*(Committee Chairman)*  
Mr. Hu Ji Rong  
Mr. Wang Jinhuo

**NOMINATION COMMITTEE**

Mr. Muk Hung Fei  
*(Committee Chairman)*  
Mr. Hu Ji Rong  
Mr. Wang Jinhuo

**CORPORATE GOVERNANCE COMMITTEE**

Mr. Wang Jinhuo  
*(Committee Chairman)*  
Mr. Hu Ji Rong  
Mr. Muk Hung Fei

**COMPANY SECRETARY**

Mr. Tse Kam Fai

**AUDITORS**

HLB Hodgson Impey Cheng Limited  
Certified Public Accountants

**HONG KONG LEGAL ADVISER**

Wellington Legal

**BERMUDA LEGAL ADVISER**

Conyers Dill & Pearman

**PRINCIPAL BANKER**

Industrial and Commercial Bank  
of China (Asia) Limited

**REGISTERED OFFICE**

Clarendon House  
2 Church Street  
Hamilton, HM 11  
Bermuda

**HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS IN HONG KONG**

Suites 1106-08, 11th Floor  
The Chinese Bank Building  
61-65 Des Voeux Road Central  
Hong Kong

**PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE**

MUFG Fund Services (Bermuda) Limited  
4th floor North Cedar House  
41 Cedar Avenue  
Hamilton HM12  
Bermuda

**HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE**

Computershare Hong Kong  
Investor Services Limited  
Shops 1712-1716, 17th Floor  
Hopewell Centre  
183 Queen's Road East  
Wanchai  
Hong Kong

**STOCK CODE**

904

**INVESTOR RELATIONS CONTACT**

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## INTERIM FINANCIAL STATEMENTS

### 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:

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

*For the six months ended 31 October 2021*

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

## INTERIM FINANCIAL STATEMENTS

|  | <b>2021</b>        | <b>2020</b>        |
|--|--------------------|--------------------|
| <i>Note</i>  | <b>RMB'000</b>     | <b>RMB'000</b>     |
|  | <b>(Unaudited)</b> | <b>(Unaudited)</b> |
| <b>Other comprehensive loss for the period</b>                                       | –                  | –                  |
| <b>Total comprehensive loss for the period attributable to owners of the Company</b> | <b>(54,612)</b>    | <b>(55,783)</b>    |
| <b>Loss per share attributable to owners of the Company (RMB cents)</b>              |                    |                    |
| –Basic and diluted   | <b>9</b>           | <b>12.5</b>        |
|  |                    | <b>15.3</b>        |

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

## INTERIM FINANCIAL STATEMENTS

### CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 October 2021

|  |             | At<br>31 October<br>2021<br>RMB'000<br>(Unaudited) | At<br>30 April<br>2021<br>RMB'000<br>(Audited) |
|--|-------------|--|--|
|  | <i>Note</i> |  |  |
| <b>Non-current assets</b>  |             |  |  |
| 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<br>other comprehensive income |             | –  | 2,669  |
|  |             | <b>524,722</b>                                     | <b>585,304</b>                                 |
| <b>Current assets</b>  |             |  |  |
| 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  |
|  |             | <b>353,074</b>                                     | <b>391,807</b>                                 |
| <b>Current liabilities</b>   |             |  |  |
| 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  |
|  |             | <b>590,335</b>                                     | <b>648,395</b>                                 |

## INTERIM FINANCIAL STATEMENTS

|   |    | At<br>31 October<br>2021<br>RMB'000<br>(Unaudited) | At<br>30 April<br>2021<br>RMB'000<br>(Audited) |
|---|----|--|--|
| <b>Net current liabilities</b>  |    | <b>(237,261)</b>                                   | (256,588)                                      |
| <b>Total assets less current liabilities</b>                          |    | <b>287,461</b>                                     | 328,716  |
| <b>Non-current liabilities</b>  |    |  |  |
| Deferred tax liabilities  |    | <b>69,081</b>                                      | 69,081   |
| Lease liabilities   |    | <b>450,728</b>                                     | 450,728  |
|   |    | <b>519,809</b>                                     | 519,809  |
| <b>Net liabilities</b>  |    | <b>(232,348)</b>                                   | (191,093)                                      |
| <b>Capital and reserves</b>   |    |  |  |
| Share capital   | 15 | <b>75,604</b>                                      | 62,247   |
| Reserves  |    | <b>(307,952)</b>                                   | (253,340)                                      |
| <b>Total capital deficiency attributable to owners of the Company</b> |    | <b>(232,348)</b>                                   | (191,093)                                      |

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

## INTERIM FINANCIAL STATEMENTS

## CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 31 October 2021

|  | Attributable to owners of the Company |                          |                                   |  |                           |                                 |  |                             |   |                  |
|--|---------------------------------------|--------------------------|-----------------------------------|--|---------------------------|---------------------------------|--|-----------------------------|---|------------------|
|  | Share capital<br>RMB'000              | Share premium<br>RMB'000 | PRC statutory reserves<br>RMB'000 | Share-based payment reserve<br>RMB'000 | Merger reserve<br>RMB'000 | Contribution surplus<br>RMB'000 | Financial assets at fair value through other comprehensive income<br>RMB'000 | Exchange reserve<br>RMB'000 | Retained profits/ (accumulated losses)<br>RMB'000 | Total<br>RMB'000 |
| As at 1 May 2021 (audited)   | 62,247                                | 1,155,545                | 242,364                           | 10,950                                 | 14,694                    | 925,834                         | 959  | (156,236)                   | (2,447,450)                                       | (191,093)        |
| Exchange differences arising on translation of financial statements of overseas subsidiaries | -                                     | -                        | -                                 | -                                      | -                         | -                               | -  | -                           | -   | -                |
| Change in fair value of financial assets at fair value through other comprehensive income    | -                                     | -                        | -                                 | -                                      | -                         | -                               | -  | -                           | -   | -                |
| Loss for the period  | -                                     | -                        | -                                 | -                                      | -                         | -                               | -  | -                           | (54,612)  | (54,612)         |
| <b>Total comprehensive loss for the period</b>   | -                                     | -                        | -                                 | -                                      | -                         | -                               | -  | -                           | (54,612)  | (54,612)         |
| Lapse of the options   | -                                     | -                        | -                                 | (1,057)                                | -                         | -                               | -  | -                           | 1,057   | -                |
| Placing of shares  | 13,357                                | -                        | -                                 | -                                      | -                         | -                               | -  | -                           | -   | 13,357           |
| As at 31 October 2021 (unaudited)  | 75,604                                | 1,155,545                | 242,364                           | 9,893                                  | 14,694                    | 925,834                         | 959  | (156,236)                   | (2,501,005)                                       | (232,348)        |
| As at 1 May 2020 (audited)   | 62,247                                | 1,155,545                | 242,364                           | 10,950                                 | 14,694                    | 925,834                         | 959  | (186,057)                   | (1,061,797)                                       | 364,739          |
| Exchange differences arising on translation of financial statements of overseas subsidiaries | -                                     | -                        | -                                 | -                                      | -                         | -                               | -  | -                           | -   | -                |
| Change in fair value of financial assets at fair value through other comprehensive income    | -                                     | -                        | -                                 | -                                      | -                         | -                               | -  | -                           | -   | -                |
| Loss for the period  | -                                     | -                        | -                                 | -                                      | -                         | -                               | -  | -                           | (55,783)  | (55,783)         |
| <b>Total comprehensive loss for the period</b>   | -                                     | -                        | -                                 | -                                      | -                         | -                               | -  | -                           | (55,783)  | (55,783)         |
| As at 31 October 2020 (unaudited)  | 62,247                                | 1,155,545                | 242,364                           | 10,950                                 | 14,694                    | 925,834                         | 959  | (186,057)                   | (1,917,580)                                       | 308,956          |

## INTERIM FINANCIAL STATEMENTS

## CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 31 October 2021

|   | <b>2021</b><br><b>RMB'000</b><br><b>(Unaudited)</b> | 2020<br>RMB'000<br>(Unaudited) |
|---|---|--------------------------------|
| <b>Net cash used in operating activities</b>                  | <b>441</b>  | 348                            |
| <b>Net cash (used in)/generated from investing activities</b> | –   | –                              |
| <b>Net cash used in financing activities</b>                  | <b>13,707</b>                                       | 69,270                         |
| <b>Decrease in cash and cash equivalents</b>                  | <b>14,148</b>                                       | 69,618                         |
| Effect of foreign exchange rate changes                       | –   | –                              |
| Cash and cash equivalents at 1 May                            | <b>147,147</b>                                      | 44,690                         |
| <b>Cash and cash equivalents at 31 October</b>                | <b>132,999</b>                                      | 114,308                        |
| <b>Analysis of balances of cash and cash equivalents:</b>     |   |                                |
| Cash and cash equivalents                                     | <b>132,999</b>                                      | 114,308                        |



## INTERIM 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, 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.

## INTERIM FINANCIAL STATEMENTS

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.

## INTERIM 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:

|                                      | <b>2021</b><br><b>RMB'000</b><br><b>(Unaudited)</b> | 2020<br>RMB'000<br>(Unaudited) |
|--------------------------------------|---|--------------------------------|
| Fresh produce and processed products | <b>342,035</b>                                      | 345,985                        |
| Branded food products and others     | <b>26,027</b>                                       | 24,052                         |
|                                      | <b>368,062</b>                                      | 370,037                        |

## INTERIM FINANCIAL STATEMENTS

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

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

### 6. LOSS BEFORE TAXATION

Loss before taxation is stated after charging the followings:

|   | <b>For the six months ended</b> |             |
|---|---------------------------------|-------------|
|   | <b>31 October</b>               |             |
|   | <b>2021</b>                     | 2020        |
|   | <b>RMB'000</b>                  | RMB'000     |
|   | <b>(Unaudited)</b>              | (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       |

## INTERIM FINANCIAL STATEMENTS

### 7. INCOME TAX

|  | For the six months ended<br>31 October |             |
|--|--|-------------|
|  | 2021                                   | 2020        |
|  | 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                                    | –                                      | –           |
| 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).

## INTERIM FINANCIAL STATEMENTS

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

#### (ii) Number of shares

|  | <b>As at</b>       | As at       |
|--|--------------------|-------------|
|  | <b>31 October</b>  | 31 October  |
|  | <b>2021</b>        | 2020        |
|  | <b>(Unaudited)</b> | (Unaudited) |
| Weighted average number of ordinary shares for calculation of basic and diluted loss per share | <b>438,190,044</b> | 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).

## INTERIM FINANCIAL STATEMENTS

### 11. INVESTMENT IN AN ASSOCIATE

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

|  | <b>As at<br/>31 October<br/>2021<br/>RMB'000<br/>(Unaudited)</b> | As at<br>30 April<br>2021<br>RMB'000<br>(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<br>an associate | <b>(251)</b>   | (251)   |
|  | <b>21,825</b>  | 21,825  |
| Impairment loss recognised                             | <b>(21,825)</b>  | (21,825)  |
|  | -  | -   |

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

| Name of entity       | Country of<br>Incorporation/<br>registration | Principal<br>place of<br>business | Proportions of ownership<br>interest held by the Group |                           | Principal activities of the entity<br>and its subsidiaries   |
|----------------------|--|-----------------------------------|--|---------------------------|--|
|                      |  |                                   | As at<br>31 October<br>2021                            | As at<br>30 April<br>2021 |  |
| GFC Holdings Limited | Cayman Islands                               | Hong Kong                         | approximately<br>36%                                   | approximately<br>36%      | Provision of food catering services<br>and operating restaurants, cafes<br>and take-away outlets in Hong<br>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):

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

## INTERIM FINANCIAL STATEMENTS

### 13. TRADE PAYABLES

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

|                             | <b>As at<br/>31 October<br/>2021<br/>RMB'000<br/>(Unaudited)</b> | <b>As at<br/>30 April<br/>2021<br/>RMB'000<br/>(Audited)</b> |
|-----------------------------|--|--|
| 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   |
|                             | <b>14,516</b>  | <b>4,744</b>   |

### 14. BANK BORROWINGS

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



## INTERIM FINANCIAL STATEMENTS

### 15. SHARE CAPITAL

|  | Number<br>of shares<br>'000 | Nominal<br>value<br>HK\$'000 | RMB<br>equivalent<br>RMB'000 |
|--|-----------------------------|------------------------------|------------------------------|
| <b>Authorised:</b>   |                             |                              |                              |
| As at 30 April 2021(audited),<br>1 May 2021 and 31 October<br>2021(unaudited)<br>ordinary shares of HK\$0.2 each | 5,000,000                   | 1,000,000                    | 843,098                      |
| <b>Issued and fully paid:</b>  |                             |                              |                              |
| As at 30 April 2021 (audited) and<br>1 May 2021  | 365,158                     | 73,032                       | 62,247                       |
| Placing of ordinary shares of<br>HK\$0.2 each under general<br>mandate ( <i>Note</i> )                           | 73,032                      | 14,606                       | 13,357                       |
| As at 31 October 2021 (unaudited)  | 438,190                     | 87,638                       | 75,604                       |

*Note:* 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 places 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<br>31 October |                                |
|------------------------------|--|--------------------------------|
|                              | 2021<br>RMB'000<br>(Unaudited)         | 2020<br>RMB'000<br>(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.

## 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:

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

#### 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.

## MANAGEMENT DISCUSSION AND ANALYSIS

### **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.

## MANAGEMENT DISCUSSION AND ANALYSIS

### 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.

## MANAGEMENT DISCUSSION AND ANALYSIS

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.

## MANAGEMENT DISCUSSION AND ANALYSIS

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.

## MANAGEMENT DISCUSSION AND ANALYSIS

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).

## MANAGEMENT DISCUSSION AND ANALYSIS

### 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.



## MANAGEMENT DISCUSSION AND ANALYSIS

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).

## MANAGEMENT DISCUSSION AND ANALYSIS

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.

## MANAGEMENT DISCUSSION AND ANALYSIS

### **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.

## MANAGEMENT DISCUSSION AND ANALYSIS

### 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.

## MANAGEMENT DISCUSSION AND ANALYSIS

### 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.

## MANAGEMENT DISCUSSION AND ANALYSIS

### **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”).

## MANAGEMENT DISCUSSION AND ANALYSIS

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.

## MANAGEMENT DISCUSSION AND ANALYSIS

### 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.

### 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).



## OTHER INFORMATION

### DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS IN SECURITIES

As at 31 October 2021, the interests or short positions of the Directors and chief executives of the Company in the shares, underlying shares and debentures of the Company or any associated corporation (within the meaning of Part XV of the Securities and Futures Ordinance (“SFO”)) which were required to notify the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they are taken or deemed to have under such provisions of the SFO), or which were required, pursuant to section 352 of the SFO, to be entered in the register referred to therein, or which were required, to be notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (“Model Code”) as set out in Appendix 10 to the Rules Governing the Listing of Securities on the Stock Exchange (the “Listing Rules”), are set out below:

#### Interests and short positions in shares, underlying shares and debentures of the Company

(A) Long Positions in the shares of the Company of HK\$0.20 each

| <u>Name of Director</u> | <u>Capacity</u>                    | <u>Number of shares held</u> | <u>Approximate percentage of shareholding in the Company</u> |
|-------------------------|------------------------------------|------------------------------|--|
| Mr. Sun Shao Feng       | Interest of controlled corporation | 18,327,330<br><i>(Note)</i>  | 4.18%  |

*Note:* These 18,327,330 shares are held through Capital Mate Limited, a company incorporated in the British Virgin Islands with limited liability and is an entity controlled by Mr. Sun Shao Feng, an executive Director, the chairman and the chief executive officer of the Company.

## OTHER INFORMATION

- (B) Long Positions in the share options granted under the share option scheme of the Company adopted on 18 October 2013

| <u>Name of Director</u> | <u>Date of grant</u> | <u>Exercise price<br/>per share<br/>option (HK\$)</u> | <u>Exercisable<br/>period</u>            | <u>Outstanding<br/>as at<br/>31 October<br/>2021</u> |
|-------------------------|----------------------|---|--|--|
| Mr. Sun Shao Feng       | 18 January 2018      | 0.64  | 18 January 2018<br>to 17 January<br>2028 | 3,400,000  |
| Mr. Wang Jinhua         | 18 January 2018      | 0.64  | 18 January 2018<br>to 17 January<br>2028 | 3,250,000  |

Save as disclosed above, as at 31 October 2021, none of the Directors, chief executives of the Company or their associates had any interests or short positions in any shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which would have to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO, or which would be required to be recorded in the register to be kept under section 352 of the SFO, or which would be required to be notified to the Company and the Stock Exchange pursuant to the Model Code.

### SHARE OPTION SCHEME

On 18 October 2013, the Company adopted a share option scheme (the “Share Option Scheme”). The purpose of the Share Option Scheme is to enable the Board to grant options to eligible participants including Directors, employees or any participant who has contributed or may contribute to the development and growth of the Group or any entity in which the Group holds any equity interest as incentives or rewards for their contributions to the Group.

At the annual general meeting of the Company held on 12 October 2018, a resolution relating to the refreshment of the mandate limit under the Share Option Scheme (the “Scheme Mandate Limit”) was passed by the shareholders as an ordinary resolution of the Company, whereby the total number of the shares that could be issued upon exercise of all share options that could be granted under the Scheme Mandate Limit was 694,228,507 shares, representing 10% of the issued share capital of the Company as at the date of passing such resolution, which do not include share options that are outstanding, cancelled or lapsed as at the date of passing such resolution, i.e. 694,228,507 shares that may be issued under 694,228,507 outstanding share options granted.

## OTHER INFORMATION

The aforesaid 694,228,507 outstanding share options granted had been adjusted to 34,711,425 share options for the effect of the share consolidation with effect from 30 November 2018, and the Scheme Mandate Limit had been adjusted to 34,711,425 shares for the effect of the share consolidation with effect from 30 November 2018.

Details of the movement in the share options granted under the Share Option Scheme during the six months ended 31 October 2021 are as follows:

| Category of participants | Date of grant of share option | Exercisable Period                 | Exercise price per share option (HK\$) | Outstanding as at 1 May 2021 | Granted/ Exercised/ cancelled during the period | Lapsed during the period | Outstanding as at 31 October 2021 |
|--------------------------|-------------------------------|------------------------------------|--|------------------------------|---|--------------------------|-----------------------------------|
| <b>Directors</b>         |                               |                                    |  |                              |   |                          |                                   |
| Mr. Sun Shao Feng        | 18 January 2018               | 18 January 2018 to 17 January 2028 | 0.64                                   | 3,400,000                    | -   | -                        | 3,400,000                         |
| Mr. Wang Jinhua          | 18 January 2018               | 18 January 2018 to 17 January 2028 | 0.64                                   | 3,250,000                    | -   | -                        | 3,250,000                         |
| Sub-total                |                               |                                    |  | 6,650,000                    | -   | -                        | 6,650,000                         |
| <b>Employees</b>         |                               |                                    |  |                              |   |                          |                                   |
| In aggregate             | 18 January 2018               | 18 January 2018 to 17 January 2028 | 0.64                                   | 28,061,425                   | -   | (3,350,000)              | 24,711,425                        |
| <b>Total</b>             |                               |                                    |  | 34,711,425                   | -   | (3,350,000)              | 31,361,425                        |

## SUBSTANTIAL SHAREHOLDERS AND OTHER PERSONS' INTERESTS IN SECURITIES

As at 31 October 2021, so far as is known to the Directors, the following persons (other than the Directors and chief executives of the Company) had interests or short positions in the shares and underlying shares of the Company which would fall to be disclosed to the Company pursuant to provision of Divisions 2 and 3 of Part XV of the SFO, or as recorded in the register required to be kept under section 336 of the SFO:

## OTHER INFORMATION

## Interests or short positions in shares and underlying shares of the Company

| Name                                       | Capacity                           | Position      | Number of shares held | Number of underlying shares held<br>(Note 2) | Approximate percentage of shareholding in the Company's issued share capital<br>(Note 1) |
|--|------------------------------------|---------------|-----------------------|--|--|
| Convoy Collateral Limited<br>(Note 3)      | Beneficial owner                   | Long position | -                     | 95,000,000                                   | 21.68%   |
| Convoy Global Holdings Limited<br>(Note 3) | Interest of controlled corporation | Long position | -                     | 95,000,000                                   | 21.68%   |

## Notes:

1. The percentage represents the number of shares/underlying shares of the Company over the total number of issued shares as at 31 October 2021 (i.e. 438,190,044 shares).
2. The number of underlying shares of the Company held includes the maximum number of conversion shares to be issued upon full exercise of the Restated Convertible Notes.
3. Based on the respective notice of disclosure of interests of Convoy Global Holdings Limited and Convoy Collateral Limited filed with the Stock Exchange on 21 February 2017, these interests are held by Convoy Collateral Limited, which is wholly-owned by Convoy (BVI) Limited, which is in turn wholly-owned by Convoy Global Holdings Limited. The number of underlying shares held by Convoy Collateral Limited, as the beneficial owner, and Convoy Global Holdings Limited, as the interest of controlled corporation, became 95,000,000 underlying shares respectively after the adjustments as a result of the share consolidation took place on 30 November 2018.

Save as disclosed above, as at 31 October 2021, the Directors were not aware that there was any person (not being a Director or chief executive of the Company) who had, or was deemed to have, interests or short positions in the shares or underlying shares of the Company which would fall to be disclosed to the Company under the provision of Divisions 2 and 3 of Part XV of the SFO, or as recorded in the register kept by the Company pursuant to section 336 of the SFO.

## OTHER INFORMATION

### **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 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.

## OTHER INFORMATION

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.

### **DISCLOSURE PURSUANT TO RULE 13.51B(1) OF THE LISTING RULES**

Pursuant to Rule 13.51B(1) of the Listing Rules, changes in the information of the Directors since the date of the Annual Report 2021 of the Company is set out below:

- Mr. Hu Ji Rong, independent non-executive Director, ceased to be an independent director of Fujian Yongfu Power Engineering Co., Ltd\* (福建永福電力設計股份有限公司) (stock code: 300712) in October 2021, the shares of which are listed on the Shenzhen Stock Exchange.

## OTHER INFORMATION

### AUDIT COMMITTEE

The Company established the audit committee of the Company (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 report, 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.*

*\* For identification purpose only*